

ASSETFINANCE DECEMBER (F) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2006

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ASSETFINANCE DECEMBER (F) LIMITED

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ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2006

Business Review

The main objective of the company is to lease assets to third party lessees for an agreed term under finance and operating lease arrangements. During the year the company continued to manage the leasing transactions underwritten in previous years.

In addition, the company is a subsidiary of a parent HSBC Asset Finance (UK) Limited, which acts as an agent and provides agency services, charging an annual management fee to the company. The services provided by the agent are to seek new business, to negotiate and to agree terms and to arrange the execution of all lease documents on behalf of the company. The agent maintains accurate accounting and other records such as borrowing funds and settlement of all invoices relating to the services.

The business is funded by a parent undertaking through equity investment and borrowing.

The company has no employees. Services required are provided by fellow HSBC Group companies.

The Company has no stakeholders other than its parent company.

Risk Management

Credit risk

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.

Liquidity risk

The company's assets are funded by borrowing from a parent undertaking, which acts as a treasury function. This funding has no fixed date for repayment and is therefore technically repayable on demand, although the treasury function provides funds as required.

Interest rate risk

Interest rate risk on fixed rate lending is managed at a group level by matching with equivalent fixed rate borrowings.

ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2006 (CONTINUED)

Performance

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

On 1 November 2005 the company disposed of part of the trade and assets of the company to a third party. No other change in the company's activities is anticipated

On 28 June 2007 a parent undertaking, HSBC Asset Finance (UK) Limited, waived a balance of £6,000,000 due to it by the company

During the year the company incurred bad debts amounting to £0.8m (2005 £0.2m). These are shown within administrative expenses in the income statement for continuing operations

The key performance indicator used by management in assessing the performance of the company is the monitoring of actual cashflows in comparison with the planned cashflows 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 cash investment in finance and operating leases less related tax balances (deferred and current tax). Monthly management accounts are prepared and reviewed by the management of the HSBC business in which this company resides

Future Developments

New business prospects will reflect any changes in the regulatory regime. In particular, the taxation of leasing transactions has been recently revised by HM Revenue & Customs to the extent that amongst other things, lessees rather than lessors would be able to obtain tax allowances in respect of certain leased assets. The impact upon third parties' appetite for leasing transactions remains unclear in light of other proposals to amend the corporation tax regime

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005 Nil)

Directors

The directors who served during the year were as follows

| Name | Appointed |
|-------------------|----------------|
| S A Bottomley | |
| M J Brookes | |
| M J Russell-Brown | 1 January 2006 |

S A Bottomley resigned as a director of the company on 19 July 2007. N P Quinn was appointed as a director of the company on 19 July 2007

ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 2006 (CONTINUED)

Directors (continued)

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 1985. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Supplier payment policy

The company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them, to explain payment procedures to suppliers, to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly. Copies of, and information about, the Code are available from The Department of Trade and Industry, No 1 Victoria Street, London SW1H 0ET.

During the year, the company received goods and services from group undertakings only. Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 2006 (CONTINUED)

Statement of directors' responsibilities in relation to financial statements (continued)

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

Pauline McQuillan

Secretary

Date 11 October 2007

Registered office
8 Canada Square
London
E14 5HQ

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ASSETFINANCE DECEMBER (F) LIMITED

We have audited the financial statements of Assetfinance December (F) Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on pages 3 and 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

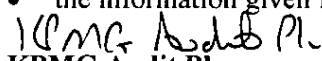
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

11.10.2007
2 Cornwall Street
Birmingham B3 2DL

ASSETFINANCE DECEMBER (F) LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

| | Note | <u>2006</u> £ | <u>2005</u> £ |
|--|------|--------------------|--------------------|
| Continuing operations | | | |
| Revenue | | | |
| Finance lease income | | 2,740,285 | 3,497,784 |
| Operating lease income | | 3,326,353 | 3,326,353 |
| Cost of sales | | (2,744,397) | (2,744,397) |
| Finance Costs Interest payable | 4 | <u>(1,966,460)</u> | <u>(2,536,379)</u> |
| | | 1,355,781 | 1,543,361 |
| Administrative expenses | 3 | <u>(1,386,617)</u> | <u>(503,041)</u> |
| (Loss)/profit before tax | | (30,836) | 1,040,320 |
| Tax credit/(expense) | 5 | <u>21,370</u> | <u>(293,937)</u> |
| (Loss)/profit for the year from continuing operations | | (9,466) | 746,383 |
| Discontinued operations | | | |
| (Loss)/profit for the year from discontinued operations | 6 | <u>(3,671)</u> | <u>3,013,734</u> |
| (Loss)/profit for the year | 11 | <u>(13,137)</u> | <u>3,760,117</u> |

There were no acquisitions during the year

On 1 November 2005, the company disposed of part of the trade and assets of the company to a third party. This is reflected as discontinued operations in the income statement.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR
THE YEAR ENDED 31 DECEMBER 2006

There has been no recognised income or expense other than the loss for the year as shown above.

ASSETFINANCE DECEMBER (F) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2006

| | Note | <u>2006</u> £ | <u>2005</u> £ |
|-------------------------------------|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 5,745,981 | 8,570,781 |
| Current assets | | | |
| Finance lease receivables | 8 | <u>33,013,485</u> | <u>44,093,716</u> |
| Total assets | | <u>38,759,466</u> | <u>52,664,497</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Amounts owed to parent undertakings | 9 | 37,628,568 | 51,861,288 |
| Value added tax | | 985,785 | 851,644 |
| Accruals and deferred income | | <u>371,928</u> | <u>445,243</u> |
| | | <u>38,986,281</u> | <u>53,158,175</u> |
| Non-current liabilities | | | |
| Deferred tax | 10 | <u>3,250,694</u> | <u>2,970,694</u> |
| Total liabilities | | <u>42,236,975</u> | <u>56,128,869</u> |
| Equity | | | |
| Called up share capital | 12 | 2,500,000 | 2,500,000 |
| Retained earnings - deficit | | <u>(5,977,509)</u> | <u>(5,964,372)</u> |
| Total equity - deficit | 11 | <u>(3,477,509)</u> | <u>(3,464,372)</u> |
| Total liabilities and equity | | <u>38,759,466</u> | <u>52,664,497</u> |

These financial statements were approved by the Board of Directors on 11 October 2007 and were signed on its behalf by



Director

ASSETFINANCE DECEMBER (F) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31
DECEMBER 2006

| | <u>2006</u> | <u>2005</u> |
|---|--------------|---------------|
| | £ | £ |
| Cash flows from operating activities | | |
| (Loss)/profit before tax | (36,081) | 5,345,655 |
| Adjustments for | | |
| Depreciation | 2,744,397 | 24,188,909 |
| Loss/(profit) on disposal of property, plant and equipment | 5,245 | (1,929,463) |
| Provisions raised | 799,484 | 221,018 |
| Change in operating assets | 10,280,747 | 5,536,832 |
| Change in other receivables | 60,826 | 4,178,187 |
| | ----- | ----- |
| Net cash from operating activities | 13,854,618 | 37,541,138 |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | (837,308) |
| Proceeds from sale of equipment | 75,158 | 85,967,451 |
| | ----- | ----- |
| Net cash from investing activities | 75,158 | 85,130,143 |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Received from/(paid to) parent undertaking in respect of group relief | 302,944 | (5,819,363) |
| Paid to parent undertaking in respect of other financing activities | (14,232,720) | (116,851,918) |
| | ----- | ----- |
| Net cash from financing activities | (13,929,776) | (122,671,281) |
| | ----- | ----- |
| Net increase in cash and cash equivalents | - | - |
| Cash and cash equivalents brought forward | - | - |
| | ----- | ----- |
| Cash and cash equivalents carried forward | - | - |
| | ----- | ----- |

Net cash flows attributable to discontinued operations included in the above comprise

| | <u>2006</u> | <u>2005</u> |
|--|-------------|---------------|
| | £ | £ |
| Net cash from operating activities | - | 21,158,056 |
| Net cash used in investing activities | - | 85,130,143 |
| Net cash used in financing activities | - | (106,288,199) |
| | ----- | ----- |
| Net increase in cash and cash equivalents | - | - |
| | ----- | ----- |

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Basis of preparation

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

The company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and effective for the company's reporting for the year ended 31 December 2006. IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

No standards or interpretations which became effective during the year had any impact on these financial statements. No standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the company when adopted. IFRS 7 Financial Instruments Disclosures will be implemented by the company in the financial statements for the year ending 31 December 2007 and this is expected to require changes to the detailed disclosures about financial instruments.

- The accounting policies set out below have been applied consistently to all periods presented.

b) Income recognition

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.

Regional development grants are recognised in the income statement over the period of the lease and in proportion to the net investment.

Income from operating leases is recognised on a straight-line basis over the lease term.

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

c) Income Tax

Income tax on the profit or loss for the year comprises current tax and deferred tax

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 balance sheet date and any adjustment to tax payable in respect of previous years

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount 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 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. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and a legal right to set off exists in the entity.

d) Property, plant and equipment

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

e) Lease impairment

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

The company recognises losses for impaired balances promptly where there is objective evidence that impairment of an asset or portfolio of assets has occurred.

Individually assessed impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate with its carrying value and the amount of any loss charged in the income statement.

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.

f) Cash and cash equivalents

Inter company transactions are accounted for as financing activities.

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

g) Revenue

Revenue represents the amounts (excluding Value Added Tax) derived from finance leases and operating leases. This business is operated entirely within the United Kingdom.

h) 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. Interest on this balance is charged on a cost basis. Related party transactions are detailed in their respective notes.

i) Use of assumptions and estimates

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

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

Impairment of loans

The company's accounting policy for losses in relation to the impairment of finance lease receivables is described in Note 1(e). Impairment is calculated on the basis of discounted estimated future cash flows.

Impairment of property, plant and equipment

The company's accounting policy for impairment of property, plant and equipment is described in Note 1(d). Impairment is calculated on the basis of current and expected future market conditions.

2 ACCUMULATED LOSSES

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements have been prepared under the going concern concept because a parent undertaking has agreed to provide adequate funding for the company to meet its liabilities as they fall due.

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3 ADMINISTRATIVE EXPENSES

Administrative expenses include £587,133 (2005 £918,171) in respect of group management charges payable to a parent undertaking This includes £Nil (2005 £513,285) in respect of discontinued operations Bad debts amounting to £0.8m (2005 £0.2m) are also included The directors made no charge for their services The company has no employees and hence no staff costs

4 INTEREST PAYABLE

All interest payable was due to a parent undertaking

5 TAX (CREDIT)/EXPENSE

| The tax (credit)/expense comprises | <u>2006</u> | <u>2005</u> |
|--|-------------|-------------|
| | £ | £ |
| Group relief (receivable from)/payable to other group undertakings | | |
| - current tax on income for the year | 690,552 | 5,819,363 |
| - adjustments in respect of prior periods | (993,496) | - |
| Total current tax | (302,944) | 5,819,363 |
| Deferred taxation | | |
| - origination/reversal of temporary differences | (713,496) | (4,233,825) |
| - adjustments in respect of prior periods | 993,496 | - |
| Total deferred tax (Note 10) | 280,000 | (4,233,825) |
| Total tax (credit)/expense | (22,944) | 1,585,538 |

The tax (credit)/expense for the year is different from the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

| | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|
| | £ | £ |
| Analysis of overall tax (credit)/expense | | |
| (Loss)/profit before tax | | |
| Continuing operations | (30,836) | 1,040,320 |
| Discontinued operations | (5,245) | 4,305,335 |
| | (36,081) | 5,345,655 |
| Taxation at 30% (2005 30%) | (10,824) | 1,603,695 |
| Effects of | | |
| Non taxable income | (12,120) | (18,157) |
| Overall tax (credit)/expense (see above) | (22,944) | 1,585,538 |

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

5 TAX (CREDIT)/EXPENSE (continued)

The reconciliation of tax (credit)/expense to the income statement is detailed below

| | <u>2006</u> | <u>2005</u> |
|-------------------------|-----------------|------------------|
| | £ | £ |
| Continuing operations | (21,370) | 293,937 |
| Discontinued operations | <u>(1,574)</u> | <u>1,291,601</u> |
| Tax (credit)/expense | <u>(22,944)</u> | <u>1,585,538</u> |

6 REVENUE AND EXPENDITURE

Revenue comprises of

| | <u>2006</u> | <u>2005</u> |
|-------------------------|------------------|-------------------|
| | £ | £ |
| Continuing operations | | |
| Finance lease income | 2,740,285 | 3,497,784 |
| Operating lease income | 3,326,353 | 3,326,353 |
| Discontinued operations | - | 27,664,044 |
| | <u>6,066,638</u> | <u>34,488,181</u> |

Revenue and expenses attributable to discontinued operations comprise

| | | <u>2006</u> | <u>2005</u> |
|---|------|----------------|--------------------|
| | Note | £ | £ |
| Revenue - operating lease income | | - | 27,664,044 |
| Cost of sales | | (5,245) | (19,515,049) |
| Finance Costs Interest payable | 4 | <u>-</u> | <u>(3,207,512)</u> |
| | | (5,245) | 4,941,483 |
| Administrative expenses | 3 | <u>-</u> | <u>(636,148)</u> |
| (Loss)/profit before tax | | (5,245) | 4,305,335 |
| Tax credit/(expense) | 5 | <u>1,574</u> | <u>(1,291,601)</u> |
| (Loss)/profit for the year | | <u>(3,671)</u> | <u>3,013,734</u> |

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT

| | | |
|---|-------------------|--------------------|
| Operating lease assets | <u>2006</u> | <u>2005</u> |
| | £ | £ |
| <u>Cost</u> | | |
| Brought forward | 14,319,876 | 151,876,166 |
| Additions | - | 837,308 |
| Disposals | (160,251) | (138,393,598) |
| Carried forward | <u>14,159,625</u> | <u>14,319,876</u> |
| <u>Depreciation</u> | | |
| Brought forward | 5,749,095 | 35,915,796 |
| Charge for the year | 2,744,397 | 24,188,909 |
| Disposals | (79,848) | (54,355,610) |
| Carried forward | <u>8,413,644</u> | <u>5,749,095</u> |
| Net book value carried forward | <u>5,745,981</u> | <u>8,570,781</u> |
| Net book value brought forward | <u>8,570,781</u> | <u>115,960,370</u> |
| | <u>2006</u> | <u>2005</u> |
| | £ | £ |
| Future minimum lease payments receivable under non-cancellable operating leases | | |
| No later than one year | 3,252,594 | 3,252,594 |
| Later than one year and no later than five years | 646,590 | 3,899,184 |
| | <u>3,899,184</u> | <u>7,151,778</u> |
| Aggregate operating lease rentals receivable in the year | <u>3,331,598</u> | <u>30,990,397</u> |
| (Loss)/profit on disposal of property, plant and equipment | <u>(5,245)</u> | <u>1,929,463</u> |

The depreciation charge and (loss)/profit on disposal of property, plant and equipment is included within cost of sales in the income statement

The company leases vehicles to customers under operating lease agreements

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

8 FINANCE LEASE RECEIVABLES

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

| | <u>2006</u> | <u>2005</u> |
|--|--------------------------|--------------------------|
| | £ | £ |
| Gross investment in finance leases | | |
| Amounts falling due | | |
| No later than one year | 11,347,336 | 12,769,989 |
| Later than one year and no later than five years | 20,802,552 | 29,502,274 |
| Later than five years | <u>6,838,521</u> | <u>9,368,251</u> |
| Gross investment in finance leases | 38,988,409 | 51,640,514 |
| Unearned finance income | (5,010,887) | (7,332,832) |
| Impairment provisions | <u>(964,037)</u> | <u>(213,966)</u> |
| Net investment in finance leases less provisions | <u>33,013,485</u> | <u>44,093,716</u> |
| Amortisation of finance lease receivables: | | |
| No later than one year | 8,687,017 | 10,202,157 |
| Later than one year and no later than five years | 17,867,499 | 25,310,302 |
| Later than five years | <u>6,458,969</u> | <u>8,581,257</u> |
| Present value of minimum lease receivables | <u>33,013,485</u> | <u>44,093,716</u> |
| Fair value of amounts receivable under finance leases | <u>31,221,646</u> | <u>42,921,293</u> |
| Contingent rents receivable in respect of interest variation included in Revenue | <u>1,350</u> | <u>2,523</u> |
| Aggregate finance lease rentals receivable in the year | <u>10,465,498</u> | <u>11,130,756</u> |

9 AMOUNTS OWED TO PARENT UNDERTAKINGS

Amounts owed to parent undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are stated at amortised cost and the fair value is not considered to be significantly different from the carrying value. On 28 June 2007 a parent undertaking, HSBC Asset Finance (UK) Limited, waived a balance of £6,000,000 due to it by the company.

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

10 **DEFERRED TAX**

| | | |
|--|----------|-----------|
| Leasing transactions temporary differences | | £ |
| As at 1 January 2006 | | 2,970,694 |
| Transfer from income statement | (Note 5) | 280,000 |
| | | ----- |
| As at 31 December 2006 | | 3,250,694 |
| | | ----- |

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

Deferred tax has been calculated at 30% (2005 30%) being the corporation tax rate in force at 31 December 2006

Subsequent to the year end the Government has announced a reduction in the UK corporation tax rate to 28% with effect from 1 April 2008. This will cause the company's deferred tax provision to be reduced by some £216,713

Under the terms of certain of the company's finance leases, rentals will require to be adjusted to reflect both the rate change and changes in capital allowances, the effects of which have not yet been quantified

11 **RECONCILIATION OF MOVEMENT IN EQUITY**

| | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|
| | £ | £ |
| Called up share capital | | |
| Balance brought forward and carried forward | 2,500,000 | 2,500,000 |
| | ----- | ----- |
| Retained earnings | | |
| Balance brought forward | (5,964,372) | (9,724,489) |
| | ----- | ----- |
| (Loss)/profit for the year | (13,137) | 3,760,117 |
| | ----- | ----- |
| Total recognised income and expense for the period | (13,137) | 3,760,117 |
| | ----- | ----- |
| Balance carried forward | (5,977,509) | (5,964,372) |
| | ----- | ----- |
| Total shareholders' equity | | |
| Balance brought forward | (3,464,372) | (7,224,489) |
| | ----- | ----- |
| (Loss)/profit for the year | (13,137) | 3,760,117 |
| | ----- | ----- |
| Balance carried forward | (3,477,509) | (3,464,372) |
| | ----- | ----- |

Shareholders' equity is wholly attributable to equity shareholders

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

12 SHARE CAPITAL

| | <u>2006</u> | <u>2005</u> |
|--------------------------------------|-------------|-------------|
| | £ | £ |
| Authorised | | |
| 5,000,000 Ordinary shares of £1 each | 5,000,000 | 5,000,000 |
| | ----- | ----- |
| Allotted, called up and fully paid | | |
| 2,500,000 Ordinary shares of £1 each | 2,500,000 | 2,500,000 |
| | ----- | ----- |

13 PARENT UNDERTAKINGS

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

14 RISK MANAGEMENT

Credit risk

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.

Liquidity risk

The company's assets are funded by borrowing from a parent undertaking, which acts as a treasury function. This funding has no fixed date for repayment, although the treasury function provides funds as required.

ASSETFINANCE DECEMBER (F) LIMITED
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14 **RISK MANAGEMENT (continued)**

Interest rate risk

Interest rate risk on fixed rate lending is managed at a group level by matching with equivalent fixed rate borrowings. Contractual re-pricing or maturity dates, if earlier are shown below

| | Effective interest rate | Up to 1 year * | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--|-------------------------------|-------------------|--------------|--------------|--------------|--------------|-----------------|------------|
| | | £ | £ | £ | £ | £ | £ | £ |
| 31 December 2006 | | | | | | | | |
| Financial assets | | | | | | | | |
| Finance leases | 7.64% | 8,682,180 | 7,301,371 | 6,091,334 | 2,302,367 | 2,174,424 | 6,461,809 | 33,013,485 |
| Financial liabilities | | | | | | | | |
| Amounts owed to parent undertakings | 5.39% | 37,628,568 | - | - | - | - | - | 37,628,568 |
| 31 December 2005 | | | | | | | | |
| Financial assets | | | | | | | | |
| Finance leases | 6.93% | 10,305,765 | 9,346,230 | 7,401,316 | 6,133,711 | 2,311,756 | 8,594,938 | 44,093,716 |
| Financial liabilities | | | | | | | | |
| Amounts owed to parent undertakings | 4.73% | 51,861,288 | - | - | - | - | - | 51,861,288 |

* Included in up to 1 year are amounts that are non-interest bearing