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HSBC International Trade Finance Limited

Strategic Report for the year ended 31 December 2014

Principal activities

HSBC International Trade Finance Limited (the 'Company') is a company domiciled and incorporated in England and Wales

The Company was incorporated in 1982. Its principal activity at that time was to provide credit for the international movement of manufactured goods and raw materials and in addition it manages its group of subsidiaries. In 2005 it was agreed by various HSBC lines of business to amicably withdraw from all its trade facilities. This withdrawal was completed at the end of 2006.

Review of the Company's business

The Directors' intention is still to wind down the Company following the settlement of its remaining assets and liabilities. The financial statements have not been prepared on a going concern basis. The effect of this is explained in Note 1.

Financial Performance

The Company made a loss before tax of £23,632 for the year ended 31 December 2014 (2013 £143,168). The Company's results for the year under review are as detailed in the income statement shown in these accounts.

Risk Management

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

Signed on behalf of the Board



F Vilsboe, Director

Dated 11 September 2015

Registered Office
8 Canada Square
London
E14 5 HQ

HSBC International Trade Finance Limited

Directors' Report for the year ended 31 December 2014

Directors

The Directors who served during the year were as follows

Name	Resigned
R J Moore	30 June 2015
F Vilsboe	

On 11 September 2015 R A Carter 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

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013 nil)

Significant events since the end of the financial year

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

Going concern basis

The Directors' intention is still to wind down the Company following the settlement of its remaining assets and liabilities. The financial statements have not been prepared on a going concern basis. The effect of this is explained in Note 1

Capital Management

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.

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 or she ought to have taken as a Director in order to make himself or 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 Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG Audit Plc will continue in office for the financial period 1 January 2014 to 31 December 2014.

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

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

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 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

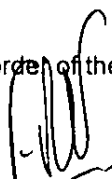
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors intend to wind down the Company following the settlement of its remaining assets and liabilities, the financial statements are prepared on a breakup basis and not 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



F Vilsboe, Director

Dated 11 September 2015

Registered Office
8 Canada Square
London
E14 5 HQ

Independent Auditor's Report to the Members of HSBC International Trade Finance Limited

We have audited the financial statements of HSBC International Trade Finance Limited for the year ended 31 December 2014 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Nicholas Edmonds (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

Date

11 9 15

Income statement for the year ended 31 December 2014

	Notes	2014 £	2013 £
Revenue			
Finance income			
Interest income		-	1
Loan impairment recovery/(charge)	9	7,441	(116,703)
Other Income		1,144	-
Operating profit/(loss)		8,585	(116,703)
Administrative expense	3	(32,217)	(26,466)
(Loss) before tax		(23,632)	(143,168)
Tax credit	6	6,450	6,239
Loss for the year		(17,182)	(136,929)

Statement of other comprehensive income for the year ended 31 December 2014

There has been no comprehensive income other than the loss for the year as shown above (2013 nil)

The accounting policies and notes on pages 11 to 17 form an integral part of these financial statements

HSBC International Trade Finance Limited
Financial Statements

Statement of financial position as at 31 December 2014

	Notes	2014 £	2013 £
ASSETS			
Current assets			
Cash & Cash Equivalents		7,065,455	7,086,245
Amount owed by related parties	9	883	883
Current tax assets		12,691	15,132
Total current assets		7,079,029	7,102,260
Investment in subsidiaries	7	-	-
Total assets		7,079,029	7,102,260
LIABILITIES AND EQUITY			
Current liabilities			
Amount owed to related parties	9	4,999,900	4,999,900
Other creditors		21,618	27,667
Total liabilities		5,021,518	5,027,567
Equity			
Called up share capital	10	100	100
Retained earnings	11	2,057,411	2,074,593
Total shareholders' equity		2,057,511	2,074,693
Total equity and liabilities		7,079,029	7,102,260

The accounting policies and notes on pages 11 to 17 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 11 September 2015 and were signed on its behalf by



F Vilsboe
Director

Company Registration Number 1631139

Statement of cash flows for the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
(Loss) before tax		(23,632)	(143,168)
Adjustments for			
Non-cash items		(7,441)	116,703
Change in operating assets	12	-	1,089
Change in operating liabilities	12	1,392	(139,185)
Tax received/(paid)		8,891	(19,993)
Net cash generated from operating activities		(20,790)	(184,554)
Net decrease in cash and cash equivalents		(20,790)	(184,554)
Cash and cash equivalents brought forward		7,086,245	7,270,799
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents carried forward		7,065,455	7,086,245

The accounting policies and notes on pages 11 to 17 form an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2014

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
Year Ended 31 December 2014			
At 1 January 2014	100	2,074,593	2,074,693
Loss for the year	-	(17,182)	(17,182)
Total comprehensive expense for the year		(17,182)	(17,182)
At 31 December 2014	100	2,057,411	2,057,511

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
Year Ended 31 December 2013			
At 1 January 2013	100	2,211,522	2,211,622
Loss for the year	-	(136,929)	(136,929)
Total comprehensive expense for the year		(136,929)	(136,929)
At 31 December 2013	100	2,074,593	2,074,693

The accounting policies and notes on pages 11 to 17 form an integral part of these financial statements

1. Basis of preparation

a) Statement of compliance with IFRS

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU.

At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 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 2014 are prepared in accordance with IFRSs as issued by the IASB.

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

During the year, the Company adopted a number of interpretations and amendments to standards 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 2014, a number of standards, interpretations and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2014. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

c) Functional and presentation currency

The financial statements are presented in sterling, which is the Company's functional currency.

d) Going Concern

The Directors' intention is still to wind down the Company following the settlement of its remaining assets and liabilities, therefore they have not prepared the financial statements on a going concern basis.

No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

e) Consolidated accounts

In accordance with Section 400 of the Companies Act 2006, group financial statements have not been prepared, as the Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Union, for which consolidated accounts are prepared.

The financial statements present information about the undertaking as an individual undertaking and not about the Group.

The result of the Company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

2 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) Interest income and expense

Interest income for the interest bearing financial instruments are recognised in 'Interest income' in the income statement using the effective interest rate of the financial assets to which they relate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount of the financial asset.

b) Loans and advances to banks and customers

Loans and advances to related parties and customers include loans and advances originated which are not intended to be sold in the short term and have not been classified either as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to borrowers and are de-recognised when either borrower repays their obligations, or the loans are written off. 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.

c) Loan and trade debtors impairment

Losses for impaired loans are recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred. 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. Any loss is charged in the income statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of an allowance account. Loans and debtors are written off when there is no realistic prospect of recovery.

d) Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The reversal is recognised in the income statement.

Policy on recoveries

Recoveries on account of bad debts are recognised in the period of receipt.

e) Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

f) Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when HSBC International Trade Finance Limited intends to settle on a net basis and the legal right to offset exists.

g) Share capital

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

h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with HSBC undertakings.

HSBC International Trade Finance Limited
Notes on the Financial statements (Continued)

i) Related party transactions

A parent undertaking acts as a treasury function, providing funding for the company through an inter-company current account. This is reflected in the balance sheet, as amounts owed to parent undertakings. Related party transactions are detailed in their respective notes.

3 General and administrative expenses

	2014 £	2013 £
Auditor's remuneration	18,000	18,000
Foreign exchange loss	15,633	1,219
Other	(1,416)	7,247
	<u>32,217</u>	<u>26,466</u>

The Company's auditor's fee was £18,000 in relation to the statutory audit for the HITFL UK Group of companies for 2014. The Company's allocation was £9,000 (2013: £9,000).

4 Employee compensation and benefits

None of the Directors received any remuneration for their services to the Company during the year. The Company had no employees during the year.

5. Post employment benefit

During the year the Company has reversed ex-gratia payments accrued for an ex-employee in respect of their past services to the Company totalling (£6,048) (2013: £1,941).

These were reversed entirely at the discretion of the Company.

6 Income tax expense

(a) Analysis of tax (credit)/charge in year

	2014 £	2013 £
Corporation tax payable at 21.5% (2013: 23.25%)	(6,450)	(6,239)
Total current tax	(6,450)	(6,239)

(b) Factors affecting tax charge for year

	£	£
Loss before tax	(23,632)	(143,168)
Loss at the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(5,080)	(33,286)
Provision movements not allowable	(1,599)	27,133
Prior year adjustments	86	
Capital allowances in excess of depreciation	(79)	(86)
Permanent disallowables	222	
Tax (credit)/charge for the year	(6,450)	(6,239)

The UK corporation tax rate applying to the company is 21.5% for 2014 (23.25% for 2013).

The main rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2014 and will be further reduced to 20% on 1 April 2015. The reduction in the corporation tax rate to 20% was enacted through the 2013 Finance Act on 17 July 2013.

7. Investments in subsidiaries

	Shares in unlisted subsidiary undertakings at cost	Provision for diminution in value	Total
	£	£	£
At 1 January 2014	13,340,990	(13,340,990)	-
At 31 December 2014	13,340,990	(13,340,990)	-

The investments in subsidiaries have been provided against to equate the carrying value to the net asset value of the companies

The following is a list of the Company's subsidiaries, whose equity capital is all directly and wholly owned, and whose principal activity, except where indicated, was the provision of credit for the international movement of manufactured goods and raw materials

Directly wholly owned subsidiaries:	Country of incorporation and registration
HSBC UK Wealth Client Nominee Limited	England
TKM International Limited	England
HITG Administration GmbH	Germany
Hongkong International Trade Finance (USA) Inc (non trading)	USA

8 Fair values of financial assets and liabilities

The Directors consider that the carrying value of all financial assets and liabilities is a reasonable approximation to their fair value due to the fact that the financial assets are on floating rate terms and the financial liabilities are non interest bearing. Both assets and liabilities are repayable on demand.

9 a. Amounts owed by related parties

	2014 £	2013 £
Amount falling due within one year		
HSBC UK Wealth Client Nominee Limited	823,608	823,608
TKM International Limited	67,374	68,456
HITG Administration GmbH	198,646	204,989
HSBC International Trade Finance Limited-South Africa	1,819	1,835
Impairment provision	(1,091,447)	(1,098,888)
HSBC Bank PLC	883	883
	<u>883</u>	<u>883</u>

The movement in allowance for impairment during the year is as follows

	2014 £	2013 £
At 1 January	1,098,888	982,185
Impairment provision recognised	(7,441)	116,703
At 31 December	<u>1,091,447</u>	<u>1,098,888</u>

HSBC International Trade Finance Limited
Notes on the Financial statements (Continued)

b Amounts owed to related parties

	2014 £	2013 £
Amount falling due within one year		
Hongkong International Trade Finance (Holdings) Limited	4,999,900	4,999,900
	<u>4,999,900</u>	<u>4,999,900</u>

10 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

11 Retained earnings

	2014 £	2013 £
At 1 January	2,074,593	2,211,522
Total Comprehensive Expense	<u>(17,182)</u>	<u>(136,929)</u>
At 31 December	<u>2,057,411</u>	<u>2,074,593</u>

12. Reconciliation of profit before tax to net cash flow from operating activities

	2014 £	2013 £
(a)Changes in operating assets		
Amount owed by parent and subsidiary undertakings	-	1,089
	<u>-</u>	<u>1,089</u>
(b)Changes in operating liabilities		
Amount owed to parent and subsidiary undertakings	-	(1,032)
Non-cash movements- provisions for impairment	7,441	(116,703)
Other creditors	<u>(6,049)</u>	<u>(21,450)</u>
	<u>(1,392)</u>	<u>(139,185)</u>
(c)Cash and cash equivalents compromise		
Balances with HSBC undertakings	7,065,455	7,086,245
	<u>7,065,455</u>	<u>7,086,245</u>

13 Financial risk management

The Company was incorporated in 1982. Its principal activity at that time was to provide credit for the international movement of manufactured goods and raw materials and in addition it manages its group of subsidiaries. In 2005 it was agreed by various HSBC lines of business to amicably withdraw from all its trade facilities. This withdrawal was completed at the end of 2006.

(a) Credit risk

The Company is exposed to credit risk on receivables, all of which are with fellow subsidiaries of the HSBC group.

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process.

(b) Liquidity risk

Liquidity risk is the risk that the maturity profile of assets and liabilities is unmatched. The Company is not exposed to liquidity risk as all financial assets and liabilities are repayable on demand.

(c) Market risk

Interest rate risk

The Company is exposed to interest rate risk on its balances at bank and is affected by movements in the benchmark interest rate upon which interest is calculated. Bank balances earn interest income based on the benchmark interest rate less 100 basis points. Given the amount of interest income earned during the current year, a further decline in interest rate would not have material impact on the Company's result.

The Company is not exposed to interest rate risk on its intercompany liabilities as they are non-interest bearing and repayable on demand.

Currency risk

The Company mitigates foreign currency exposure by generally matching foreign currency assets with foreign currency liabilities.

14 Related party transactions

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 Hongkong International Trade Finance (Holdings) Limited. The results of the Company are 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

Particulars of transactions, arrangements involving related parties are as follows:

(a) Parent Entities

Hong Kong International Trade Finance (Holdings) Limited

At 31 December 2014, the Company had an unsecured loan due to the parent entity of £4,999,900 (2013: £4,999,900).

This transaction relates to cash received from the parent in relation to the parent's issued share capital £5,000,000 less the parent's investment in issued share capital of the Company £100.

HSBC International Trade Finance Limited
Notes on the Financial statements (Continued)

HSBC Bank plc

At 31 December 2014, the Company had an unsecured amount owed by HSBC Bank plc £883

At 31 December 2013, the Company had an unsecured amount owed by HSBC Bank plc of £883

Cash & Cash equivalents of £7,065,455 (2012 £7,086,245) are held within a bank account with HSBC Bank plc

(b) Fellow subsidiaries

HITG Administration GmbH

At 31 December 2014, the Company had an unsecured amount owed from a fellow subsidiary undertaking of £198,646

At 31 December 2013 the Company had an unsecured amount owed from a fellow subsidiary undertaking of £204,989

This transaction relates to necessary funding that has been required by the fellow subsidiary

HSBC International Trade Finance Limited-South Africa

At 31 December 2014, the Company had an unsecured amount owed by a fellow subsidiary undertaking of £1,819 (2013 £1,835)

This transaction relates to expense incurred by the company on behalf of the South African branch

HSBC UK Wealth Client Nominee Limited

At 31 December 2014, the Company has an unsecured loan to a fellow subsidiary undertaking of £823,608 (2013 £823,608)

This transaction relates to funding given in relation to the sale in 2003 of a wholly owned subsidiary of HSBC UK Wealth Client Nominee Limited, Hongkong International Trade Finance (Japan) KK to another member of the HSBC Holdings plc group. As part of the sale, the balance sheet of the wholly owned subsidiary had to receive an injection of capital to clear its ongoing liabilities

TKM International Limited

At 31 December 2014, the Company has an unsecured loan due to a fellow subsidiary undertaking of £67,374 (2012 £68,456)

This transaction relates to necessary funding of fellow subsidiary undertaking bank account with other HSBC undertakings for the company to meet its pension liabilities on an ongoing basis

15. Subsequent Events

There were no subsequent events requiring disclosure in the financial statements