**ASSETFINANCE MARCH (D) LIMITED**
Registered No: 1524344

**Financial Statements for the year ended 31 March 2016**



HSBC

**Contents**

**Review of the Company's business**

The principal activity of Assetfinance March (D) Limited (the "Company") is to lease assets to third party lessees for an agreed term under finance lease and operating lease arrangements. No change in the Company's activities is anticipated.

During the year the Company wrote new business and continued to manage the leasing transactions written in previous years.

As at 31 March 2016, all finance leases were in their secondary periods and hence had no value on the Statement of financial postion.

Where relevant, other group undertakings, HSBC Asset Finance (UK) Limited and HSBC Equipment Finance (UK) Limited, provide agency services to the Company. An appropriate management fee is charged accordingly. The services provided 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 another group undertaking through borrowing. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company's principal stakeholder is its parent Company.

**Financial Performance**

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

UK corporation tax rates are being reduced and details of the changes are set out in notes 5 and 9 to the financial statements.

**Key performance indicators**

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of performance of the Company is carried out by comparing actual performance against annually set budgets.

**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 14 of the financial statements.

Signed on behalf of the Board

Mark Harris
Director

Dated: 13 December 2016

Registered Office
8 Canada Square
London
E14 5HQ

### Directors

The Directors who served during the year were as follows:

| Name | Appointed | Resigned |
|---|---|---|
| M J Russell-Brown | | 2 June 2015 |
| G Owen-Conway | | |
| R Lelong | 19 June 2015 | 30 September 2015 |
| B Bulford | 19 June 2015 | |
| M Harris | 2 December 2015 | |
| N Subramanian | 2 December 2015 | |

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. All Directors have the benefit of directors' and officers' liability insurance.

### Dividends

An interim dividend of £257,388 was paid on the ordinary share capital during the year. The Directors intend to declare a further dividend of £1,078,358 in respect of the year ended 31 March 2016, payable in the year ending 31 March 2017.

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

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union at a date in the future to be agreed. As a result, general market conditions are expected to slow in the short to medium term and consequently future business growth may be lower than previously planned. However it is too early to reliably quantify any future impact on the Company at this point in time. This is not expected to have any effect on the Company's ability to trade as a going concern.

No other 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.

### Financial 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

### 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**

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, PricewaterhouseCoopers LLP was appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

**Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the page 6, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and the financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Company's financial statements on the same basis.

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 judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that 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.

The Directors 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

Mark Harris
Director

Dated: 13 December 2016

Registered Office
8 Canada Square
London
E14 5HQ

## Independent Auditors' Report to the Members of Assetfinance March (D) Limited

### Report on the financial statements

*Our opinion*

In our opinion, Assetfinance March (D) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profits and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

*What we have audited*

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

### Other matters on which we are required to report by exception

*Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

*Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the directors*

As explained more fully in the Statement of Directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

*What an audit of financial statements involves*

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Batty

Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date: 16 December 2016

## Income statement for the year ended 31 March 2016

| | Notes | 2016 £ | 2015 £ |
|---|---|---|---|
| **Revenue** | | | |
| Finance lease income | | 87,151 | 131,784 |
| Operating lease income | | 2,167,210 | 977,997 |
| | | 2,254,361 | 1,109,781 |
| Cost of sales | | (1,697,520) | (789,213) |
| | | 556,841 | 320,568 |
| **Finance costs** | | | |
| *Interest expense* | 3 | (150,522) | (81,781) |
| | | 406,319 | 238,787 |
| Impairment (charge)/credit | | (6,771) | 2,000 |
| Administrative expenses | 4 | (66,470) | (36,667) |
| **Profit before tax** | | 333,078 | 204,120 |
| Tax credit/(expense) | 5 | 745,280 | (30,723) |
| **Profit for the year** | | 1,078,358 | 173,397 |

There were no acquisitions, discontinued or discontinuing operations during the year.

The accounting policies and notes on pages 11 to 19 form an integral part of these financial statements.

## Statement of comprehensive income for the year ended 31 March 2016

There has been no comprehensive income or expense other than the profit for the year as shown above (2015: £Nil)

### Statement of financial position as at 31 March 2016

| | Notes | 2016 £ | 2015 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 21,027,165 | 10,651,752 |
| | | 21,027,165 | 10,651,752 |
| **Current assets** | | | |
| Finance lease receivables | 7 | - | 6,325 |
| Receivables | 8 | 2,255,355 | 1,339,230 |
| Current tax assets | | 518,745 | 199,334 |
| | | 2,774,100 | 1,544,889 |
| Total assets | | 23,801,265 | 12,196,641 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Other liabilities | 10 | 22,229,582 | 11,375,394 |
| Accruals and deferred income | | 477,007 | 321,006 |
| | | 22,706,589 | 11,696,400 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 9 | 16,316 | 242,851 |
| Total liabilities | | 22,722,905 | 11,939,251 |
| **Equity** | | | |
| Called up share capital | 11 | 2 | 2 |
| Retained earnings | | 1,078,358 | 257,388 |
| Total equity | | 1,078,360 | 257,390 |
| Total equity and liabilities | | 23,801,265 | 12,196,641 |

The accounting policies and notes on pages 11 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 12 December 2016 and were signed on its behalf by:

Mark Harris
Director
Company Registration No: 1524344

## Statement of cash flows for the year ended 31 March 2016

| | 2016 £ | 2015 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | **333,078** | 204,120 |
| Adjustments for: | | |
| – Depreciation charge | **1,697,520** | 773,169 |
| – Loss on disposal of property, plant and equipment | **-** | 16,044 |
| – Provisions raised/(released) | **6,771** | (2,000) |
| – Change in operating assets | **(916,572)** | (706,062) |
| – Change in operating liabilities | **156,001** | 246,240 |
| – Tax received/(paid) | **199,334** | (212,014) |
| Net cash generated from operating activities | **1,476,132** | 319,497 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(12,072,933)** | (7,262,314) |
| Proceeds from sale of property, plant and equipment | **-** | 1,287,755 |
| Net cash used in investing activities | **(12,072,933)** | (5,974,559) |
| **Cash flows from financing activities** | | |
| Received from parent undertakings in respect of other financing activities | **10,854,189** | 5,655,062 |
| Dividends paid | **(257,388)** | - |
| Net cash generated from financing activities | **10,596,801** | 5,655,062 |
| **Net increase in cash and cash equivalents** | **-** | - |
| Cash and cash equivalents brought forward | **-** | - |
| Cash and cash equivalents carried forward | **-** | - |

The accounting policies and notes on pages 11 to 19 form an integral part of these financial statements.

**Statement of changes in equity for the year ended 31 March 2016**

| | **Called up share capital** | **Retained earnings** | **Total equity** |
|---|---|---|---|
| | **£** | **£** | **£** |
| **2016** | | | |
| At 1 April 2015 | **2** | **257,388** | **257,390** |
| Profit for the year | **-** | **1,078,358** | **1,078,358** |
| Total comprehensive income for the year | **-** | **1,078,358** | **1,078,358** |
| Dividends to shareholders | **-** | **(257,388)** | **(257,388)** |
| At 31 March 2016 | **2** | **1,078,358** | **1,078,360** |

| | Called up share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| 2015 | | | |
| At 1 April 2014 | 2 | 83,991 | 83,993 |
| Profit for the year | - | 173,397 | 173,397 |
| Total comprehensive income for the year | - | 173,397 | 173,397 |
| Dividends to shareholders | - | - | - |
| At 31 March 2015 | 2 | 257,388 | 257,390 |

The accounting policies and notes on pages 11 to 19 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders.

## 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.

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 March 2016, there were no unendorsed standards effective for the year ended 31 March 2016 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 March 2016 are prepared in accordance with IFRSs as issued by the IASB.

**Standards adopted during the year ended 31 March 2016**

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

(b) Future accounting developments

At 31 March 2016, 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 March 2016. None of these are expected to have a significant effect on the results or the net assets of the Company when adopted.

(c) General information

Assetfinance March (D) Limited is a company domiciled and incorporated in England and Wales.

Details of its principal activities are included in the Strategic Report.

## 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 and operating 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. Leases in their secondary rental period are held at nil value, with income recognised on an accruals basis.

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 fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates.

All other leases are classified as operating leases. Income from operating leases is recognised on a straight-line basis over the lease term.

(b) Interest expense

Interest expense for all financial instruments is recognised in 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial liability and of allocating the interest 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 liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all amounts paid 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 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.

(d) Property, plant and equipment

Operating lease assets are depreciated over the period of the relevant hirer's rental contract to an estimated residual value on a straight-line basis. This depreciation charge is included within cost of sales in the income statement. Impairment losses are recognised to the extent that the residual values are not fully recoverable and the carrying value of the asset is thereby impaired.

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(e) 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.

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

(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.

(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 values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

(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 policies that are 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 involve a high degree of judgement and estimation, are:

Impairment of loans

The Company's accounting policy for losses in relation to the impairment of financial assets is described in Note 2(f). Impairment is calculated on the basis of discounted estimated future cash flows.

Impairment of property, plant and equipment

The Company's accounting policy for impairment of property, plant and equipment is described in Note 2(d). Impairment is calculated on the basis of current and expected future market conditions

## 3 Finance costs

All interest expense was payable to another group undertaking.

## 4 Administrative expenses

Administrative expenses include £66,470 (2015: £36,667) in respect of group management charges payable to another group undertaking.

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 (2015: £Nil). The auditors' remuneration borne on behalf of the Company amounted to £2,957. There were no non-audit fees incurred during the year (2015: £Nil).

The Company has no employees and hence no staff costs (2015: £Nil).

The Directors made no charge for their services (2015: £Nil) and their services to the Company are deemed to be provided as part of their services to HSBC Bank plc.

## 5 Tax (credit)/ expense

| | *Notes* | **2016 £** | 2015 £ |
|---|---|---|---|
| **Current taxation** | | | |
| UK corporation tax credit - on current year profit | | **(518,745)** | (199,334) |
| Total current tax | | **(518,745)** | (199,334) |
| **Deferred taxation** | | | |
| Origination and reversal of temporary differences | | **584,502** | 230,057 |
| Adjustment in respect of prior years | | **(811,037)** | - |
| Total deferred tax | 9 | **(226,535)** | 230,057 |
| Total tax (credited) /charged to the income statement | | **(745,280)** | 30,723 |

The UK corporation tax rate applying to the Company was 20 per cent (2015: 21 per cent).

The following table reconciles the tax (credit)/ expense which would apply if all profits had been taxed at the UK corporation tax rate:

| | **2016** | **Percentage of overall profit before tax** | 2015 | Percentage of overall profit before tax |
|---|---|---|---|---|
| | **£** | **%** | £ | % |
| Taxation at UK corporation tax rate of 20% (2015: 21%) | **66,616** | **20.0%** | 42,865 | 21.0% |
| Adjustments in respect of prior years | **(811,037)** | **(243.5)%** | - | - |
| Changes in tax rates | **(859)** | **(0.3)%** | (12,142) | (5.9)% |
| Total tax (credited)/charged to the income statement | **(745,280)** | **(223.8)%** | 30,723 | 15.1% |

The UK Government announced that the main rate of corporation tax rate for the year beginning 1 April 2017 will reduce from 20% to 19% to be followed by a further reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

The UK Government then announced in the 2016 Budget that the main rate of corporation tax will reduce to 17% for the year beginning 1 April 2020. As this change has not been substantively enacted at the reporting date its effect has not been included in these financial statements.

It is not expected that the future rate reduction will have a significant effect to the Company.

## 6 Property, plant and equipment

Operating lease assets

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| **Cost** | | |
| At 1 April | **13,240,176** | 7,604,552 |
| Additions | **12,072,933** | 7,262,314 |
| Disposals | **-** | (1,626,690) |
| At 31 March | **25,313,109** | 13,240,176 |
| **Depreciation** | | |
| At 1 April | **2,588,424** | 2,138,146 |
| Depreciation charge for the year | **1,697,520** | 773,169 |
| Disposals | **-** | (322,891) |
| At 31 March | **4,285,944** | 2,588,424 |
| Net carrying amount 1 April | **10,651,752** | 5,466,406 |
| Net carrying amount 31 March | **21,027,165** | 10,651,752 |

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Future minimum lease payments receivable under non-cancellable operating leases: | | |
| No later than one year | **3,441,937** | 1,971,954 |
| Later than one year and no later than five years | **9,490,196** | 4,872,340 |
| | **12,932,133** | 6,844,294 |
| Aggregate operating lease rentals receivable in the year | **2,167,210** | 977,997 |
| Loss on disposal of property, plant and equipment | **-** | (16,044) |

The depreciation charge for property, plant and equipment is included within cost of sales in the income statement.The Company leases equipment and vehicles to customers under operating lease agreements.

## 7 Finance lease receivables

The Company leases vehicles, plant and machinery to customers under finance lease agreements.

| | 2016 £ | 2015 £ |
|---|---|---|
| **Gross investment in finance leases** | | |
| Amounts falling due: | | |
| No later than one year | - | 6,325 |
| **Gross investment in finance leases** | - | 6,325 |
| Unearned finance income | - | - |
| Impairment provisions | - | - |
| **Net investment in finance leases less provisions** | - | 6,325 |
| **Amortisation of finance lease receivables:** | | |
| Amounts falling due: | | |
| No later than one year | - | 6,325 |
| **Present value of minimum lease receivables** | - | 6,325 |
| *Fair value of amounts receivable under finance leases* | - | 6,325 |
| Aggregate finance lease rentals receivable in the year | 78,508 | 1,150,697 |
| Other income in respect of finance lease receivables | 992 | 22,934 |

All finance leases agreements were in their secondary periods and hence had no carrying value.

## 8 Receivables

| | 2016 £ | 2015 £ |
|---|---|---|
| Other debtors | 13,629 | 7,895 |
| Value added tax | 2,241,726 | 1,331,335 |
| | 2,255,355 | 1,339,230 |

## 9 Deferred tax liabilities

| | 2016 £ | 2015 £ |
|---|---|---|
| Leasing transactions temporary differences: | | |
| At 1 April | 242,851 | 12,794 |
| Income statement (credit)/ charge | (226,535) | 230,057 |
| At 31 March | 16,316 | 242,851 |

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

In the financial statements for the year ended 31 March 2016, 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.

## 10 Other liabilities

| | 2016 £ | 2015 £ |
|---|---|---|
| Related parties: Amounts owed to other group undertakings | 22,229,582 | 11,375,394 |
| | 22,229,582 | 11,375,394 |

Amounts owed to other group 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 owed to other group undertakings represent an inter-company account.

## 11 Called up share capital

| | 2016 £ | 2015 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 2 (2015:2) Ordinary shares of £1 each | 2 | 2 |
| | 2 | 2 |

## 12 Dividends

During the year an interim dividend of £257,388 was paid on the ordinary share capital during the year. The Directors intend to declare a further dividend of £1,078,358 in respect of the year ended 31 March 2016, payable in the year ending 31 March 2017.

## 13 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 March 2015 and 31 March 2016.

## 14 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.

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.

Movement in allowance accounts for total loans and advances:

| | **2016 Individually assessed £** | **2016 Collectively assessed £** | 2015 Individually assessed £ | 2015 Collectively assessed £ |
|---|---|---|---|---|
| At 1 April | - | - | - | 933 |
| Amounts written off | (9) | - | - | (451) |
| Transfer from other group undertakings | - | - | - | - |
| Charge /(credit) to income statement | 9 | - | - | (482) |
| At 31 March | - | - | - | - |

### 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 borrowings from another group undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand. The treasury function provides funds as required to finance the leases, at the same rates that currently apply to the relevant Company borrowings, for the term of the leases.

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 £** | **Due within 3 months £** |
|---|---|---|---|---|
| **31 March 2016** | | | | |
| Amounts owed to parent undertakings | 22,229,582 | 22,229,582 | 22,229,582 | - |
| Accruals and deferred income | 477,007 | 477,007 | - | 477,007 |
| | **22,706,589** | **22,706,589** | **22,229,582** | **477,007** |
| **31 March 2015** | | | | |
| Amounts owed to parent undertakings | 11,375,394 | 11,375,394 | 11,375,394 | - |
| Accruals and deferred income | 321,006 | 321,006 | - | 321,006 |
| | 11,696,400 | 11,696,400 | 11,375,394 | 321,006 |

### 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.

## 15 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 related 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 Equipment Finance (UK) Limited (with effect from 31 May 2015, prior to this the holding company was 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

## 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 March 2016 (2015: £Nil).

## 18 Subsequent events

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union at a date in the future to be agreed. As a result, general market conditions are expected to slow in the short to medium term and consequently future business growth may be lower than previously planned. However it is too early to reliably quantify any future impact on the Company at this point in time. This is not expected to have any effect on the Company's ability to trade as a going concern.

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