HSBC ASSET FINANCE (UK) LIMITED
Registered No: 229341

Financial Statements for the year ended 31 December 2015

HSBC

Contents

Review of the Company's business

The Company operates as a holding company and its main objective is to manage assets relating to business operations across the HSBC Asset Finance (UK) Limited group. The Company also leases assets to third party lessees for an agreed term under finance lease arrangements. The HSBC Equipment Finance business ceased writing new business in the name of the Company from May 2015. During the year, the group was restructured in order to align the corporate structure with the business structure and a number of subsidiaries were transferred to/from the Company (see note 9). No further changes in the Company's activities are anticipated.

The business is funded by a parent undertaking principally through equity and 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 and position for the year under review are as detailed in the income statement and statement of financial position shown in these financial statements.

UK corporation tax rates are being reduced and details of the changes are set out in note 7 to the financial statements.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows 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. Monthly management accounts are prepared and reviewed by the management of the relevant HSBC Business.

Key features of performance include:

Profit before tax has moved from £238.4m in 2014 to £125.5m in 2015. The most significant reduction in profit compared with 2014 was the lower dividend income following the group restructure.

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 17 of the financial statements.

Signed on behalf of the Board

G Owen-Conway

Director

Dated: 26 September 2016

Registered Office
8 Canada Square
London
E14 5HQ

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
R L H Bencard		
G Owen-Conway		
M J Russell-Brown		2 June 2015
G P Hewitt		23 January 2015
R F Carver		
D Cavanna	26 October 2015	31 December 2015
J R Kent		
W A G Long		31 May 2015
R Davies		3 November 2015
R Lelong	24 June 2015	30 September 2015
M C Anderson	16 December 2015	
M Harris	26 October 2015	
J Subramaniyan	26 October 2015	

R L H Bencard resigned as a Director of the Company on 1 August 2016. On 15 March 2016 S E Long was appointed 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. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

Interim dividends of £314.8m were paid on the ordinary share capital during the year (2014: £184m). Details of dividend payments made during the year are included in note 15 and payments are reflected in the financial statements in the period in which they are paid.

Significant events since the end of the financial year

Dividends of £37.3m, £1.6m and £1.7m were paid in January, April and July 2016.

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 important events affecting the Company that have occurred since the end of the financial year.

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

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries in 2013, PricewaterhouseCoopers LLP has been recommended to be appointed as auditors of 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 next page, 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 judgements 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 Company 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

G Owen-Conway
Director

Dated: 26 September 2016

Registered Office
8 Canada Square
London
E14 5HQ

Independent Auditors' Report to the Members of HSBC Asset Finance (UK) Limited

Report on the financial statements

Our opinion

In our opinion, HSBC Asset Finance (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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 December 2015;
- 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date: 28 September 2016

Income statement for the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue			
Finance lease income		**13.9**	13.0
Other revenue		**6.5**	6.5
Income from shares in subsidiary undertakings		**73.5**	211.9
		93.9	231.4
Finance income/costs			
Interest income	4	**34.8**	35.8
Interest expense	4	**(37.4)**	(33.1)
Other operating income		**43.0**	49.5
Net gain from derivatives and fair value hedging		**9.6**	8.7
Impairment of investments in subsidiary undertakings		**(5.5)**	-
Gain on disposal of investments in subsidiary undertakings		**33.8**	-
Impairment charge		**0.4**	(0.1)
Administrative expense	5	**(47.1)**	(53.8)
Profit before tax		**125.5**	238.4
Tax expense	7	**(7.6)**	(4.5)
Profit for the year		**117.9**	233.9

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

The accounting policies and notes on pages 11 to 27 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

	2015 £m	2014 £m
Profit for the year	**117.9**	233.9
Other comprehensive (expense)/income		
- fair value (losses)/gains	**(0.1)**	1.9
- income taxes gains/(losses)	**-**	(0.4)
Other comprehensive (expense)/income for the year, net of tax	**(0.1)**	1.5
Total comprehensive income for the year	**117.8**	235.4
Total comprehensive income for the year attributable to shareholders	**117.8**	235.4

Statement of financial position as at 31 December 2015

	Notes	2015 £m	2014 £m	2013 £m
ASSETS				
Cash and cash equivalents held with parent undertakings..		**189.8**	79.3	85
Receivables	10	**6,494.9**	6,101.7	5339.4
Derivatives with other group undertakings designated as fair value hedging instruments		**6.7**	7.6	6.7
Current tax assets		**3.6**	7.2	7.4
Investments in subsidiaries	9	**426.9**	434.6	432.6
Deferred tax assets	12	**4.8**	7.3	10.2
Total assets		**7,126.7**	6,637.7	5,881.3
LIABILITIES AND EQUITY				
Current liabilities				
Payables	13	**6,958.9**	6,262.0	5,560.9
Derivatives with other group undertakings designated as fair value hedging instruments		**37.2**	48.2	44.3
Total liabilities		**6,996.1**	6,310.2	5,605.2
Equity				
Called up share capital	14	**23.0**	265.0	265.0
Available-for-sale fair value reserve		**0.4**	0.5	(1.0)
Retained earnings		**107.2**	62.0	12.1
Total equity		**130.6**	327.5	276.1
Total equity and liabilities		**7,126.7**	6,637.7	5,881.3

The accounting policies and notes on pages 11 to 27 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 September 2016 and were signed on its behalf by:

G Owen-Conway
Director
Company Registration No: 229341

Statement of cash flows for the year ended 31 December 2015

	2015 £m	2014 £m
Cash flows from operating activities		
Profit before tax	**125.5**	238.4
Adjustments for:		
– Provisions raised	**(0.4)**	0.1
– Gain on disposal of investments in subsidiary undertakings	**(33.8)**	-
– Impairment of investments in subsidiary undertakings	**5.5**	-
– Change in operating assets	**287.1**	(60.8)
– Change in other receivables	**1.0**	(1.0)
– Change in other payables	**(17.2)**	3.4
– Tax paid	**(1.4)**	(0.8)
– Dividend income	**(73.5)**	(211.9)
Net cash generated from/(used in) operating activities	**292.8**	(32.6)
Cash flows from investing activities		
Purchase of investments in subsidiaries	**(11.8)**	(13.7)
Disposal of subsidiaries	**47.8**	-
Dividends received	**73.5**	211.9
Net cash generated from investing activities	**109.5**	198.2
Cash flows from financing activities		
Received from other group undertakings in respect of other financing activities	**23.0**	12.7
Dividends paid	**(314.8)**	(184.0)
Net cash used in financing activities	**(291.8)**	(171.3)
Net increase/(decrease) in cash and cash equivalents	**110.5**	(5.7)
Cash and cash equivalents brought forward	**79.3**	85.0
Cash and cash equivalents carried forward	**189.8**	79.3

The accounting policies and notes on pages 11 to 27 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total equity
	£m	£m	£m	£m
2015				
At 1 January 2015	265.0	62.0	0.5	327.5
Profit for the year	-	117.9	-	117.9
Fair value loss on available-for-sale financial assets	-	-	(0.1)	(0.1)
Tax on other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	117.9	(0.1)	117.8
Share capital reduction	(242.0)	242.0	-	-
Dividends to shareholders	-	(314.8)	-	(314.8)
At 31 December 2015	23.0	107.1	0.4	130.5

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total equity
	£m	£m	£m	£m
2014				
At 1 January 2014	265.0	12.1	(1.0)	276.1
Profit for the year	-	233.9	-	233.9
Fair value gain on available-for-sale financial assets	-	-	1.9	1.9
Tax on other comprehensive income	-	-	(0.4)	(0.4)
Total comprehensive income for the year	-	233.9	1.5	235.4
Dividends to shareholders	-	(184.0)	-	(184.0)
At 31 December 2014	265.0	62.0	0.5	327.5

The accounting policies and notes on pages 11 to 27 form an integral part of these financial statements.

Shareholders' 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, being the Company's functional currency and have been prepared on the historical cost basis in accordance with the Companies Act 2006.

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 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 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 2015 are prepared in accordance with IFRSs as issued by the IASB.

During 2015, 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 2015, 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 2015. None of these is 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) Changes in presentation of financial statements

The Company has changed its statement of financial position from the current/non current basis to the liquidity basis of presentation in order to adopt the presentation format of its intermediate parent undertaking HSBC Bank plc and thereby make the financial statements and notes thereon easier to understand. For this year of transition, the statement of financial position includes prior year comparatives.

(d) General information

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

2 Summary of significant accounting policies

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

Finance lease cash flow streams that are acquired from in-force leases written by third party lessors without the acquisition of the underlying leased asset or assumption of the lease obligation to convey the right to use the underlying asset to the lessee do not meet the definition of a lease. Accordingly such acquired cash flows are classified as Loans and Receivables or Available for Sale financial assets as appropriate.

(b) Interest income and expense

Interest income and expense for all financial instruments are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

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.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fees and commission income

Income earned on the execution of a significant act is recognised as revenue when the act is completed. Income earned from the provision of services is recognised as revenue as the services are provided and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

(d) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the same statement in which the related item appears.

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. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

(e) Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

(f) Dividend income

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

(g) Property, plant and equipment

Equipment, fixtures and fittings are stated at cost less any impairment losses and depreciation calculated on a straight-line basis to write-off the assets over their useful lives between 3 and 5 years.

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.

(h) 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.

Profits on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in the respective associates or joint ventures. Losses are also eliminated to the extent of the Company's interest in the associates or joint ventures unless the transaction provides evidence of an impairment of the asset transferred.

(i) 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) Available-for-sale financial assets

Available-for-sale financial assets 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 financial assets – fair value gains/(losses)' until the investments are either sold or impaired. When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in equity are recognised in the income statement.

(iii) 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.

(iv) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

(j) 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.

(k) Derivatives and hedge accounting

Derivatives are recognised initially, and are subsequently re-measured, at fair value. Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. All derivatives are classified as assets when their fair value is positive, or as liabilities when their fair value is negative.

In the normal course of business, the fair value of a derivative on initial recognition is considered to be the transaction price (i.e. the fair value of the consideration given or received). However, in certain circumstances the fair value of an instrument will be evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, including interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Company recognises a trading profit or loss on inception of the derivative. If observable market data are not available, the initial increase in fair value indicated by the valuation model, but based on unobservable inputs, is not recognised immediately in the income statement but is recognised over the life of the transaction on an appropriate basis, or recognised in the income statement when the inputs become observable, or when the transaction matures or is closed out.

The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement. Derivatives are designated as hedges of the change in fair value of recognised assets or liabilities or firm commitments ('fair value hedge'), provided certain criteria are met.

Hedge accounting

It is the Company's policy to document, at the inception of a hedging relationship, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge. Such policies also require documentation of the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items attributable to the hedged risks. Interest on designated qualifying hedges is included in 'interest income'.

Fair value hedges

The Company's fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement, together with changes in the fair value of the asset or liability or group thereof that are attributable to the hedged risk.

If the hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the residual period to maturity.

Hedge effectiveness testing

To qualify for hedge accounting, IAS 39 requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective effectiveness) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For fair value hedge relationships, the company utilises the cumulative dollar offset method or regression analysis as effectiveness testing methodologies.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the range of 80 per cent to 125 per cent for the hedge to be deemed effective.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair value of any derivative that do not qualify for hedge accounting are recognised immediately in the income statement.

(l) 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.

(m) 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.

(n) Determination of 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).

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.

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

The fair value of financial instruments is generally measured by the individual financial instrument. However, in cases where the Company manages a group of financial assets and financial liabilities according to its net exposure to either market risks or credit risk, the Company measures the fair value of the group of financial instruments on a net basis, but presents the underlying financial assets and liabilities separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(o) 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, 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(j). Impairment is calculated on the basis of discounted estimated future cash flows of financial assets.

3 Purchase of interests in finance lease rentals

In December 2012 and March 2013, the Company acquired future cash flow streams from finance leases on an arm's length basis from other group companies for total consideration of £668.2m. The Company did not acquire the underlying lease assets and did not assume any obligation to convey the right to use the assets to the lessee. Accordingly the acquired cash flow streams are classed as Loans and Receivables or Available-for-sale financial assets for measurement purposes and presented as "Other Receivables" or "Available-for-sale financial assets" in notes 10 and 11 respectively. The consideration was partly settled by satisfaction of intercompany receivables due from the relevant lessors. In 2013 the extinguishment of those receivables resulted in the termination of the related fair value hedges and the consequent acceleration of a hedge adjustment of £39.3m that was previously being amortised over the remaining expected term of the receivable.

4 Finance income/costs

	2015 £m	2014 £m
Finance income		
Interest income from other receivables and available-for-sale financial assets	15.0	21.6
Interest income from other group undertakings	19.8	14.2
	34.8	35.8
Finance costs		
Interest expense charged by parent undertakings	37.4	33.1

5 Administrative expenses

Administrative expenses include £47.1m (2014: £53.8m) in respect of group management charges payable to a parent undertaking.

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the Company amounted to £36,189. There were no non-audit fees incurred during the year (2014: £Nil).

The Company has no employees and hence no staff costs (2014: £Nil).

6 Directors' emoluments

The Directors made no charge for their services (2014: £Nil) and their services to the Company are deemed to be provided as part of their services to HSBC Bank Plc.

7 Tax expense

	Notes	2015 £m	2014 £m
Current taxation			
UK corporation tax charge - on current year profit		**2.9**	1.6
UK corporation tax charge - adjustments in respect of prior years		**2.2**	-
Total current tax		**5.1**	1.6
Deferred tax			
Origination and reversal of temporary differences		**2.5**	4.0
Adjustment in respect of prior years		**-**	(1.1)
Total deferred tax	*12*	**2.5**	2.9
Total tax charged to the income statement		**7.6**	4.5

The UK corporation tax rate applying to the Company was 20.25 per cent (2014: 21.5 per cent).

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK corporation tax rate:

	2015 £m	**Percentage of overall profit before tax** %	2014 £m	Percentage of overall profit before tax %
Taxation at UK corporation tax rate of 20.25% (2014: 21.5%)	**25.5**	**20.3**	51.2	21.5
Adjustments in respect of prior years	**2.2**	**1.8**	-	-
Amounts not deductible for tax purposes	**1.1**	**0.9**	-	-
Non taxable income and gains subject to tax at a lower rate	**(21.7)**	**(17.3)**	(45.6)	(19.1)
Changes in tax rates	**0.5**	**0.4**	-	-
Total tax charged to the income statement	**7.6**	**6.1**	4.5	1.9

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.

8 Property, plant and equipment

	Equipment, fixtures & fittings	Total
	£m	£m
2015		
Cost		
At 1 January 2015	1.8	1.8
Disposals	(0.6)	(0.6)
At 31 December 2015	1.2	1.2
Accumulated depreciation and impairment		
At 1 January 2015	1.8	1.8
Depreciation charge for the year	-	-
Disposals	(0.6)	(0.6)
At 31 December 2015	1.2	1.2
Net carrying amount 31 December 2015	-	-
2014		
Cost		
At 1 January 2014	3.8	3.8
Disposals	(2.0)	(2.0)
At 31 December 2014	1.8	1.8
Accumulated depreciation and impairment		
At 1 January 2014	3.8	3.8
Depreciation charge for the year	-	-
Disposals	(2.0)	(2.0)
At 31 December 2014	1.8	1.8
Net carrying amount 31 December 2014	-	-

9 Investments in subsidiaries

	2015	2014
	£m	£m
Cost		
At 1 January	448.8	446.8
Additions	11.8	13.7
Disposals	(28.2)	-
Reduction	-	(11.7)
At 31 December	432.4	448.8
Provision for impairment		
At 1 January	(14.2)	(14.2)
Movement in impairment provisions	(5.5)	-
Disposals	14.2	-
At 31 December	(5.5)	(14.2)
Net carrying amount 1 January	434.6	432.6
Net carrying amount 31 December	426.9	434.6

During 2015, the Company acquired 100% of the shares in Assetfinance March (F) Limited, Assetfinance June (E) Limited, Assetfinance December (A) Limited, Assetfinance December (E) Limited, Assetfinance

December (H) Limited and Assetfinance December (R) Limited from other group undertakings. The consideration paid was the net asset value of the companies as at 31 May 2015.

During 2015, Metropolitan Collection Services Limited, Griffin Credit Services Limited, HSBC Vehicle Finance (UK) Limited, Assetfinance June (N) Limited and Crown Vehicle Contracts plc were dissolved.

During 2015, the Company disposed of its shares in HSBC Equipment Finance (UK) Limited and HSBC Invoice Finance (UK) Limited to its parent undertaking and in Assetfinance September (G) Limited to another group undertaking. The consideration received was the net asset value of the companies as at 31 May 2015.

In accordance with Section 409 of the Companies Act 2006 a list of the Company's subsidiaries, the country of incorporation and the effective percentage of equity owned at 31 December 2015 is disclosed below.

Name of Undertaking	Security	Country	Type of business	Ownership Percentage
Assetfinance December (A) Limited	Ordinary Shares	UK	Non-trading	100%
Assetfinance December (E) Limited	Ordinary Shares	UK	Non-trading	100%
Assetfinance December (H) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance December (M) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance December (R) Limited	Ordinary Shares	UK	Investment company	100%
Assetfinance December (W) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance June (A) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance June (E) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance March (B) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance March (F) Limited	Ordinary Shares	UK	Leasing and related services	100%
Assetfinance September (F) Limited	Ordinary Shares	UK	Leasing and related services	100%
Forward Trust Rail Services Limited	Ordinary Shares	UK	Holding company	100%
HSBC Rail (UK) Limited	Ordinary Shares	UK	Non-trading	100% (indirect)
HSBC PH Investments (UK) Limited	Ordinary Shares	UK	Investment company	100%
South Yorkshire Light Rail Limited	Ordinary Shares	UK	Leasing and related services	100%
Swan National Leasing (Commercials) Limited	Ordinary Shares	UK	Leasing and related services	100%
Swan National Limited	Ordinary Shares	UK	Leasing and related services	100%

10 Receivables

		2015 £m	2014 £m
Amounts falling due within one year:			
Loans and receivables			
Finance lease receivables		**159.3**	185.6
Other instalment finance receivables		**38.7**	47.3
Other receivables		**25.4**	32.8
Amounts owed by other group undertakings		**5,438.4**	4,758.5
		5,661.8	5,024.2
Available-for-sale	11	**17.1**	14.3
		5,678.9	5,038.5
Amounts falling due after more than one year:			
Loans and receivables			
Finance lease receivables		**229.3**	361.4
Other instalment finance receivables		**124.4**	151.7
Other receivables		**396.8**	466.7
		750.5	979.8
Available-for-sale	11	**65.5**	83.4
		816.0	1,063.2
		6,494.9	**6,101.7**
Loans and receivables		**6,412.3**	6,004.0
Available-for-sale	11	**82.6**	97.7
		6,494.9	6,101.7

The Company leases vehicles, plant and machinery to customers under finance lease agreements. These are disclosed as loans and receivables, at amortised cost and are due:

	2015	2014
No later than one year	**167.4**	198.9
Later than one year and no later than five years	**233.8**	368.1
Later than five years	**3.4**	7.6
Gross investment in finance leases	**404.6**	574.6
Unearned finance income	**(16.0)**	(26.3)
Impairment provisions	**-**	(1.3)
Net investment in finance leases less provisions	**388.6**	547.0
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**159.3**	185.6
Later than one year and no later than five years	**226.0**	354.0
Later than five years	**3.3**	7.4
Present value of minimum lease receivables	**388.6**	547.0

The fair value of floating rate finance lease receivables is not considered to be significantly different from the carrying value.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates. The fair value is not considered to be significantly different from the carrying value.

Amounts owed by other group undertakings have no fixed date for repayment and are therefore technically repayable on demand.

Amounts owed by other group undertakings and other receivables 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.

11 Available-for-sale financial assets

		2015	2014
		£m	£m
At 1 January		97.7	108.8
Additions		-	-
Repayments		(15.0)	(13.0)
Revaluation through other comprehensive (expense)/income		(0.1)	1.9
At 31 December	10	82.6	97.7
Amounts falling due :			
within one year	10	17.1	14.3
after more than one year	10	65.5	83.4
		82.6	97.7

12 Deferred tax assets

	2015	2014
	£m	£m
At 1 January	7.3	10.2
Income statement charge	(2.5)	(2.9)
At 31 December	4.8	7.3

	2015
	£m
Accelerated capital allowances	0.1
Items not taxed on a fair value basis	4.7
	4.8

The deferred tax asset is expected to be realised through the offset of losses with future taxable profits within the UK Group.

13 Payables

	2015	2014
Current liabilities:	£m	£m
Financial liabilities at amortised cost		
Bank loans and overdrafts with other group undertakings	5,489.6	5,002.1
Amounts due to other group undertakings	459.2	451.0
Loan notes	0.1	0.1
	5,948.9	5,453.2
Other payables	1.3	7.4
	5,950.2	5,460.6

	2015	2014
Non-current liabilities:	**£m**	£m
Financial liabilities at amortised cost		
Bank loans with other group undertakings:		
Later than one year and no later than five years	**950.9**	757.4
Later than five years	**57.8**	44.0
	1,008.7	801.4
	6,958.9	6,262.0

Amounts due to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand.

14 Share capital

	2015	2014
	£m	£m
Allotted, called up and fully paid		
23,000,000 (2014: 265,000,000) Ordinary shares of £1 each	**23.0**	265.0
	23.0	265.0

During the year, the Company redeemed 242m shares as part of a reallocation of capital within the group.

15 Dividends

	2015 £m	2015 Total per share	2014 £m	2014 Total per share
First interim	**28.0**	**10.5p**	28.0	10.5p
Second interim	**35.0**	**13.2p**	72.0	27.2p
Third interim	**242.0**	**1052.2p**	34.0	12.8p
Fourth Interim	**9.8**	**42.6p**	50.0	18.9p
	314.8	**1118.5p**	184.0	69.4p

16 Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2015 and 31 December 2014 as they are short term in nature or re-price to current market rates frequently.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

2015	**Level 2**	**Level 3**	**Total**
Assets	**£m**	**£m**	**£m**
Available-for-sale financial assets	-	82.6	82.6
Derivatives	6.7	-	6.7
	6.7	82.6	89.3
Liabilities			
Derivatives	37.2	-	37.2

2014	**Level 2**	**Level 3**	**Total**
Assets	**£m**	**£m**	**£m**
Available-for-sale financial assets	-	97.7	97.7
Derivatives	7.6	-	7.6
	7.6	97.7	105.3
Liabilities			
Derivatives	48.2	-	48.2

Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	2015	2014
	£m	£m
At 1 January	97.7	108.8
Additions	-	-
Repayments	(15.0)	(13.0)
Revaluation through other comprehensive (expense)/income	(0.1)	1.9
At 31 December	82.6	97.7

Fair values of derivatives are determined using valuation techniques using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Fair values of available-for-sale financial assets are determined using unobservable inputs by discounting future cash flows using equivalent current interest rates.

17 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.

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.

Credit quality analysis:

	2015	2014
	£m	£m
Gross loans and receivables:		
Neither past due nor impaired	**6,495.2**	6,100.4
Past due but not impaired:		
– Past due up to 30 days	**0.1**	0.1
– Past due up to 60 days	**-**	-
– Past due more than 90 days	**-**	-
– Impaired	**0.7**	3.0
	6,496.0	6,103.5

	2015	2014
Distribution of amounts neither past due nor impaired:		
Grade 1- 3 – satisfactory risk	**6,484.1**	6,095.8
Grade 4 – watch list	**7.2**	2.7
Grade 5 – sub-standard but not impaired	**3.9**	1.9
	6,495.2	6,100.4

Grades 1 and 2 represent corporate facilities demonstrating financial conditions, risk factors and capacity to repay that are good to excellent.

Grade 3 represents satisfactory risk and includes corporate facilities that require closer monitoring.

Grades 4 and 5 represent corporate facilities that require various degrees of special attention.

Movement in allowance accounts for total loans and advances:

	2015 Individually assessed	**2015 Collectively assessed**	2014 Individually assessed	2014 Collectively assessed
	£m	**£m**	£m	£m
At 1 January	**1.3**	**0.5**	2.2	0.5
Amounts written off	**(0.3)**	**-**	(1.0)	-
(Credit)/charge to income statement	**(0.4)**	**(0.1)**	0.1	-
At 31 December	**0.6**	**0.4**	1.3	0.5

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 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**	**Due between 3-12 months**	**Due between 1-5 years**	**Due after 5 years**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
31 December 2015							
Banks loans and overdrafts with other group undertakings	**6,498.3**	**6,536.5**	**6.0**	**2,953.3**	**2,534.1**	**983.4**	**59.7**
Loan notes	**0.1**	**0.1**	**-**	**-**	**0.1**	**-**	**-**
Amounts owed to other group undertakings	**459.2**	**459.2**	**459.2**	**-**	**-**	**-**	**-**
Derivatives	**37.2**	**85.0**	**-**	**3.2**	**9.7**	**31.5**	**40.6**
Other payables	**1.3**	**1.3**	**0.6**	**0.7**	**-**	**-**	**-**
	6,996.1	**7,082.1**	**465.8**	**2,957.2**	**2,543.9**	**1,014.9**	**100.3**
31 December 2014							
Banks loans and overdrafts with other group undertakings	5,803.5	5,835.6	87.7	2,578.1	2,348.6	775.4	45.8
Loan notes	0.1	0.1	-	-	0.1	-	-
Amounts owed to other group undertakings	451.0	451.0	451.0	-	-	-	-
Derivatives	48.2	64.3	-	3.2	10.4	30.4	20.3
Other payables	7.4	7.4	6.1	1.3	-	-	-
	6,310.2	**6,358.4**	**544.8**	**2,582.6**	**2,359.1**	**805.8**	**66.1**

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.

Certain of 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. This investment is partially funded by the Company's corresponding borrowings, which also carry a variable rate of interest.

Interest rate risk is managed at a group level by matching with equivalent fixed rate borrowings, with interest recharged to the Company at cost, after taking the cost of group level risk management into account hence minimising the interest rate sensitivity. The Company also hedges interest rate risk through interest rate swaps.

Analysis of fixed and floating rate financial assets:

	2015 £m	2014 £m
Fixed rate	**1,740.3**	1,815.8
Floating rate	**4,754.6**	4,285.9
Derivatives	**6.7**	7.6
	6,501.6	6,109.3

Analysis of fixed and floating rate financial liabilities:

	2015 £m	2014 £m
Fixed rate	**973.6**	815.4
Floating rate	**5,524.8**	4,988.2
Derivatives	**37.2**	48.2
Non interest bearing	**460.5**	451.0
	6,996.1	6,302.8

18 Related-party transactions

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

The Company maintains bank current accounts, held with another group undertaking on normal commercial terms.

The Company acts as a treasury function, providing funding for other group undertakings through an intercompany current account. This is reflected in the statement of financial position, as amounts owed to/by other group undertakings. Interest on this balance is charged on a cost basis, and is reflected in the income statement.

Particulars of other 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 Holdings Limited (formerly FTG 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

19 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.

20 Contingent liabilities

There were no contingent liabilities at 31 December 2015 (2014: £Nil).

21 Subsequent events

Dividends of £37.3m, £1.6m and £1.7m were paid in January, April and July 2016.

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.