

HSBC VEHICLE FINANCE (UK) LIMITED

Financial Statements  
31 December 2011



Registered No. 959366

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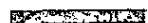
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**Financial Statements**  
**31 December 2011**

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## **Directors' report for the year ended 31 December 2011**



### **Business review**

The main objective of the Company was the provision of contract hire and fleet management services to third parties. On 30<sup>th</sup> June 2008 most of the trade and assets relating to finance lease receivables were disposed of to a third party. With effect from the date of sale the Company's main trading activities ceased but it continued to hold available-for-sale investments together with investments in its subsidiary undertakings. During 2011, the Company sold its freehold land and buildings realising a surplus of £0.2m, disclosed as discontinued operations in the income statement.

The business is funded principally by a parent undertaking through equity investment. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company has no stakeholders other than its parent company.

### **Risk management**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in note 13 of the financial statements.

### **Performance**

The Company's results for the year under review are as detailed in the income statement shown in these accounts.

UK corporation tax rates are being reduced and details of the changes are set out in note 4 to the financial statements.

### **Future developments**

No further changes to the Company's activities are anticipated. It will continue to receive dividend income from its investments in subsidiary undertakings.

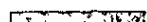
### **Dividends**

The Directors recommend the payment of a dividend of £1,425,265 in respect of the year ended 31 December 2011 (2010: £6,741,464).

### **Going concern basis**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

## Directors' report for the year ended 31 December 2011 (continued)



### Directors

The Directors who served during the year were as follows

Name	Appointed	Resigned
M J Brookes		9 June 2011
M J Russell-Brown		
N P Quinn		31 March 2011
A T Rigby	9 June 2011	
G P Hewitt	11 August 2011	

On 22 May 2012 R F Carver was appointed as a Director of the Company and A T Rigby resigned as a Director of the Company

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors

### Supplier payment policy

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

During the year, the Company only received goods and services from group undertakings. Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

### Disclosure of information to auditor

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

**Directors' report for the year ended  
31 December 2011 (continued)**

**Statement of Directors' responsibilities in respect of the Directors' report and financial statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

G P Hewitt  
Director



Registered Office  
8 Canada Square  
London  
E14 5HQ

Date 23 August 2012

## **Independent Auditor's Report to the Members of HSBC Vehicle Finance (UK) Limited**

We have audited the financial statements of HSBC Vehicle Finance (UK) Limited for the year ended 31 December 2011 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Clark (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
One Snowhill,  
Snow Hill Queensway  
Birmingham,  
B4 6GH

23 August 2012

## Financial Statements

### Income statement for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Continuing operations</b>			
Income from shares in subsidiary undertakings		1,220	300
<b>Profit before tax</b>	3	1,220	300
Tax expense	4	(1)	-
<b>Profit for the year</b>		1,219	300
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	5	206	6,441
<b>Profit for the year</b>		1,425	6,741

There were no acquisitions during the year

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements

### Statement of comprehensive income for the year ended 31 December 2011

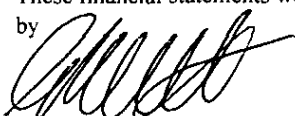
	2011 £'000	2010 £'000
Profit for the year	1,425	6,741
<b>Other comprehensive income/(expense)</b>		
Available-for-sale investments		
- Fair value gains	-	151
- Fair value gains transferred to income statement on disposal	-	(318)
- Income taxes	-	47
Other comprehensive expense for the year, net of tax	-	(120)
<b>Total comprehensive income for the year attributable to the shareholders</b>	<b>1,425</b>	<b>6,621</b>

**Financial Statements (continued)****Statement of financial position as at 31 December 2011**

	<i>Notes</i>	2011 £'000	2010 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	10	15
Investments in subsidiary undertakings	7	1,279	1,279
		<u>1,289</u>	<u>1,294</u>
<b>Current assets</b>			
Available-for-sale investments	8	14	14
Receivables	9	389	7,170
Assets held for sale		-	805
		<u>403</u>	<u>7,989</u>
Total assets		<u>1,692</u>	<u>9,283</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current tax liabilities		1	2,276
Total liabilities		<u>1</u>	<u>2,276</u>
<b>Equity</b>			
Called up share capital	11	100	100
Available-for-sale fair value reserve		9	9
Retained earnings		1,582	6,898
Total shareholders' equity		<u>1,691</u>	<u>7,007</u>
Total equity and liabilities		<u>1,692</u>	<u>9,283</u>

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 23 August 2012 and were signed on its behalf by



G P Hewitt  
Director  
Company Registration No 959366



**Financial Statements (continued)****Statement of cash flows for the year ended 31 December 2011**

	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,426	9,016
Adjustments for		
– Profit on disposal of assets held for sale	(206)	-
– Depreciation charge	5	12
– Impairment release on property, plant and equipment	-	(165)
– Change in operating assets	545	(519)
– Change in operating liabilities	-	(67)
– Tax paid	(2,277)	(249)
– Investing activities	(1,220)	(737)
Net cash generated from operating activities	(1,727)	7,291
<b>Cash flows from investing activities</b>		
Proceeds from sale of financial investments	1,011	426
Dividends received	1,220	417
Net cash from investing activities	2,231	843
<b>Cash flows from financing activities</b>		
Received from/(paid to) parent undertakings in respect of other financing activities	6,237	(7,513)
Dividends paid	(6,741)	(621)
Net cash from financing activities	(504)	(8,134)
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

Net cash flows attributable to discontinued operations included in the cash flow statement comprise

	2011 £'000	2010 £'000
Net cash from operating activities	-	7,291
Net cash from investing activities	1,011	544
Net cash from financing activities	-	(7,835)
Net increase in cash and cash equivalents	1,011	-

Further details in respect of amounts attributable to discontinued operations are disclosed in Note 5 to the accounts

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements

**Financial Statements (continued)****Statement of changes in equity for the year ended 31 December 2011**

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000
<b>2011</b>				
At 1 January 2011	100	6,898	9	7,007
Profit for the year	-	1,425	-	1,425
Other comprehensive income (net of tax)	-	-	-	-
Available-for-sale investments	-	-	-	-
Total comprehensive income/(expense) for the year	-	1,425	-	1,425
Dividends to shareholders	-	(6,741)	-	(6,741)
At 31 December 2011	100	1,582	9	1,691

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000
<b>2010</b>				
At 1 January 2010	100	778	129	1,007
Profit for the year	-	6,741	-	6,741
Other comprehensive income (net of tax)	-	-	-	-
Available-for-sale investments	-	-	(120)	(120)
Total comprehensive income/(expense) for the year	-	6,741	(120)	6,621
Dividends to shareholders	-	(621)	-	(621)
At 31 December 2010	100	6,898	9	7,007

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements

Shareholders' equity is wholly attributable to equity shareholders

## Notes on the Financial Statements

**2010-2011**

### 1 Basis of preparation

#### (a) Compliance with International Financial Reporting Standards

The financial statements are presented in sterling and have been prepared on the historical cost basis

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2011, there were no unendorsed standards effective for the year ended 31 December 2011 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2011 are prepared in accordance with IFRSs as issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

During the year, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements.

The Company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

#### (b) Future accounting developments

At 31 December 2011, a number of standards, interpretations and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2011. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

No other standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the Company when adopted.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise.

#### (c) General information

HSBC Vehicle Finance (UK) Limited is a company domiciled and incorporated in England and Wales.

### 2 Summary of significant accounting policies

#### (a) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period.

## Notes on the Financial Statements (continued)

### (b) Dividend income

Dividend income from investments is recognised when the right to receive payment is established

### (c) Property, plant and equipment

Land and buildings are stated at fair value at the date of transition to IFRSs ('deemed cost'), less any impairment losses and depreciation calculated to write off the assets over their estimated useful lives as follows

- freehold land is not depreciated, and
- buildings are depreciated at the greater of two per cent per annum on a straight-line basis or over their remaining useful lives and
- leasehold buildings are depreciated over the shorter of the unexpired terms of the leases, or over their remaining useful lives

No depreciation is charged in respect of assets held for sale

### (d) Subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost less any impairment losses. Any impairment loss recognised in prior periods shall be reversed through the income statement if, and only if, there has been a change in the estimates used to determine the investment in subsidiary's recoverable amount since the last impairment loss was recognised.

### (e) Financial assets and liabilities - Available-for-sale investments

Available-for-sale investments are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value and changes therein are recognised in other comprehensive income in 'Available-for-sale investments - fair value gains/(losses)' until the investments are either sold or impaired. When available-for-sale investments are sold, cumulative gains or losses previously recognised in equity are recognised in the income statement.

### (f) Impairment of financial assets

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

Financial assets are written off to the extent that there is no realistic prospect of recovery.

### (g) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter Company transactions are shown under the heading of Financing activities. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

### (h) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

**Notes on the Financial Statements (continued)****(i) Determination of fair value**

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

**(j) Use of assumptions and estimates**

When preparing the financial statements, it is the Directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

The accounting policy that is deemed critical to the Company's IFRS results and financial position, in terms of the materiality of the items to which the policy is applied, or which involves a high degree of judgement and estimation, is:

**Impairment of investments**

The Company's accounting policy for impairment in relation to investments in subsidiary undertakings is described in Note 2(d). Impairment is calculated on the basis of discounted estimated future cash flows.

**3 Profit before tax**

	2011 £'000	2010 £'000
Profit before tax is stated after charging/(crediting)		
Depreciation	5	12
Impairment release on property, plant and equipment	-	(165)
Management charge receivable	(5)	(5)

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation.

The Company has no employees and hence no staff costs (2010: £Nil). The Directors made no charge for their services (2010: £Nil).

## Notes on the Financial Statements (continued)

## 4 Tax expense

	Notes	2011 £'000	2010 £'000
<b>Current tax</b>			
UK Corporation tax			
– on current year profit		1	2,276
Total current tax		1	2,276
<b>Deferred tax</b>			
Origination and reversal of temporary differences		-	-
Total deferred tax	10	-	-
Tax expense		1	2,276

The UK corporation tax rate applying to the Company was 26.5 per cent (2010: 28 per cent)

The following table reconciles the tax expense

	2011 £'000	2010 £'000
Profit before tax		
Continuing operations	1,220	300
Discontinued operations	206	8,716
	1,426	9,016

	2011 £'000	Percentage of overall profit before tax %	2010 £'000	Percentage of overall profit before tax %
Taxation at UK corporation tax rate of 26.5% (2010: 28%)	378	26.5%	2,525	28.0%
Amounts not deductible for tax purposes	2	0.1%	(43)	(0.5)%
Gains not subject to tax	(55)	(3.8)%	-	-
Non-taxable income	(324)	(22.7)%	(206)	(2.3)%
Overall tax expense	1	0.1%	2,276	25.2%

The reconciliation of tax expense to the income statement is detailed below

	2011 £'000	2010 £'000
Continuing operations	1	-
Discontinued Operations	-	2,276
	1	2,276

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2011 will reduce from 28% to 26%, to be followed by further reductions to reach 22% for the year beginning 1 April 2014. This results in a weighted average rate of 26.5% for 2011 (2010: 28%).

## Notes on the Financial Statements (continued)

**5 Revenue and expenditure**

	2011 £'000	2010 £'000
Revenue comprises of		
Discontinued operations	206	8,120
	<u>206</u>	<u>8,120</u>

Revenue and expenses attributable to discontinued operations comprise

	Notes	2011 £'000	2010 £'000
<b>Revenue</b>			
Other income		-	8,120
Gain on disposal of Available-for-sale Investments		206	319
Dividend income		-	117
		<u>206</u>	<u>8,556</u>
Administrative income/(expense)		-	160
<b>Profit before tax</b>	3	<u>206</u>	<u>8,716</u>
Tax expense	4	-	(2,275)
<b>Profit for the year</b>		<u>206</u>	<u>6,441</u>

**6 Property, plant and equipment**

	Freehold land & buildings £'000	Short leasehold land & buildings £'000	Total £'000
<b>2011</b>			
<b>Cost</b>			
At 1 January 2011	-	115	115
At 31 December 2011	-	115	115
<b>Accumulated depreciation and impairment</b>			
At 1 January 2011	-	100	100
Depreciation charge for the year	-	5	5
At 31 December 2011	-	105	105
Net carrying amount 31 December 2011	-	10	10
<b>2010</b>			
<b>Cost</b>			
At 1 January 2010	857	115	972
Reclassified to held for sale	(857)	-	(857)
At 31 December 2010	-	115	115
<b>Accumulated depreciation and impairment</b>			
At 1 January 2010	211	94	305
Depreciation charge for the year	6	6	12
Movement in impairment provisions	(165)	-	(165)
Reclassified to held for sale	(52)	-	(52)
At 31 December 2010	-	100	100
Net carrying amount 31 December 2010	-	15	15

## Notes on the Financial Statements (continued)

## 7 Investments in subsidiary undertakings

	2011 £'000	2010 £'000
<b>Cost</b>		
At 1 January	2,681	2,681
At 31 December	2,681	2,681
<b>Provision for impairment</b>		
At 1 January	(1,402)	(1,402)
At 31 December	(1,402)	(1,402)
Net carrying amount 1 January	1,279	1,279
Net carrying amount 31 December	1,279	1,279

The 2010 cost and provision for impairment numbers have been re-stated to correctly reflect the earlier disposal of two subsidiary undertakings. Both the cost and provision numbers are £6,253,000 lower than previously reported, hence there is no impact on the net carrying amount disclosed.

The principal subsidiary undertakings of the Company at the end of the reporting period were

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2011	Ownership Percentage 2010
Central Garage (Croydon) Limited	Ordinary Shares	UK	Non trading company	100%	100%
Assetfinance September (F) Limited	Ordinary Shares	UK	Leasing and related services	100%	100%
Crown Vehicle Contracts plc	Ordinary Shares	UK	Leasing and related services	100%	100%
Assetfinance June (A) Limited	Ordinary Shares	UK	Leasing and related services	100%	100%
Swan National Leasing (Commercials) Limited	Ordinary Shares	UK	Leasing and related services	100%	100%
Motolease Limited	Ordinary Shares	UK	Leasing and related services	100%	100%
HSBC Vehicle Services (UK) Limited	Ordinary Shares	UK	Non trading company	100%	100%

## 8 Financial investments

Available-for-sale investments	2011 £'000	2010 £'000
At 1 January	14	289
Revaluation through other comprehensive income	-	151
Disposals	-	(426)
At 31 December	14	14

## 9 Receivables

	2011 £'000	2010 £'000
Amounts owed by parent undertakings	389	6,626
Other debtors	-	544
	389	7,170

Amounts owed by parent undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.



**Notes on the Financial Statements (continued)****10 Deferred tax liabilities**

	2011 £'000	2010 £'000
<b>Available-for-sale investments</b>		
At 1 January	-	47
Income statement charge	-	-
Other comprehensive income – available-for-sale investments	-	(47)
At 31 December	-	-

**11 Share capital**

	2011 £'000	2010 £'000
<b>Allotted, called up and fully paid</b>		
100,000 Ordinary shares of £1 each	100	100

**12 Fair value of financial assets and liabilities**

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2010 and 31 December 2011

**13 Risk Management**

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

The Company participates in transactions to which other HSBC Group companies are also party. The HSBC business in which these companies reside (the 'Business') has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company's approach to risk management during the year.

**Credit risk management**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from finance lease receivables and amounts owed by group undertakings.

The Business manages credit risk for this entity as described above for risks generally.

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and a portfolio basis. The Directors are responsible for the quality of the credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings.

**Notes on the Financial Statements (continued)**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position

**Movement in allowance accounts for total loans and advances**

	2011 Individually assessed £'000	2011 Collectively assessed £'000	2010 Individually assessed £'000	2010 Collectively assessed £'000
At 1 January	-	-	-	-
Amounts written off	-	-	-	-
Recoveries of amounts written off in previous years	-	-	3	-
Credit to income statement	-	-	(3)	-
At 31 December	-	-	-	-

**Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

The present status of the Company means it is not currently exposed to liquidity risk.

**Market risk management**

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will affect the Company's income. The Company is not exposed to interest rate risk or foreign exchange risk on its financial assets or financial liabilities.

**14 Related-party transactions**

The Company has a related party relationship with its parent, with other group undertakings and with its directors.

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements.

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings Plc, and the parent undertaking of the smallest such group is HSBC Bank plc. The immediate holding Company is HSBC Asset Finance (UK) Limited. The result of the Company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

HSBC Holdings plc  
8 Canada Square  
London  
E14 5HQ

**Notes on the Financial Statements (continued)****15 Operating lease commitments**

Future minimum operating lease payments payable in respect of land and buildings

	2011 £'000	2010 £'000
No later than one year	187	187
Later than one year and no later than five years	562	748
	749	935

**16 Capital management**

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis

The Company defines capital as total shareholders' equity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

**17 Contingent liabilities**

There were no contingent liabilities at 31 December 2011 (2010: £Nil)

**18 Subsequent events**

There are no subsequent events requiring disclosure in the financial statements