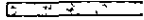


ASSETFINANCE JUNE (E) LIMITED

**Financial Statements**  
**31 December 2013**



**Registered No: 1098175**



HSBC 

**Financial Statements**  
**31 December 2013**

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## **Strategic Report for the year ended 31 December 2013**



### **Review of the Company's business**

The Company's principal activity is to lease assets to third party lessees for an agreed term under finance lease arrangements. No change in the Company's activities is anticipated.

During the period the Company continued to manage the leasing transactions written in previous years.

During 2012 the Company changed its accounting reference date from 30 June to 31 December.

On 21 December 2012 the Company disposed of 95% of its future finance lease receivables on an arm's length basis to another group undertaking, HSBC Asset Finance (UK) Limited, realising a pre tax loss of £5,050,982. The Company received group relief in connection with the transaction for which no consideration was required to be paid.

Where relevant, other group undertakings, HSBC Asset Finance (UK) Limited and HSBC Equipment Finance (UK) Limited, can provide agency services to the Company. An appropriate management fee is charged accordingly. The services provided can include seeking new business, negotiating and agreeing terms and arranging the execution of all lease documents on behalf of the Company, as well as maintaining accurate accounting and other records such as borrowing funds and settlement of all invoices relating to the services.

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

### **Financial Performance**

The Company's results for the period 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 notes 6 and 9 to the financial statements.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows in comparison with the planned cash flows determined at the inception of the lease transactions. Its performance is also measured by reference to its net income as a percentage of the net investment in finance leases less related tax balances (deferred and current tax). Monthly management accounts are prepared and reviewed by the management of the HSBC Business in which this Company resides.

### **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.

Signed on behalf of the Board

  
J Subramaniyan  
Director

Dated 18 June 2014

Registered Office  
8 Canada Square  
London  
E14 5HQ

## Directors' Report for the year ended 31 December 2013

### Directors

The Directors who served during the year were as follows

Name	Appointed	Resigned
R L H Bencard		
G Owen-Conway		
D R Turner		20 June 2013
J R Kent		
D J Cavanna	24 July 2013	
J Subramanayan	18 March 2013	
F A Barker		13 March 2013

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 period but have not been utilised by the Directors

### Dividends

During the year an interim dividend of £2,325,000 was paid, being £23,250 per share. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2013 (Period ended 31 December 2012 £Nil). Dividend payments are recognised in the financial statements in the period in which they are paid.

### Significant events since the end of the financial year

No important events affecting the Company have occurred since the end of the financial year.

### Future developments

No change in the Company's activities is expected.

### 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.

### Disclosure of information to the 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 2013 (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and financial statements**

The Directors are responsible for preparing the Strategic Report, 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 period. 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.

By order of the Board



T Bhambhra  
Secretary

Dated 18 June 2014

Registered Office  
8 Canada Square  
London  
E14 5HQ

## **Independent Auditor's Report to the Members of Assetfinance June (E) Limited**

We have audited the financial statements of Assetfinance June (E) Limited for the year ended 31 December 2013 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2013 and of its loss 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.

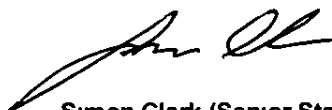
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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

Date 18 June 2014

## Financial Statements

### Income statement for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £	Period 1 July 2012 to 31 December 2012 £
<b>Revenue</b>			
Finance lease expense		(14,639)	(9,110)
Loss on disposal of finance lease rentals	3	-	(5,050,982)
		<u>(14,639)</u>	<u>(5,060,092)</u>
<b>Finance income/(costs)</b>			
Interest income	4	4,337	-
Interest expense	4	<u>(1,064)</u>	<u>(55,878)</u>
		<u>(11,366)</u>	<u>(5,115,970)</u>
Administrative expenses	5	<u>(252)</u>	<u>(4,923)</u>
<b>Loss before tax</b>		<u>(11,618)</u>	<u>(5,120,893)</u>
Tax (expense)/credit	6	<u>(37,951)</u>	<u>8,051,013</u>
<b>(Loss)/profit for the year</b>		<u><u>(49,569)</u></u>	<u><u>2,930,120</u></u>

There were no acquisitions, discontinued or discontinuing operations 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 2013

There has been no comprehensive income or expense other than the loss for the year as shown above  
(Period ended 31 December 2012 £Nil)

**Financial Statements (continued)****Statement of financial position as at 31 December 2013**

	Notes	2013 £	2012 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets	9	<u>323,106</u>	336,185
		<b>323,106</b>	<b>336,185</b>
<b>Current assets</b>			
Finance lease receivables	7	<u>1,457,980</u>	1,572,542
Receivables	8	<u>-</u>	2,325,002
		<b>1,457,980</b>	<b>3,897,544</b>
Total assets		<u><b>1,781,086</b></u>	<u><b>4,233,729</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Payables	10	<u>394,646</u>	-
Current tax liabilities		<u>24,872</u>	497,592
Total liabilities		<u><b>419,518</b></u>	<u><b>497,592</b></u>
<b>Equity</b>			
Called up share capital	11	<u>100</u>	100
Retained earnings		<u>1,361,468</u>	3,736,037
Total shareholders' equity		<u><b>1,361,568</b></u>	<u><b>3,736,137</b></u>
Total equity and liabilities		<u><b>1,781,086</b></u>	<u><b>4,233,729</b></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 18 June 2014 and were signed on its behalf by

  
J Subramaniyan  
Director

Company Registration No 1098175

**Financial Statements (continued)****Statement of cash flows for the year ended 31 December 2013**

	<b>Year ended 31 December 2013</b>	<b>Period 1 July 2012 to 31 December 2012</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(11,618)	(5,120,893)
Adjustments for		
– Change in finance lease receivables	114,562	29,878,491
– Tax (paid)/received	(497,592)	-
Net cash (used in)/generated from operating activities	(394,648)	24,757,598
<b>Cash flows from financing activities</b>		
Received from/(paid to) parent undertakings in respect of other financing activities	2,719,648	(24,757,598)
Dividends paid	(2,325,000)	-
Net cash generated from/(used in) financing activities	394,648	(24,757,598)
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

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 2013**

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
<b>31 December 2013</b>			
At 1 January 2013	100	3,736,037	3,736,137
Loss for the year	-	(49,569)	(49,569)
Total comprehensive (expense) for the year	-	(49,569)	(49,569)
Dividends to shareholders	-	(2,325,000)	(2,325,000)
At 31 December 2013	100	1,361,468	1,361,568

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
<b>31 December 2012</b>			
At 1 July 2012	100	805,917	806,017
Total comprehensive income for the period	-	2,930,120	2,930,120
At 31 December 2012	100	3,736,037	3,736,137

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

### 1 Basis of preparation

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#### (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 2013, there were no unendorsed standards effective for the period ended 31 December 2013 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 period ended 31 December 2013 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 period, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements

#### (b) Future accounting developments

At 31 December 2013, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2013 None of these is 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

#### (c) General information

Assetfinance June (E) Limited is a company domiciled and incorporated in England and Wales

## Notes on the Financial Statements (continued)

### 2 Summary of significant accounting policies

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

#### (a) Finance leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of the assets, but not necessarily legal title, are classified as finance leases. They are recorded at an amount equal to the net investment in the lease less any impairment provisions, within finance lease receivables

The net investment in finance leases represents the sum of the minimum payments receivable (gross investment in the lease) discounted at the rate of interest implicit in the lease. The difference between the gross investment in the lease and the net investment in the lease is recorded as unearned finance income

Income from finance leases is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases

Initial direct costs incurred in arranging the lease, less any fee income related to the lease, are included in the initial measurement of the net investment

The fair value of finance lease receivables is calculated by discounting future minimum lease receivables, using appropriate current interest rates

#### (b) Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of financial asset or a financial liability and of allocating the interest income or expense over the relevant period

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts

#### (c) 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 period, 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 periods. 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)

### (d) Financial assets and liabilities

#### (i) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

#### (ii) Financial liabilities

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

A group undertaking acts as a treasury function, providing funding for the Company through an inter-company current account.

### (e) Impairment of financial assets

Financial assets, other than those at fair value through the profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the asset the estimated future cash flows of the asset have been impacted.

The Company considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter into bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as economic conditions that correlate with defaults in the group.

### (f) 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.

### (g) 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 paid.

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

There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation

**3 Disposal of interests in finance lease rentals**

On 21 December 2012 the Company disposed of 95% of its future finance lease receivables on an arm's length basis to another group undertaking, HSBC Asset Finance (UK) Limited, realising a pre tax loss of £5,050,982. The Company received group relief in connection with the transaction for which no consideration was required to be paid

**4 Finance income / (costs)**

	Year ended 31 December 2013 £	Period 1 July 2012 to 31 December 2012 £
<i>Finance income</i>		
Interest income from parent undertakings	4,337	-
	<u>4,337</u>	<u>-</u>
<i>Finance costs</i>		
Interest expense charged by parent undertakings	(1,064)	(55,878)
	<u>(1,064)</u>	<u>(55,878)</u>

**5 Administrative expenses**

Administrative expenses include £252 (Period ended 31 December 2012 £4,923) in respect of group management charges payable to a parent undertaking

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the loss before taxation (Period ended 31 December 2012 £Nil)

The Company has no employees and hence no staff costs (Period ended 31 December 2012 £Nil). The Directors made no charge for their services

**6 Tax (expense)/ credit**

	Notes	Year ended 31 December 2013 £	Period 1 July 2012 to 31 December 2012 £
<b>Current tax</b>			
UK Corporation tax			
- for this year		24,872	-
Total current tax		<u>24,872</u>	<u>-</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	9	13,079	(8,051,013)
Tax charged/(credited) to the income statement		<u>37,951</u>	<u>(8,051,013)</u>

The UK corporation tax rate applying to the Company was 23.25 per cent (2012 24.0 per cent)

## Notes on the Financial Statements (continued)

The following table reconciles the tax charge/(credit)

	Year ended 31 December 2013	Percentage of overall profit before tax	Period 1 July 2012 to 31 December 2012	Percentage of overall profit before tax
	£	%	£	%
Taxation at UK corporation tax rate of 23.25% (Period ended 31 December 2012 24.0%)	(2,701)	23.2%	(1,229,014)	24.0%
Tax loss received for no consideration	-	-	(6,835,398)	133.5%
Changes in tax rates	40,652	(349.9)%	13,399	(0.3)%
<b>Tax charged/(credited) to the income statement</b>	<b>37,951</b>	<b>(326.7)%</b>	<b>(8,051,013)</b>	<b>157.2%</b>

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2013 will reduce from 24% to 23% to be followed by a further 2% reduction to 21% for the year beginning 1 April 2014 and a further 1% reduction to 20% for the year beginning 1 April 2015. The reduction in the corporation tax rate to 23% was enacted through the 2012 Finance Act and this results in a weighted average rate of 23.25% for 2013 (Period ended 31 December 2012 24.0%). The reductions to 21% and 20% announced in the 2012 Autumn Statement and 2013 Budget respectively became enacted through the 2013 Finance Act on 17 July 2013.

## 7 Finance lease receivables

	2013 £	2012 £
<b>Gross investment in finance leases</b>		
Amounts falling due		
No later than one year	130,763	179,586
Later than one year and no later than five years	701,065	718,342
Later than five years	1,209,901	1,436,684
<b>Gross investment in finance leases</b>	<b>2,041,729</b>	<b>2,334,612</b>
Unearned finance income	(583,749)	(762,070)
<b>Net investment in finance leases less provisions</b>	<b>1,457,980</b>	<b>1,572,542</b>
<b>Amortisation of finance lease receivables</b>		
Amounts falling due		
No later than one year	28,558	21,931
Later than one year and no later than five years	417,352	400,306
Later than five years	1,012,070	1,150,305
<b>Present value of minimum lease receivables</b>	<b>1,457,980</b>	<b>1,572,542</b>
Fair value of amounts receivable under finance leases	1,205,000	1,300,000
Contingent rents payable in respect of interest variation included in revenue	(79,141)	(734,520)
<b>Aggregate finance lease rentals receivable in the period</b>	<b>101,329</b>	<b>1,010,990</b>

The fair value of finance lease receivables is calculated by discounting future minimum lease receivables using appropriate current interest rates.

On 21 December 2012 the Company disposed of 95% of its future finance lease receivables on an arm's length basis to another group undertaking, HSBC Asset Finance (UK) Limited. Further details are provided in note 3.

## Notes on the Financial Statements (continued)

### 8 Receivables

	2013	2012
	£	£
Amounts due from parent undertakings	-	2,325,002
	-	2,325,002

Amounts due from parent undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as loans and receivables, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value. Amounts due from parent undertakings represent an inter-company current account.

### 9 Deferred tax

	Year ended 31 December 2013	Period 1 July 2012 to 31 December 2012
	£	£
Leasing transactions temporary differences		
At 1 January	(336,185)	7,714,828
Income statement expense /(credit)	13,079	(8,051,013)
At 31 December	(323,106)	(336,185)

Leasing transactions temporary differences relate principally to accelerated capital allowances and depreciation.

A deferred tax asset of £323,106 is recognised in respect of leasing transaction temporary differences. The related tax benefit is expected to be realised through the offset of losses with future taxable profits within the UK group.

In the financial statements for the period ending 31 December 2013, deferred tax has been calculated at the corporation tax rates applicable to the financial years in which it is expected that the assets will be realised or the liabilities settled, being 21.5% for the year ending 31 December 2014, 20.25% for the year ended 31 December 2015 and 20% thereafter. The effect of the reduction in the UK corporation tax rate is a one-off reduction in the recognised deferred tax asset of £40,652.

### 10 Payables

	2013	2012
	£	£
Amounts due to parent undertakings	394,646	-
	394,646	-

Amounts due to parent undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value. Amounts due to parent undertakings represent an inter-company account.

### 11 Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
	100	100

## Notes on the Financial Statements (continued)

### 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 2013 and 31 December 2012

### 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, investment 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

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

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

No collateral is held in respect of finance lease receivables, although as title to the underlying assets remains with the lessor, these assets would be recoverable in case of default

There are no amounts classified as past due, as all finance lease receivables are paid to the Company from a parent undertaking treasury function on the due dates until considered not collectable Any amounts that are past due are reflected in the financial statements of that parent undertaking

The credit risk of amounts due from parent undertakings is minimised because such parent undertakings are wholly owned subsidiaries of HSBC Holdings plc, and are part of the Business described above Such counterparties have no history of default and have been able to meet their liabilities as they fall due On this basis the Company considers the amounts due to be fully recoverable

## Notes on the Financial Statements (continued)

### 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 Business manages liquidity risk for this entity as described above for risks generally.

The Company's assets net of deferred tax, are funded principally by a parent undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand.

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of the reporting period.

	Carrying value	Contractual cash flows	On Demand
	£	£	£
<b>31 December 2013</b>			
Amounts due to parent undertakings	394,646	394,646	394,646
	<b>394,646</b>	<b>394,646</b>	<b>394,646</b>
<b>31 December 2012</b>			
Amounts due to parent undertakings	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

### Market risk management

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

The Company's finance leases are "interest variable". This means that contingent rents will be receivable/payable in relation to money variation when there is a change in the interest rate. Such rents are determined by reference to the Company's net cash investment (being net investment less related tax balances) in the finance lease. Prior to the disposal of future lease rentals on 21 December 2012, this investment was funded by the Company's corresponding borrowings which also carried a variable rate of interest. The consideration received from the disposal of future lease rentals reduced the inter-company funding balance and from this date interest is charged on amounts due to/ from parent undertakings at Bank of England base rate.

#### *Sensitivity analysis interest rate risk*

The Company is exposed to interest rate risk on its finance lease receivables which are based on LIBOR and on its receivables and payables which are based on Bank of England base rate. The table below sets out the effect on the future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the reporting date (floored to 0%). The analysis assumes that all other variables remain constant and is performed on the same basis as 2012.

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

	Profit or loss 100 bps Increase £	Profit or loss 100 bps decrease £
<b>At 31 December 2013</b>		
Financial assets		
Financial lease receivables	11,454	(5,996)
Financial liabilities		
Payables	(3,946)	1,973
Total increase/(decrease)	<u>7,508</u>	<u>(4,023)</u>
<b>At 31 December 2012</b>		
Financial assets		
Financial lease receivables	12,177	(6,271)
Receivables	23,250	(11,625)
Financial liabilities		
Payables	-	-
Total increase/(decrease)	<u>35,427</u>	<u>(17,896)</u>

**14 Related-party transactions**

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

On 21 December 2012 the Company disposed of 95% of its future finance lease receivables on an arm's length basis to another group undertaking, HSBC Asset Finance (UK) Limited. Further details are provided in note 3.

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 Assetfinance 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

**15 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.

**16 Contingent liabilities**

There were no contingent liabilities at 31 December 2013 (2012: £Nil).

**17 Subsequent events**

There are no subsequent events requiring disclosure in the financial statements.