

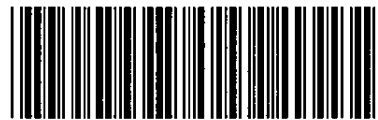
Registered No 957327

ASSETFINANCE DECEMBER (F) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2007

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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 2007

Business Review

Assetfinance December (F) Limited ("the company") is a company incorporated in the United Kingdom

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

The Company's principal risks are described in note 13.

Performance

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

During the year the company incurred bad debts amounting to £0.02m (2006: £0.8m). These are shown within administrative expenses in the income statement for continuing operations. 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. The amount is included within administrative income.

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.

ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31
DECEMBER 2007 (CONTINUED)

Future Developments

New business prospects will reflect any changes in the regulatory regime. The taxation of leasing transactions has been revised by HM Revenue & Customs to the extent that amongst other things, lessees rather than lessors are 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 the changes in corporation tax rates and proposals to amend the capital allowance regime.

Dividends

The Directors recommend the payment of a dividend of £419,128 in respect of the year ended 31 December 2007 (2006: £Nil). Dividend payments will be reflected in the financial statements in the period in which they are paid.

Directors

The directors who served during the year were as follows:

Name	Appointed	Resigned
S A Bottomley		19 July 2007
M J Brookes		
M J Russell-Brown		
N P Quinn	19 July 2007	

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.

ASSETFINANCE DECEMBER (F) LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31 DECEMBER 2007 (CONTINUED)

Capital management

The company has no 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 group's capital resources policy is to maintain its capital base through the diversification of its sources of capital and the efficient allocation of capital. It seeks to maintain at all times a prudent relationship between its total capital, as measured according to the criteria used by the FSA for supervisory purposes, and the varied risks of its business.

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 2007 (CONTINUED)

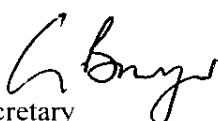
Statement of directors' responsibilities in relation to financial statements (continued)

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


Secretary

Date 21 July 2008

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 2007 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 2007 and of its profit 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

V. PAV *Audit Plc*
24/7/08

2 Cornwall Street
Birmingham B3 2DL

ASSETFINANCE DECEMBER (F) LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	<u>2007</u> £	<u>2006</u> £
Continuing operations			
Revenue			
Finance lease income		1,563,221	2,740,285
Operating lease income		2,941,199	3,326,353
Cost of sales		(2,378,684)	(2,744,397)
Finance Costs Interest payable	3	(1,439,984)	(1,966,460)
		685,752	1,355,781
Administrative income/(expense)	2	5,653,964	(1,386,617)
Profit/(loss) before tax		6,339,716	(30,836)
Tax credit	4	56,921	21,370
Profit/(loss) for the year from continuing operations		6,396,637	(9,466)
Discontinued operations			
Loss for the year from discontinued operations	5	-	(3,671)
Profit/(loss) for the year	10	6,396,637	(13,137)

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 2007

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

ASSETFINANCE DECEMBER (F) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	<u>2007</u> £	<u>2006</u> £
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,592,468	5,745,981
Current assets			
Finance lease receivables	7	<u>23,957,796</u>	<u>33,013,485</u>
Total assets		<u>26,550,264</u>	<u>38,759,466</u>
LIABILITIES AND EQUITY			
Current liabilities			
Amounts owed to parent undertakings	8	20,552,353	37,628,568
Value added tax		619,535	985,785
Accruals and deferred income		<u>348,031</u>	<u>371,928</u>
		<u>21,519,919</u>	<u>38,986,281</u>
Non-current liabilities			
Deferred tax	9	<u>2,111,217</u>	<u>3,250,694</u>
Total liabilities		<u>23,631,136</u>	<u>42,236,975</u>
Equity			
Called up share capital	11	2,500,000	2,500,000
Retained earnings/(deficit)		<u>419,128</u>	<u>(5,977,509)</u>
Total equity/(deficit)	10	<u>2,919,128</u>	<u>(3,477,509)</u>
Total liabilities and equity		<u>26,550,264</u>	<u>38,759,466</u>

These financial statements were approved by the Board of Directors on 21 July 2008 and were signed on its behalf by



N P Quinn
Director

ASSETFINANCE DECEMBER (F) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31
DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	£	£
Cash flows from operating activities		
Profit/(loss) before tax	6,339,716	(36,081)
Adjustments for		
Depreciation	2,346,084	2,744,397
Loss on disposal of property, plant and equipment	32,600	5,245
Provisions raised	16,050	799,484
Change in operating assets	9,039,639	10,280,747
Change in other receivables	(390,147)	60,826
Loan waiver income	(6,000,000)	-
Net cash from operating activities	<u>11,383,942</u>	<u>13,854,618</u>
Cash flows from investing activities		
Proceeds from sale of equipment	<u>774,829</u>	<u>75,158</u>
Net cash from investing activities	<u>774,829</u>	<u>75,158</u>
Cash flows from financing activities		
(Paid to)/received from parent undertaking in respect of group relief	(1,082,556)	302,944
Paid to parent undertaking in respect of other financing activities	<u>(11,076,215)</u>	<u>(14,232,720)</u>
Net cash from financing activities	<u>(12,158,771)</u>	<u>(13,929,776)</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	<u>-</u>	<u>-</u>

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 2007. 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.

The company has implemented IFRS 7 Financial Instruments Disclosures during the year, which has required changes to the detailed disclosures about financial instruments.

A revised IAS 1 'Presentation of Financial Statements' which is applicable for annual periods beginning on or after 1 January 2009, subject to EU endorsement in due course, was issued on 6 September 2007. The revised standard aims to improve users' ability to analyse and compare information given in financial statements. Adoption of the revised standard will have no effect on the results reported in the company's financial statements but will change the presentation of the results and financial position of the company in certain respects.

No other standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the company when adopted.

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.

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

b) Income recognition (continued)

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

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.

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

f) Cash and cash equivalents

Inter company transactions are accounted for as financing activities

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.

j) Fair values

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

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

2 ADMINISTRATIVE INCOME/(EXPENSE)

Administrative expenses include £329,986 (2006 £587,133) in respect of group management charges payable to a parent undertaking. Bad debts amounting to £0.02m (2006 £0.8m) are also included. The directors made no charge for their services. The company has no employees and hence no staff costs.

Administrative income includes an amount of £6,000,000 in respect of the waiver of a balance due to a parent company, HSBC Asset Finance (UK) Limited, on 28 June 2007.

3 INTEREST PAYABLE

All interest payable was due to a parent undertaking.

4 TAX CREDIT

The tax credit comprises	<u>2007</u>	<u>2006</u>
	£	£
Group relief payable to/(receivable from) other group undertakings		
- current tax on income for the year	958,761	690,552
- adjustments in respect of prior periods	123,795	(993,496)
Total current tax	<u>1,082,556</u>	<u>(302,944)</u>
Deferred taxation		
- reversal of temporary differences	(1,015,682)	(713,496)
- adjustments in respect of prior periods	(123,795)	993,496
Total deferred tax (Note 9)	<u>(1,139,477)</u>	<u>280,000</u>
Total tax credit	<u>(56,921)</u>	<u>(22,944)</u>

The tax credit for the year is different from the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below.

	<u>2007</u>	<u>2006</u>
	£	£
Analysis of overall tax credit		
Profit/(loss) before tax		
Continuing operations	6,339,716	(30,836)
Discontinued operations	-	(5,245)
	<u>6,339,716</u>	<u>(36,081)</u>
Taxation at 30% (2006 30%)	1,901,915	(10,824)
Effects of		
Non taxable income	(1,808,035)	(12,120)
Change in deferred tax rate	(150,801)	-
Overall tax credit (see above)	<u>(56,921)</u>	<u>(22,944)</u>

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

4 TAX CREDIT (continued)

The reconciliation of tax credit to the income statement is detailed below

	<u>2007</u>	<u>2006</u>
	£	£
Continuing operations	(56,921)	(21,370)
Discontinued operations	-	(1,574)
	<hr/>	<hr/>
Tax credit	(56,921)	(22,944)
	<hr/>	<hr/>

5 REVENUE AND EXPENDITURE

Revenue comprises of

	<u>2007</u>	<u>2006</u>
	£	£
Continuing operations		
Finance lease income	1,563,221	2,740,285
Operating lease income	2,941,199	3,326,353
	<hr/>	<hr/>
	4,504,420	6,066,638
	<hr/>	<hr/>

Revenue and expenses attributable to discontinued operations comprise

	<u>2007</u>	<u>2006</u>
	£	£
Cost of sales	-	(5,245)
	<hr/>	<hr/>
Loss before tax	-	(5,245)
Tax credit	-	1,574
	<hr/>	<hr/>
Loss for the year	-	(3,671)
	<hr/>	<hr/>

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

Operating lease assets	<u>2007</u>	<u>2006</u>
	£	£
<u>Cost</u>		
Brought forward	14,159,625	14,319,876
Disposals	(2,438,446)	(160,251)
Carried forward	<u>11,721,179</u>	<u>14,159,625</u>
<u>Depreciation</u>		
Brought forward	8,413,644	5,749,095
Charge for the year	2,346,084	2,744,397
Disposals	(1,631,017)	(79,848)
Carried forward	<u>9,128,711</u>	<u>8,413,644</u>
Net book value carried forward	<u>2,592,468</u>	<u>5,745,981</u>
Net book value brought forward	<u>5,745,981</u>	<u>8,570,781</u>
	<u>2007</u>	<u>2006</u>
	£	£
Future minimum lease payments receivable under non-cancellable operating leases		
No later than one year	559,452	3,252,594
Later than one year and no later than five years	-	646,590
	<u>559,452</u>	<u>3,899,184</u>
Aggregate operating lease rentals receivable in the year	<u>2,941,199</u>	<u>3,331,598</u>
Loss on disposal of property, plant and equipment	<u>(32,600)</u>	<u>(5,245)</u>

The depreciation charge and loss 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

7 FINANCE LEASE RECEIVABLES

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

	<u>2007</u>	<u>2006</u>	
	£	£	
Gross investment in finance leases			
Amounts falling due			
No later than one year	7,705,002	11,347,336	
Later than one year and no later than five years	15,555,898	20,802,552	
Later than five years	<u>4,353,103</u>	<u>6,838,521</u>	
Gross investment in finance leases	27,614,003	38,988,409	
Unearned finance income	(3,564,478)	(5,010,887)	
Impairment provisions	<u>(91,729)</u>	<u>(964,037)</u>	
Net investment in finance leases less provisions	<u>23,957,796</u>	<u>33,013,485</u>	
Amortisation of finance lease receivables:			
No later than one year	6,256,928	8,687,017	
Later than one year and no later than five years	13,481,205	17,867,499	
Later than five years	<u>4,219,663</u>	<u>6,458,969</u>	
Present value of minimum lease receivables	<u>23,957,796</u>	<u>33,013,485</u>	
 Fair value of amounts receivable under finance leases	 <u>21,655,708</u>	 <u>31,221,646</u>	
 Contingent rents receivable in respect of interest variation included in Revenue	 <u>1,141</u>	 <u>1,350</u>	
 Aggregate finance lease rentals receivable in the year	 <u>8,001,464</u>	 <u>10,465,498</u>	

8 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 accounted for as financial liabilities, measured 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

9 **DEFERRED TAX**

Leasing transactions temporary differences		£
As at 1 January 2007		3,250,694
Transfer to income statement	(Note 4)	(1,139,477)
As at 31 December 2007		<u>2,111,217</u>

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

During the year the Government announced a reduction in the UK corporation tax rate to 28% with effect from 1 April 2008

Deferred tax has been calculated at 28% (2006 30%) being the estimated corporation tax rate in force in the periods in which the assets will be realised or the liabilities settled

10 **RECONCILIATION OF MOVEMENT IN EQUITY**

	<u>2007</u>	<u>2006</u>
	£	£
Called up share capital		
Balance brought forward and carried forward	2,500,000	2,500,000
Retained earnings		
Balance brought forward	(5,977,509)	(5,964,372)
Profit/(loss) for the year	6,396,637	(13,137)
Total recognised income and expense for the period	6,396,637	(13,137)
Balance carried forward	419,128	(5,977,509)
Total shareholders' equity		
Balance brought forward	(3,477,509)	(3,464,372)
Profit/(loss) for the year	6,396,637	(13,137)
Balance carried forward	2,919,128	(3,477,509)

Shareholders' equity is wholly attributable to equity shareholders

ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11 SHARE CAPITAL

	<u>2007</u>	<u>2006</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
	-----	-----

12 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

13 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. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings and it is therefore not considered appropriate to disclose quantitative data about exposure to that risk.

The maximum exposure to credit risk is consistent with the carrying values of financial assets.

ASSETFINANCE DECEMBER (F) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

13 **RISK MANAGEMENT (continued)**

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

There are no significant concentrations of risk in the company

Credit quality analysis

	<u>2007</u>	<u>2006</u>
	£	£
Gross finance lease receivables		
Neither past due nor impaired	24,001,964	32,727,453
Impaired	47,561	1,250,069
	-----	-----
	24,049,525	33,977,522
	-----	-----

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

Movement in allowance accounts for total loans and advances

	<u>2007</u>		<u>2006</u>	
	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed
	£	£	£	£
At 1 January	866,294	97,743	100,122	113,844
Amounts written off	(868,594)	(19,764)	(58,168)	8,755
Charge/(credit) to income statement	35,038	(18,989)	824,340	(24,856)
	-----	-----	-----	-----
At 31 December	32,738	58,990	866,294	97,743
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ASSETFINANCE DECEMBER (F) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

13 **RISK MANAGEMENT (continued)**

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. The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the balance sheet date.

	On <u>demand</u> £	Due within <u>3 months</u> £	<u>Total</u> £
31 December 2007			
Amounts owed to parent undertakings	20,552,352	-	20,552,352
Value added tax	-	619,535	619,535
Accruals and deferred income	-	348,031	348,031
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31 December 2006

Amounts owed to parent undertakings	37,628,568	-	37,628,568
Value added tax	-	985,785	985,785
Accruals and deferred income	-	371,928	371,928
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Interest rate risk

Interest rate risk on fixed rate lending is managed at a group level by matching with equivalent fixed rate borrowings, with interest recharged to the company at cost, after taking any group level risk management into account. A sensitivity analysis is therefore not considered appropriate.

Analysis of fixed and floating rate financial assets

	<u>2007</u> £	<u>2006</u> £
Fixed rate	23,957,796	32,896,597
Floating rate	-	116,888
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	23,957,796	33,013,485