Assetfinance December (F) Limited
Registered No: 957327

Annual Report and Financial Statements for the year ended 31 December 2017

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Assetfinance December (F) Limited
Registered No: 957327

Annual Report and Financial Statements for the year ended 31 December 2017

Contents

Principal activities

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

The Company is a limited company domiciled and incorporated in England and Wales.

Review of the Company's business

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

Where relevant, other group undertakings, HSBC Asset Finance (UK) Limited and HSBC Equipment Finance (UK) Limited, provide agency services to the Company. An appropriate management fee is charged accordingly. The services provided include seeking new business, negotiating and agreeing terms and arranging the execution of all lease documents on behalf of the Company, as well as maintaining accurate accounting and other records such as borrowing funds and settlement of all invoices relating to the services.

The business is funded by another group undertaking mainly through borrowing. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company's principal stakeholder is its parent company.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 9 of these financial statements.

In the prior year, all of the remaining finance lease agreements in another group undertaking, Assetfinance Limited, were transferred to the Company. All of the lease agreements were in their secondary period and had no carrying value. The consideration paid for the disposal was nil, being the net asset value at the date of transfer.

Key performance indicators

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

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, market risk and liquidity risk. These risks, the exposure to such risks and management of risk are set out in Note 18 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The ultimate economic effect of the UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in volatility in respect of principal risks affecting the Company. However this is not expected to have a material impact on the results or net assets of the Company given the nature of the Company's transactions, counterparties and available security.

On behalf of the Board

M Harris
Director

Dated: 29 August 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
B Bulford		
M Harris		
N Subramanian		25 January 2017
R I McElroy	25 January 2017	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: 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.

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 18 of the Notes on the financial statements.

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total equity. It is HSBC Group'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.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Disclosure of information to the Auditor and Statement of Directors' Responsibilities

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each 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.

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 7, 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 the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors 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').

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 for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

M Harris
Director

Dated: 29 August 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent Auditors' Report to the Members of Assetfinance December (F) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Assetfinance December (F) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes on the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated: 25 August 2017

Income statement for the year ended 31 December 2017

	Notes	2017 £	2016 £
Interest income		**1,035,086**	1,456,917
Interest expense		**(550,455)**	(713,343)
Net interest income		**484,631**	743,574
Other operating income	3	**2,683,559**	1,783,145
Net operating income before loan impairment charges and other credit risk provisions		**3,168,190**	2,526,719
Loan impairment credits		**802**	812
Net operating income		**3,168,992**	2,527,531
General and administrative expenses	5	**(2,321,048)**	(1,515,630)
Operating profit		**847,944**	1,011,901
Profit before tax		**847,944**	1,011,901
Tax expense	8	**(270,404)**	(1,438,629)
Profit/(loss) for the year		**577,540**	(426,728)

Statement of comprehensive income for the year ended 31 December 2017

There has been no comprehensive income or expense other than the profit for the year as shown above (2016: nil).

Balance sheet as at 31 December 2017

	Notes	**2017**	2016
		£	£
Assets			
Trade and other receivables	*10*	**11,455,838**	18,221,322
Property, plant and equipment	*12*	**27,483,422**	16,297,549
Deferred tax assets	*9*	**12,087,628**	11,273,050
Total assets		**51,026,888**	45,791,921
Liabilities and equity			
Liabilities			
Trade and other payables	*13*	**45,040,770**	39,312,874
Accruals, deferred income and other liabilities		**211,339**	125,053
Current tax liabilities		**1,084,982**	2,241,737
Total liabilities		**46,337,091**	41,679,664
Equity			
Called up share capital	*14*	**2,500,000**	2,500,000
Retained earnings		**2,189,797**	1,612,257
Total equity		**4,689,797**	4,112,257
Total liabilities and equity		**51,026,888**	45,791,921

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 August 2018 and signed on its behalf by:

M Harris
Director
Company Registration No: 957327

Statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit before tax	**847,944**	1,011,901
Adjustments for:		
Non-cash items included in profit before tax	**2,167,123**	1,337,436
Change in operating assets	**6,766,286**	11,326,604
Change in operating liabilities	**86,286**	10,423
Tax (paid)/received	**(2,241,737)**	2,667,136
Net cash generated from operating activities	**7,625,902**	16,353,500
Cash flows from investing activities		
Purchase of property, plant and equipment	**(13,379,298)**	(7,941,740)
Proceeds from the sale of property, plant and equipment	**25,500**	217,600
Net cash used in investing activities	**(13,353,798)**	(7,724,140)
Cash flows from financing activities		
Movements in inter-company funding	**5,727,896**	(8,629,360)
Net cash generated from/(used in) financing activities	**5,727,896**	(8,629,360)
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents brought forward	-	-
Cash and cash equivalents carried forward	-	-

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
2017			
At 1 January 2017	**2,500,000**	**1,612,257**	**4,112,257**
Profit for the year	**-**	**577,540**	**577,540**
Total comprehensive income for the year	**-**	**577,540**	**577,540**
At 31 December 2017	**2,500,000**	**2,189,797**	**4,689,797**

	Called up share capital £	Retained earnings £	Total equity £
2016			
At 1 January 2016	2,500,000	2,038,985	4,538,985
Loss for the year	-	(426,728)	(426,728)
Total comprehensive expense for the year	-	(426,728)	(426,728)
At 31 December 2016	2,500,000	1,612,257	4,112,257

Equity is wholly attributable to ordinary shareholders.

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2017, there were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2017

There were no new standards applied during the year ended 31 December 2017. During 2017, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 1 January 2018 and 2019, some of which have been endorsed for use in the EU. The Company expects that they will have and insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 16 'Leases'. IFRS 9 and IFRS 16 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted by the Company from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparatives. The Company does not intend to restate comparatives. Adoption will have no effect on the classification and measurement of net assets. Impairment requirements will reduce net assets by £590,792.

IFRS 16 'Leases'

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. The Company is currently assessing the impact of IFRS 16, and it is not expected to have a significant effect on the financial statements of the Company.

(c) Presentation of information

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company.

The financial statements have been prepared on the historical cost basis.

(d) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This would result in materially different conclusions from those reached by management for the purposes of these Financial Statements.

Managment's selection of the Company's accounting policies which contain critical estimates and judgements is listed below. It reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

- Impairment of trade and other receivables: refer to Note 1.2 (c)
- Impairment of property, plant and equipment: refer to Note 1.2 (d)

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

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

See Note 1.2 (c) for the accounting policy for finance income or charges on finance leases.

Non-interest income and expense

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

(b) Valuation of financial instruments

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

(c) Financial instruments measured at amortised cost

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. Other than finance lease receivables, they are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance. Trade and other receivables include finance lease receivables.

Impairment of trade and other receivables

Losses for impaired receivables are recognised promptly when there is objective evidence that impairment of a receivables or portfolio of receivables has occurred. Impairment allowances are calculated on individual receivables or on groups of receivables assessed collectively, are recorded as charges to the income statement and are recorded against the carrying amount of impaired receivables on the Balance sheet. Losses which may arise from future events are not recognised.

Impairment losses on individual receivables are calculated by discounting the expected future cash flows of a receivable, which includes expected future receipts of contractual interest, at the receivable's original effective interest rate and comparing the resultant present value with the receivable's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require.

Write-off of receivables

Receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where receivables are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

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 receivable impairment allowance account accordingly. The write-back is recognised in the income statement.

Finance lease receivables

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets are classified as finance leases. They are recorded at an amount equal to the net investment in the lease, less any impairment provisions.

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. 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.

As a lessor under finance leases, the Company presents the amounts due under the leases, after deduction of unearned charges and any impairment provisions, in "Trade and other receivables".

The finance income or charges on finance leases net of rebates and variations are recognised in "Net interest income" over the lease periods so as to give a constant rate of return.

All other leases are classified as operating leases. See Note 1.2 (d) for the policy relating to Property, plant and equipment.

Trade and other payables

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(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.

Property, plant and equipment is subject to an impairment review if their carrying amount may not be recoverable. Impairment is calculated on the basis of current and expected future market conditions.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included within the income statement.

Fee income and commission expense are allocated over the relevant period of the lease and included within 'Other operating income.'

(e) Cash and cash equivalents

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

(f) Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in inter-company transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

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

(g) Tax

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

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes.

Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(h) Called up share capital

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

2 Operating profit

Operating profit is stated after the following items of income and expense:

	2017	2016
	£	£
Income		
Finance lease income	**1,035,086**	1,456,917
(Loss)/profit on disposal of property, plant and equipment	**(6,500)**	81,954

3 Other operating income

	2017	2016
	£	£
Operating lease income	**2,683,559**	1,783,145

4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2016: nil).

5 General and administrative expenses

Administrative expenses include £153,123 (2016: £177,382) in respect of group management charges payable to another group undertaking. Depreciation charges amounting to £2,161,425 (2016: £1,420,202) are also included.

6 Directors' emoluments

No Director received any fees or emoluments from the Company during the year (2016: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

7 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the Company amounted to £4,000 (2016: £4,042). There were no non-audit fees incurred during the year (2016: nil).

8 Tax

Tax expense

	2017 £	2016 £
Current tax		
- for this year	**1,084,982**	2,241,737
Total current tax	**1,084,982**	2,241,737
Deferred tax		
- Origination and reversal of temporary differences	**(921,782)**	(2,039,357)
- Effect of changes in tax rates	**107,596**	1,236,249
- Adjustments in respect of prior years	**(392)**	-
Total deferred tax	**(814,578)**	(803,108)
Total tax expense for the year ended 31 December	**270,404**	1,438,629

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned.

The rate reduction to 17% was enacted during the previous period and has therefore been taken into account in the calculation of the UK related deferred tax balances. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2016.

Tax reconciliation

The tax charged to the income statement differs to the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2017 £	%	2016 £	%
Profit before tax	**847,944**		1,011,901	
Tax at 19.25% (2016: 20.25%)	**163,200**	**19.2**	202,380	20.2
Adjustments in respect of prior period liabilities	**(392)**	**-**	-	-
Impact due to changes in tax rates	**107,596**	**12.7**	1,236,249	122.0
Total tax charged to the income statement	**270,404**	**31.9**	1,438,629	142.2

9 Deferred tax assets

The following table shows the gross deferred tax assets recognised in the balance sheet and the related amounts recognised in the Income Statement:

	Other temporary differences	**Total**
	£	**£**
At 1 January 2017	**11,273,050**	**11,273,050**
Income statement credit	**814,186**	**814,186**
Adjustment in respect of prior years	**392**	**392**
At 31 December 2017	**12,087,628**	**12,087,628**

	Other temporary differences	Total
	£	£
At 1 January 2016	10,469,942	10,469,942
Income statement credit	803,108	803,108
Adjustment in respect of prior years	-	-
At 31 December 2016	11,273,050	11,273,050

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

A deferred tax asset of £12,087,628 (2016:£11,273,050) is recognised in respect of leasing transactions temporary differences. The related tax benefit is expected to be realised through the offset of losses with future taxable profits within the Group.

10 Trade and other receivables

	Notes	**2017**	2016
		£	£
Finance lease receivables	*11*	**9,412,223**	18,063,300
Value added tax		**2,043,615**	158,022
		11,455,838	18,221,322

11 Finance lease receivables

	2017 Total future minimum payments	2017 Unearned finance income	2017 Present value	2016 Total future minimum payments	2016 Unearned finance income	2016 Present value
	£	£	£	£	£	£
Lease receivables						
- No later than one year	**4,360,149**	**(299,099)**	**4,061,050**	8,591,487	(504,337)	8,087,150
- Later than one year but not later than 5 years	**5,760,355**	**(382,922)**	**5,377,433**	10,773,149	(769,937)	10,003,212
	10,120,504	**(682,021)**	**9,438,483**	19,364,636	(1,274,274)	18,090,362
Impairment provisions			**(26,260)**			(27,062)
Net investment in finance leases			**9,412,223**			18,063,300

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

12 Property, plant and equipment

	2017	2016
	£	£
Cost		
At 1 January	**19,682,364**	12,472,052
Additions	**13,379,298**	7,941,740
Disposals	**(224,676)**	(731,428)
As at 31 December	**32,836,986**	19,682,364
Accumulated depreciation		
At 1 January	**3,384,815**	2,560,399
Charge for the year	**2,161,425**	1,420,202
Disposals	**(192,676)**	(595,786)
As at 31 December	**5,353,564**	3,384,815
Net carrying amount 1 January	**16,297,549**	9,911,653
Net carrying amount 31 December	**27,483,422**	16,297,549

Future minimum lease payments receivable under non-cancellable operating leases:	2017	2016
	£	£
No later than one year	**4,125,647**	2,289,428
Later than one year but not later than 5 years	**12,444,041**	7,535,924
Later than 5 years	**1,677,271**	516,215
	18,246,959	10,341,567

The depreciation charge is included within General and administrative expenses in the income statement.

The Company leases equipment and vehicles to customers under operating lease agreements.

13 Trade and other payables

	2017	2016
	£	£
Amounts owed to other group undertakings	**45,040,770**	39,312,874

Amounts owed to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value due to their short term nature.

14 Called up share capital

	2017	2016
	£	£
Issued, allotted and fully paid up		
2,500,000 (2016: 2,500,000) Ordinary shares of £1 each		
As at 1 January and 31 December	**2,500,000**	2,500,000

15 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2017 (2016: nil).

16 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liabilities by category and by balance sheet heading:

At 31 December 2017	**Loans and receivables**	**Financial assets and liabilities at amortised cost**	**Total**
	£	**£**	**£**
Assets			
Trade and other receivables	**9,412,223**	**-**	**9,412,223**
Total financial assets	**9,412,223**	**-**	**9,412,223**
Total non-financial assets			**41,614,665**
Total assets			**51,026,888**
Liabilities			
Trade and other payables	**-**	**45,040,770**	**45,040,770**
Total financial liabilities	**-**	**45,040,770**	**45,040,770**
Total non-financial liabilities			**1,296,321**
Total liabilities			**46,337,091**

At 31 December 2016	Loans and receivables	Financial assets and liabilities at amortised cost	Total
	£	£	£
Assets			
Trade and other receivables	18,063,300	-	18,063,300
Total financial assets	18,063,300	-	18,063,300
Total non-financial assets			27,728,621
Total assets			45,791,921
Liabilities			
Trade and other payables	-	39,312,874	39,312,874
Total financial liabilities	-	39,312,874	39,312,874
Total non financial liabilities			2,366,790
Total liabilities			41,679,664

17 Fair value of financial instruments not carried at fair value

There are no material differences between the carrying value and the fair value of the financial assets and liabilities as at 31 December 2017 and 31 December 2016.

18 Risk management

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

a) Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract.

Within the overall framework of the HSBC Group policy, the Company has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Company is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The Company's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. No finance lease or other receivable is in arrears. No collateral is held in respect of finance lease receivables, although as title to the underlying assets remain with the lessor, these assets would be recoverable in case of default and it is anticipated that the sale proceeds would cover any shortfall in the amounts recovered from the lessee.

Movement in impairment allowances on loans and receivables

	2017 Individually assessed	**2017 Collectively assessed**	2016 Individually assessed	2016 Collectively assessed
	£	**£**	£	£
At 1 January	**2,557**	**24,505**	14,402	27,030
Amounts written off	**-**	**-**	(13,559)	-
New allowances net of allowance releases	**2,546**	**(3,348)**	1,714	(2,525)
As at 31 December	**5,103**	**21,157**	2,557	24,505

b) Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from other group undertakings.

The Business manages liquidity risk for the Company as described above for risks generally.

The Company's assets net of deferred tax, are funded principally by borrowings from another group undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand.

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

	On demand	**Total**
	£	**£**
At 31 December 2017		
Amount owed to other group undertakings	**45,040,770**	**45,040,770**

	On demand	Total
	£	£
At 31 December 2016		
Amount owed to other group undertakings	39,312,874	39,312,874

c) Market risk management

Market risk is the risk that movements in market factors including interest rates or foreign exchange rates will impact the Company's income.

Interest rate risk

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

The Company is not exposed to foreign exchange risk on its financial assets or liabilities.

19 Related party transactions

Transactions with other related parties

Transactions detailed below include amounts due to/from HSBC Asset Finance (UK) Limited.

	2017		2016	
	Highest balance during the year	**Balance at 31 December**	Highest balance during the year	Balance at 31 December
	£	**£**	£	£
Liabilities				
Trade and other payables	**45,452,452**	**45,040,770**	46,451,373	39,312,874

	2017	2016
	£	£
Income statement		
Interest expense	**550,455**	713,343
General and administrative expenses	**153,123**	177,382

20 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Equipment Finance (UK) Limited. All companies are registered in England and Wales.

The results of the Company are included in the financial statements of HSBC Holdings plc and HSBC Bank plc.

Copies of HSBC Holdings plc and HSBC Bank plc consolidated financial statements can be obtained from:

HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

21 Events after the balance sheet date

There are no significant events after the balance sheet date.