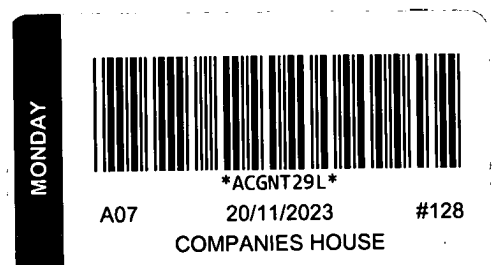


# **Assetfinance December (F) Limited**

**Registration No: 00957327**

**Annual Report and Financial Statements for the year ended  
31 December 2022**





# **Annual Report and Financial Statements for the year ended 31 December 2022**

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## **Strategic Report**

### **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 private limited company domiciled and incorporated in the United Kingdom and registered in England and Wales.

The Company is limited by shares.

### **Review of the Company's business**

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

In April 2022, as part of a wider business strategy review of operating lease contracts, the Management of the Company agreed a plan to dispose of a number of operating lease contracts held with specific customers. Consequently, these operating lease contracts were reclassified as held for sale as at 30 June 2022, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The net book value as at 30 June 2022 for the relevant leasing arrangements was £5,157k and the valuation following the reclassification was £4,352k, resulting in an impairment loss of £805k. There was no significant difference between the valuation following the reclassification and the proceeds received on disposal. The impairment loss from the Assets Held for Sale is disclosed within 'Impairment loss relating to the sale of leased assets' in the income statement. All contracts that were reclassified as Held for Sale as at 30 June 2022 were disposed of prior to the year end.

Where relevant, another group undertaking, HSBC Equipment Finance (UK) Limited provides 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 Company has no employees. In addition to agency services, other required services are provided by fellow HSBC Group companies.

### **Section 172 statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the Company's deliberations and decision-making process, the Board also takes into account the (i) likely consequences of any decision in the long-term; (ii) the interests of the company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, utilise our services, own us, regulate us and live in the societies we serve. During the financial year, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the Company's strategy in line with its long-term values, and operate the business in a sustainable way.

The Board is committed to effective engagement with its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholders' group may differ and, as such, as part of the Company's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision-making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

The Board will sometimes engage directly with certain stakeholders on specific issues, but the size and distribution of our stakeholders and of the HSBC Group means that stakeholder engagement often takes place at an operational level. In these instances, the Board is informed of stakeholders' views through management reports and presentations.

The majority of decisions made by the Board during the financial year are deemed to be routine in nature and are taken on a cyclical basis.

### **Performance**

The Company's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

### **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 UK Bank plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

### **Impact of Climate Risk**

Climate risks have the potential to cause both financial and non-financial impacts for the Company. Financial impacts could materialise from transactional losses or Business decisions to achieve overall climate ambitions of the HSBC Group. Non-financial impacts could materialise from the impact of significant changes in climate on the Company's assets or operations.

The impact of climate risk on the balance sheet has been assessed and it is considered that there is no material impact on the financial statements for the year ended 31 December 2022 due to the nature of the Company's transactions and customers. The impact on a number of areas of the balance sheet have been considered including property, plant and equipment under operating lease arrangements and deferred tax as well as within the going concern assessment of the Company. It is not considered that there would be any significant impact from climate change over the remaining expected contract lives of outstanding leasing arrangements.



### **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 17 of the financial statements.

The Russian invasion of Ukraine in February 2022 has resulted in the outbreak of war between the two countries. This has resulted in many countries implementing significant sanctions and trade restrictions against Russia in support of Ukraine. This has had repercussions in the global economy creating uncertainty and market volatility. Whilst negotiations are ongoing to seek a resolution, the outcome of the negotiations is unlikely to lead to the resolution of the conflict in the foreseeable future. Consequently, the war is expected to continue for some time into the future with ongoing disruption in UK domestic and global markets. It is not considered that the Russia-Ukraine war will have a significant impact on the principal risks of the Company due to the nature of the Company's operations.

During 2022, the UK economy has faced a number of challenges, including rising inflation, increased interest rates and a period of significant market volatility that followed changes to policies announced by the UK Government. Consumer confidence has fallen with a deepening cost of living crisis partly driven by a sharp rise in energy prices. This has led to uncertainty in respect of growth expectations in the UK economy in 2023. However, due to the nature of the Company's transactions, it is not considered that these events will have a significant impact on its principal risks.

On behalf of the Board



J E Rao  
Director

28 September 2023

Registered office  
1 Centenary Square  
Birmingham B1 1HQ  
United Kingdom



## Report of the Directors

### Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Name	Resigned
M Harris	31 December 2022
J E Rao	
S Balachandran	

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 and remain in place 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 2022 (2021: nil).

### Significant events since the end of the financial year

In April 2023, the Management of the Company agreed a plan to dispose of additional operating leases held with specific customers. Consequently, these operating lease contracts were re-classed as held for sale as at 30 April 2023, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As at the date of the signing of the financial statements, total impairment losses of £5,960k have been charged to the income statement following the reclassification and disposal of contracts. Contracts valued at £90k are awaiting sale and no further impairment is expected. As the held for sale reclassification reflected conditions existing after the year end, this is considered to be a non-adjusting post balance sheet event.

No other significant 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

As at 31 December 2022, the Company had net current liabilities of £37,867,827 (2021: £47,612,679). The parent undertaking, HSBC UK Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of signing the financial statements. As a result of this, together with the considerations referred to in the Principal risks and uncertainties and impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

### 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 17 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 shareholders' equity. It is the Company'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.

### Independent auditors

PricewaterhouseCoopers LLP ('PwC') are external independent auditors to the Company. PwC have expressed their willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.



**Statement of Directors' Responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 28 September 2023 and signed on its behalf by:



J E Rao  
Director

Registered office  
1 Centenary Square  
Birmingham B1 1HQ  
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 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2022; 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 to the financial statements, which include a description of the significant accounting policies.

#### **Basis for 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of relevant meeting minutes including those of the Board of Directors;
- testing of manual journal entries;
- testing of the related party transactions and relevant disclosures; and
- challenging assumptions made by management in determining significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

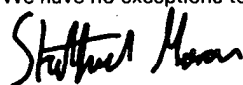
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not obtained 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.



Stafford Moran (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

Dated: 29 September 2023



## Financial statements

### Income statement for the year ended 31 December 2022

	Notes	2022 £	2021 £
Interest income	2	62,626	63,320
Interest expense		(416,349)	(600,092)
<b>Net interest expense</b>		<b>(353,723)</b>	<b>(536,772)</b>
Other operating income	3	9,469,820	8,512,025
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>		<b>9,116,097</b>	<b>7,975,253</b>
Change in expected credit losses and other credit impairment charges		(145,955)	6,884
<b>Net operating income</b>		<b>8,970,142</b>	<b>7,982,137</b>
General and administrative expenses	4	(409,542)	(267,739)
Depreciation and Impairment of property, plant and equipment		(5,398,061)	(4,461,195)
Loss on disposal of property, plant and equipment		(756,374)	—
Impairment loss relating to the sale of leased assets		(805,478)	—
<b>Operating profit</b>		<b>1,600,687</b>	<b>3,253,203</b>
<b>Profit before tax</b>		<b>1,600,687</b>	<b>3,253,203</b>
Tax (expense)/credit	8	(1,032,680)	1,405,001
<b>Profit for the year</b>		<b>568,007</b>	<b>4,658,204</b>

### Statement of comprehensive income for the year ended 31 December 2022

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2021: nil).



# Assetfinance December (F) Limited

## Balance sheet at 31 December 2022

Registration No: 00957327

	Notes	2022 £	2021 £
<b>Assets</b>			
Trade and other receivables	12	697,663	764,739
Current tax assets		1,218,985	2,155,408
Property, plant and equipment	14	45,599,709	52,745,379
Deferred tax assets	9	6,177,953	8,429,618
<b>Total assets</b>		<b>53,694,310</b>	<b>64,095,144</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	15	39,138,277	50,080,220
Accruals, deferred income and other liabilities		334,018	360,916
<b>Total liabilities</b>		<b>39,472,295</b>	<b>50,441,136</b>
<b>Equity</b>			
Called up share capital	16	2,500,000	2,500,000
Retained earnings		11,722,015	11,154,008
<b>Total equity</b>		<b>14,222,015</b>	<b>13,654,008</b>
<b>Total liabilities and equity</b>		<b>53,694,310</b>	<b>64,095,144</b>

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 28 September 2023 and signed on its behalf by:



J E Rao  
Director



Statement of cash flows for the year ended 31 December 2022

		2022	2021
	Note	£	£
<b>Cash flows from operating activities</b>			
Profit before tax		1,600,687	3,253,203
Adjustments for:			
Non-cash items included in profit before tax		7,105,868	4,514,651
Change in operating assets		(78,880)	(178,070)
Change in operating liabilities		293,069	267,804
Tax credit received		2,155,408	2,477,858
<b>Net cash generated from operating activities</b>		<b>11,076,152</b>	<b>10,335,446</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(5,044,813)	(13,128,151)
Reclassification of Property, plant and equipment as finance lease receivables		—	931,299
Proceeds from sale of property, plant and equipment		5,230,570	306,000
<b>Net cash generated from/(used in) investing activities</b>		<b>185,757</b>	<b>(11,890,852)</b>
<b>Cash flows from financing activities</b>			
Movements in inter-company funding		(11,261,909)	1,555,406
<b>Net cash (used in)/generated from financing activities</b>		<b>(11,261,909)</b>	<b>1,555,406</b>
Net increase in cash and cash equivalents		—	—
Cash and cash equivalents brought forward		—	—
<b>Cash and cash equivalents carried forward</b>		<b>—</b>	<b>—</b>



**Statement of changes in equity for the year ended 31 December 2022**

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 Jan 2022</b>	<b>2,500,000</b>	<b>11,154,008</b>	<b>13,654,008</b>
Profit for the year	—	<b>568,007</b>	<b>568,007</b>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>568,007</b>	<b>568,007</b>
<b>At 31 Dec 2022</b>	<b>2,500,000</b>	<b>11,722,015</b>	<b>14,222,015</b>
<b>At 1 Jan 2021</b>	<b>2,500,000</b>	<b>6,495,804</b>	<b>8,995,804</b>
Profit for the year	—	<b>4,658,204</b>	<b>4,658,204</b>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>4,658,204</b>	<b>4,658,204</b>
<b>At 31 Dec 2021</b>	<b>2,500,000</b>	<b>11,154,008</b>	<b>13,654,008</b>



## Notes on the financial statements

### 1 Basis of preparation and significant accounting policies

#### 1.1 Basis of preparation

##### (a) Compliance with International Financial Reporting Standards ('IFRSs')

The financial statements of the Company comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2022 affecting these financial statements.

Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Company in 2022. Accounting policies have been consistently applied.

##### (b) Future accounting developments

Minor amendments to IFRSs

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 January 2022 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024. Not all of these amendments have been endorsed for use in the UK to date but adoption is not expected to have a significant effect on the financial statements of the Company.

New IFRSs

IFRS 17 Insurance Contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted for use in the UK. However, it is not considered to have a significant impact 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) 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 highlighted as the critical accounting estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies that contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

##### (e) Going concern

As at 31 December 2022, the Company had net current liabilities of £37,867,827 (2021: £47,612,679). The parent undertaking, HSBC UK Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of signing the financial statements. As a result of this, together with the considerations referred to in the Principal risks and uncertainties and impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

#### 1.2 Summary of significant accounting policies

##### (a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments, excluding 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 (b) for the accounting policy for finance income or charges on finance leases.

##### (b) Financial instruments measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, are measured at amortised cost. Such financial assets include trade and other receivables.



## Assetfinance December (F) Limited

### Financial assets

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. 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.

### 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.

The Company leases assets to third parties under finance leases. At the end of the lease term, assets may be sold to third parties or leased for further terms. Lessees may participate in any sales proceeds achieved. Lease rentals arising during the lease terms will either be fixed in quantum or be varied to reflect changes in, for example, tax or interest rates. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

Leases in their secondary rental period are held at nil value with income recognised at the contracted invoice date. The Directors consider these payments to represent a fee in respect of undertaking the responsibility for the administration of the lease at the beginning of each secondary rental period. As the Company has no additional performance obligations, the income is recognised in full on the contracted invoice date.

All other leases are classified as operating leases. See Note 1.2 (f) 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 provision 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.

### (c) Impairment of amortised cost financial assets

For the impairment of amortised cost financial assets within the scope of IFRS9, the Company has adopted the methodology as developed within the HSBC group and is detailed below.

Expected credit losses ('ECL') are recognised for financial assets held at amortised cost. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, 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 considered to be 'stage 1'; financial assets which 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'.

### Credit impaired (stage 3)

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

### Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans 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.



### Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL.

### Unimpaired and without significant increase in credit risk - (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

### Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

### Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, HSBC group calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for stage 3 is determined on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on the credit risk officer's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral.

The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under four different scenarios are probability-weighted by reference to the economic scenarios applied more generally by the HSBC group and the judgement of the credit risk officer in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, the effect of different economic scenarios and work-out strategies is approximated and applied as an adjustment to the most likely outcome.

### Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Company is exposed to credit risk.

### Forward-looking economic inputs

HSBC group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

Four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to HSBC Group's top and emerging risks.

Three of the scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution, which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to distributions for select markets that capture forecasters' views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done mechanically with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, Downside 2, is designed to represent Management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends.

The consensus, 'Upside' scenarios is constructed to be consistent with a 5% probability. The two Downside scenarios were given a combined probability weighting of 35%. The Central Scenario is assigned the remaining 60%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, Management may depart from this probability based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.



## Assetfinance December (F) Limited

In comparison with 2021, the Consensus Upside scenario was constructed to be consistent with a 10% probability with the two Downside scenarios assigned a combined probability weighting of 30%. The Central Scenario was assigned with the remaining 60%.

### (d) 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 on 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 are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

### (e) Assets classified as held for sale

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for sale in their present condition. The sale of assets is expected to qualify for recognition within one year of the date of classification.

Held-for-sale assets are measured at the lower of their carrying amount and fair value less cost to sell. An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell.

### (f) Property, plant and equipment

Operating lease assets are depreciated over the expected period of the relevant hirer's rental contract to an estimated residual value on a straight line basis. Rental income is also reflected on a straight line basis over the relevant period of the lease and is included in other operating income in the income statement.

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.

Critical accounting estimates and judgements

#### Estimates

Residual values are assessed on expectations of future market value over the economic life of the assets. Valuations are assessed by an in house RICS-qualified valuer accounting for industry projections. The portfolio is reviewed regularly in order to monitor market conditions and the impact this has on market values.

### (g) 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.

### (h) 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 a treasury function, providing funding for the Company through an inter-company account.

## 2 Interest income

	2022	2021
	£	£
Finance lease income	62,626	63,320

## 3 Other operating income

	2022	2021
	£	£
Operating lease income	9,112,920	8,105,977
Other finance lease income	356,900	406,048
<b>Year ended 31 Dec</b>	<b>9,469,820</b>	<b>8,512,025</b>

## 4 General and administrative expenses

	2022	2021
	£	£
Group management charges payable to another group undertaking	402,854	261,074
Audit fees	5,244	4,410
Other expenses	1,444	2,255
<b>Year ended 31 Dec</b>	<b>409,542</b>	<b>267,739</b>



## 5 Employee compensation and benefits

The Company has no employees and hence no staff costs (2021: nil).

## 6 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2021: 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

The amount incurred by the Company in respect of the statutory audit of these financial statements was £5,244 (2021: £4,410). There were no non-audit fees payable to the Company's statutory auditor incurred by the Company during the year.

## 8 Tax

### Tax expense/(credit)

	2022 £	2021 £
<b>Current tax</b>		
- For this year	(1,218,985)	(2,155,408)
<b>Total current tax</b>	<b>(1,218,985)</b>	<b>(2,155,408)</b>
<b>Deferred tax</b>		
- Origination and reversals of temporary differences	1,523,116	2,773,517
- Effects of changes in tax rates	540,453	(2,023,110)
- Adjustments in respect of prior years	188,096	—
<b>Total deferred tax</b>	<b>2,251,665</b>	<b>750,407</b>
<b>Year ended 31 Dec</b>	<b>1,032,680</b>	<b>(1,405,001)</b>

The UK corporation tax rate applying to the Company was 19% (2021: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

This will increase the company's future current tax charge accordingly and the deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 25%).

### Tax reconciliation

	2022 £	(%)	2021 £	(%)
Profit before tax	1,600,687		3,253,203	
Tax at 19.00% (2021: 19.00%)	304,131	19.0	618,109	19.0
Adjustments in respect of prior years	188,096	11.7	—	—
Impact due to changes in tax rates	540,453	33.8	(2,023,110)	(62.2)
<b>Year ended 31 Dec</b>	<b>1,032,680</b>	<b>64.5</b>	<b>(1,405,001)</b>	<b>(43.2)</b>

## 9 Deferred tax

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	
	2022 £	2021 £
At 1 Jan	8,429,618	9,180,025
Income statement charge	(2,251,665)	(750,407)
<b>At 31 Dec</b>	<b>6,177,953</b>	<b>8,429,618</b>

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

In the financial statements for the year ended 31 December 2022, deferred tax has been calculated at the corporation tax rates applicable to the financial years in which it is expected that the assets will be realised or the liabilities settled.

A deferred tax asset of £6,177,953 (2021: £8,429,618) is recognised in respect of leasing transactions temporary differences.

## 10 Analysis of financial assets and liabilities by measurement basis

All financial assets and financial liabilities held by the Company are measured on an ongoing basis at amortised cost.

## 11 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 2022 and 31 December 2021.

## 12 Trade and other receivables

	Note	2022 £	2021 £
Finance lease receivables	13	697,663	728,748
Other receivables		—	35,991
<b>At 31 Dec</b>		<b>697,663</b>	<b>764,739</b>



### 13 Finance lease receivables

	2022			2021		
	Total future minimum payments £	Unearned finance income £	Present value £	Total future minimum payments £	Unearned finance income £	Present value £
<b>Lease receivables</b>						
No later than one year	637,939	(18,860)	619,079	644,890	(3,408)	641,482
One to two years	142,129	(12,885)	129,244	67,370	(1,973)	65,397
Two to three years	99,853	(8,684)	91,169	27,948	(1,654)	26,294
Three to four years	99,234	(7,467)	91,767	—	—	—
	979,155	(47,896)	931,259	740,208	(7,035)	733,173
Impairment provisions			(233,596)			(4,425)
Net investment in finance leases			697,663			728,748

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.

### 14 Property, plant and equipment

Operation lease assets relate to vehicles and equipment

	Vehicles	
	2022 £	2021 £
<b>Cost</b>		
At 1 Jan	72,515,409	62,227,420
Additions	5,044,813	13,128,151
Disposals	(4,023,776)	(844,349)
Reclassification to Finance lease receivables	—	(1,995,813)
Reclassification to Assets held for sale which were subsequently disposed	(8,999,961)	—
As at 31 Dec	64,536,485	72,515,409
<b>Accumulated depreciation</b>		
At 1 Jan	19,770,030	16,851,357
Charge for the year	5,289,200	4,461,195
Impairment loss	108,861	—
Disposals	(2,389,038)	(478,008)
Reclassification to Finance lease receivables	—	(1,064,514)
Reclassification to Assets held for sale which were subsequently disposed	(3,842,277)	—
As at 31 Dec	18,936,776	19,770,030
<b>Net book value</b>		
At 1 Jan	52,745,379	45,376,063
As at 31 Dec	45,599,709	52,745,379

Future minimum lease payments receivable under non-cancellable operating leases:

	2022 £	2021 £
No later than one year	7,688,461	8,680,942
- One to two years	6,846,301	7,623,159
- Two to three years	4,512,006	6,300,965
- Three to four years	1,531,809	3,807,592
- Four to Five years	318,028	934,086
Later than five years	3,002	40,141
Year ended 31 Dec	20,899,607	27,386,885

In the year ended 31 December 2022, the Company incurred losses on the disposal of property, plant and equipment of £756,374 and these are disclosed separately in the income statement. In the prior year, there were losses of £60,342 which were included in the income statement under other operating income as not considered significant.

As at 31 December 2022, Residual values in respect of operating leases amounted to £7,016,981 (2021: £5,854,582). On the future disposal of the assets, the effect on net income from a 1% increase or decrease in depreciation curves applied to residual values would be an increase of £645,364 (2021: £725,154) or a decrease of £645,364 (2021: £725,154).

### 15 Trade and other payables

	2022 £	2021 £
Amounts owed to other group undertakings	38,708,248	49,970,157
Value added tax	430,029	110,063
<b>At 31 Dec</b>	<b>39,138,277</b>	<b>50,080,220</b>



## 16 Called up share capital

	2022		2021	
	Number	£	Number	£
<b>Issued, allotted and fully paid up</b>				
Ordinary shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
<b>As at 1 Jan and 31 Dec</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>

## 17 Management of financial risk

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.

### 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.

### Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The following tables analyse loans by industry sector and represent the concentration of exposures on which credit risk are managed.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	2022		2021	
	Gross carrying/ nominal amount	Allowance for ECL <sup>1</sup>	Gross carrying/ nominal amount	Allowance for ECL <sup>1</sup>
	£	£	£	£
Finance lease receivables	931,259	(233,596)	733,173	(4,425)
- corporate and commercial	931,259	(233,596)	733,173	(4,425)
Other receivables	—	—	119,207	(83,216)
<b>At 31 Dec</b>	<b>931,259</b>	<b>(233,596)</b>	<b>852,380</b>	<b>(87,641)</b>

<sup>1</sup> The total ECL is recognised in the loss allowance for the financial asset unless the total credit loss exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

The following table provides an overview of the Company's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

Summary of credit risk stage distribution and ECL coverage by industry sector

	Gross carrying/nominal amount			Allowance for ECL			ECL Coverage %		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	£	£	£	£	£	£	%	%	%
Finance lease receivables	576,645	—	354,614	(862)	—	(232,734)	0.1	—	65.6
<b>At 31 Dec 2022</b>	<b>576,645</b>	<b>—</b>	<b>354,614</b>	<b>(862)</b>	<b>—</b>	<b>(232,734)</b>	<b>0.1</b>	<b>—</b>	<b>65.6</b>
Finance lease receivables	733,173	—	—	(4,425)	—	—	0.6	—	—
Other receivables	—	—	119,207	—	—	(83,216)	—	—	69.8
<b>At 31 Dec 2021</b>	<b>733,173</b>	<b>—</b>	<b>119,207</b>	<b>(4,425)</b>	<b>—</b>	<b>(83,216)</b>	<b>0.6</b>	<b>—</b>	<b>69.8</b>

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from stage 1 to stage 2. Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

ECL income statement credit for the period

	2022	2021
	ECL allowance	ECL allowance
At 1 Jan	87,641	94,525
ECL income statement charge/(credit) for the period	145,955	(6,884)
<b>At 31 Dec</b>	<b>233,596</b>	<b>87,641</b>
ECL income statement charge/(credit) for the period	145,955	(6,884)



**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 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.

**Concentration of credit risk exposure**

There are no significant concentrations of risk in the Company.

Credit deterioration of financial instruments

A summary of current policies and practices regarding the identification, treatment and measurement of stage 1, stage 2 and stage 3 (credit impaired) can be found in note 1.2 of the financial statements.

**Reconciliation of allowances for Trade and other receivables**

The following disclosure provides a reconciliation of the Company's gross carrying/nominal amount and allowances for trade and other receivables.

The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase in ECL due to these transfers.

	Non credit - impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross exposure	Allowance for ECL
	Gross exposure	Allowance for ECL	Gross exposure	Allowance for ECL	Gross exposure	Allowance for ECL		
	£	£	£	£	£	£	£	£
<b>As at 1 Jan 2022</b>	<b>733,173</b>	<b>(4,425)</b>	<b>—</b>	<b>—</b>	<b>119,207</b>	<b>(83,216)</b>	<b>852,380</b>	<b>(87,641)</b>
Transfer of financial instruments	18,945	(19,776)	(397,980)	19,148	379,035	628	—	—
- transfers from stage 2 to stage 1	397,980	(19,148)	(397,980)	19,148	—	—	—	—
- transfers to stage 3	(379,035)	—	—	—	379,035	—	—	—
- transfers from stage 3	—	(628)	—	—	—	628	—	—
Changes to risk parameters - Further lending/ (repayments)	168,438	5,052	—	—	(143,628)	(60,631)	24,810	(55,579)
New origination	(11,729)	35	397,980	(19,148)	—	—	386,251	(19,113)
Asset derecognised (including final repayments)	(332,182)	43	—	—	—	—	(332,182)	43
Further quality change	—	18,209	—	—	—	(89,515)	—	(71,306)
<b>At 31 Dec 2022</b>	<b>576,645</b>	<b>(862)</b>	<b>—</b>	<b>—</b>	<b>354,614</b>	<b>(232,734)</b>	<b>931,259</b>	<b>(233,596)</b>
<b>As at 1 Jan 2021</b>	<b>103,520</b>	<b>(210)</b>	<b>433,792</b>	<b>(11,012)</b>	<b>136,998</b>	<b>(83,303)</b>	<b>674,310</b>	<b>(94,525)</b>
Transfer of financial instruments	50,360	(802)	(50,360)	802	—	—	—	—
- transfers from stage 2 to stage 1	50,360	(802)	(50,360)	802	—	—	—	—
Changes to risk parameters - Further lending/ (repayments)	633,638	(4,215)	(20,610)	9,188	(17,791)	87	595,237	5,060
Asset derecognised (including final repayments)	(54,345)	802	(362,822)	1,022	—	—	(417,167)	1,824
<b>At 31 Dec 2021</b>	<b>733,173</b>	<b>(4,425)</b>	<b>—</b>	<b>—</b>	<b>119,207</b>	<b>(83,216)</b>	<b>852,380</b>	<b>(87,641)</b>



## Credit quality

### Credit quality of financial instruments

The Company assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades, as well as external rating:

Quality classification	Debt Securities and other bills	Lending and derivatives
	External credit rating	Internal credit rating
Strong	A- and above	CRR1 to CRR2
Good	BBB+ to BBB-	CRR3
Satisfactory	BB+ to B and unrated	CRR4 to CRR5
Sub-standard	B- to C	CRR6 to CRR8
Credit-impaired	Default	CRR9 to CRR10

### Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.

'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.

'Credit-impaired' exposures have been assessed as impaired.

### Distribution of financial instruments by credit quality

	Gross carrying/notional amount						Allowance for ECL	Net
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total		
	£	£	£	£	£	£	£	£
Finance lease receivables	—	576,645	—	—	354,614	931,259	(233,596)	697,663
<b>At 31 Dec 2022</b>	—	576,645	—	—	354,614	931,259	(233,596)	697,663
Finance lease receivables	—	720,493	12,680	—	—	733,173	(4,425)	728,748
Other receivables	—	—	—	—	119,207	119,207	(83,216)	35,991
<b>At 31 Dec 2021</b>	—	720,493	12,680	—	119,207	852,380	(87,641)	764,739

### Distribution of financial instruments to which the impairment requirements of IFRS 9 are applied by credit quality stage allocation

	Gross carrying/notional amount						Allowance provision for ECL	Net
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total		
	£	£	£	£	£	£	£	£
Finance lease receivables	—	576,645	—	—	354,614	931,259	(233,596)	697,663
- stage 1	—	576,645	—	—	—	576,645	(862)	575,783
- stage 3	—	—	—	—	354,614	354,614	(232,734)	121,880
<b>At 31 Dec 2022</b>	—	576,645	—	—	354,614	931,259	(233,596)	697,663
Finance lease receivables	—	720,493	12,680	—	—	733,173	(4,425)	728,748
- stage 1	—	720,493	12,680	—	—	733,173	(4,425)	728,748
Other receivables	—	—	—	—	119,207	119,207	(83,216)	35,991
- stage 3	—	—	—	—	119,207	119,207	(83,216)	35,991
<b>At 31 Dec 2021</b>	—	720,493	12,680	—	119,207	852,380	(87,641)	764,739

## 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 risk arises from mismatches in the timing of cash flows.

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

The Business manages liquidity risk for 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.



## Assetfinance December (F) Limited

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	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	£	£	£	£	£	£
Amounts owed to other group undertakings	38,708,248	—	—	—	—	38,708,248
<b>At 31 Dec 2022</b>	<b>38,708,248</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>38,708,248</b>
Amounts owed to other group undertakings	49,970,157	—	—	—	—	49,970,157
<b>At 31 Dec 2021</b>	<b>49,970,157</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>49,970,157</b>

### 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.

## 18 Related party transactions

### Transaction with other related parties

Transactions detailed below include amounts due to HSBC Equipment Finance (UK) Limited

	2022		2021	
	Highest balance during the year <sup>1</sup>	Balance at 31 December	Highest balance during the year <sup>1</sup>	Balance at 31 December
	£	£	£	£
<b>Liabilities</b>				
Amounts owed to other group undertakings	49,065,168	38,708,248	52,307,944	49,970,157
			2022	2021
			£	£
<b>Income statement</b>				
Interest expense			416,349	600,092
General and administrative expenses			402,854	261,074

<sup>1</sup>The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

Administrative expenses include £402,854 (2021: £261,074) in respect of group management charges.

## 19 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 UK Bank plc is the parent undertaking of the smallest group to consolidate these financial statements. The immediate holding company is HSBC Equipment Finance (UK) Limited.

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

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

HSBC UK Bank plc  
1 Centenary Square  
Birmingham B1 1HQ  
United Kingdom  
www.hsbc.com

## 20 Events after the balance sheet date

In April 2023, the Management of the Company agreed a plan to dispose of additional operating leases held with specific customers. Consequently, these operating lease contracts were re-classed as held for sale as at 30 April 2023, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As at the date of the signing of the financial statements, total impairment losses of £5,960k have been charged to the income statement following the reclassification and disposal of contracts. Contracts valued at £90k are awaiting sale and no further impairment is expected. As the held for sale reclassification reflected conditions existing after the year end, this is considered to be a non-adjusting post balance sheet event.

No other significant events affecting the Company have occurred since the end of the financial year.