

**ASSETFINANCE DECEMBER (F) LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2001**



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## ASSETFINANCE DECEMBER (F) LIMITED

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**ASSETFINANCE DECEMBER (F) LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001**

**Results**

The results for the year ended 31 December 2001 are incorporated within the accompanying profit and loss account.

The Directors do not recommend the payment of a dividend.

**Principal Activities**

The Company undertakes leasing services for commercial and industrial customers in the public and private sectors. No change in the Company's activities is anticipated.

**Directors**

The Directors who served during the year were as follows:

B Carney  
D W Gilman  
T V Holmes  
G E Picken

**Directors' Interests**

The Directors' interests in the share and loan capital of HSBC Holdings plc, the ultimate parent undertaking, as required to be disclosed under the Companies Act 1985, are set out below.

	<u>At 1 January 2001</u>	<u>At 31 December 2001</u>
	Ordinary shares of <u>US\$0.50 each</u>	Ordinary shares of <u>US\$0.50 each</u>
B Carney	25,594	20,646
D W Gilman	34,247	34,247
T V Holmes	10,883	10,219
G E Picken	56,486	72,148

**ASSETFINANCE DECEMBER (F) LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001**  
**(CONTINUED)**

During the year options over shares were granted/exercised as follows:

	Granted Ordinary shares of US\$0.50 <u>each</u>	Exercised Ordinary shares of US\$0.50 <u>each</u>
B Carney	6,000	-
D W Gilman	6,500	-
T V Holmes	5,500	11,868
G E Picken	2,798	-

Throughout the period B Carney held 2,103 Subordinated loan capital of £1 each carrying interest of 11.69% due for redemption in 2002.

**Statement of Directors' Responsibilities in Relation to the Financial Statements**

The following statement, which should be read in conjunction with the Auditor's statement of its responsibilities set out in its report on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to prepare these financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**ASSETFINANCE DECEMBER (F) LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001**  
**(CONTINUED)**

**Supplier Payment Policy**

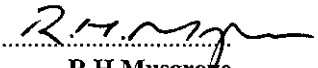
The Company subscribes to the Better Payment Practice Code for all suppliers, the four principles of which are to agree payment terms at the outset and stick to them; explain payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as required by law; and tell suppliers without delay when an invoice is contested and settle disputes quickly.

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

Registered Office:  
8 Canada Square  
London  
E14 5HQ

Date: 18 JUL 2002

By Order of the Board

  
R H Musgrove  
Secretary

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

We have audited the financial statements on pages 5 to 11.

## **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

## **Basis of Audit Opinion**

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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
2 Cornwall Street  
Birmingham  
B3 2DL

18 July 2002

**ASSETFINANCE DECEMBER (F) LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001**

	Note	<u>2001</u> £	<u>2000</u> £
<b>Turnover</b>		11,215,143	5,666,959
Cost of sales		(7,285,585)	(3,026,601)
Gross Profit		3,929,558	2,640,358
Administrative expenses	3	(297,706)	(559,665)
Interest receivable	4	-	86
Interest payable	4	(1,927,695)	(941,209)
<b><u>Profit on ordinary activities before taxation</u></b>		1,704,157	1,139,570
Tax (charge)/credit on profit on ordinary activities	5	(511,247)	2,892,157
<b><u>Profit on ordinary activities after taxation</u></b> <b><u>and retained for the financial year</u></b>		1,192,910	4,031,727
Accumulated losses brought forward		(12,526,245)	(16,557,972)
Accumulated losses carried forward		(11,333,335)	(12,526,245)

There were no acquisitions and no discontinued operations during the year.

There have been no other recognised gains or losses other than the profit for the financial year as stated above.

**ASSETFINANCE DECEMBER (F) LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2001**

	Note	<u>2001</u> £	<u>2000</u> £
<b>Fixed assets</b>			
Tangible fixed assets	6	28,904,500	33,082,806
<b>Current assets</b>			
<b>Debtors: amounts falling due within one year:</b>			
Lease agreements	8	235,611	1,703,425
<b>Debtors: amounts falling due after more than one year:</b>			
Lease agreements	8	-	681,821
		235,611	2,385,246
<b>Creditors: amounts falling due within one year:</b>			
Amounts owed to parent undertakings		34,658,144	40,294,746
Value added tax		207,650	655,494
Accruals and deferred income		1,245,186	1,243,671
		36,110,980	42,193,911
<b>Total assets less current liabilities</b>		(6,970,869)	(6,725,859)
<b>Provisions for liabilities and charges</b>	9	1,862,466	3,300,386
<b>NET LIABILITIES</b>		(8,833,335)	(10,026,245)
<b>Capital and reserves</b>			
Called up share capital	11	2,500,000	2,500,000
Profit and loss account - deficit		(11,333,335)	(12,526,245)
		(8,833,335)	(10,026,245)

These financial statements were approved by the Board of Directors on  
signed on its behalf by:

**18 JUL 2002**

and were

  
**D W Gilman**  
Director



# **ASSETFINANCE DECEMBER (F) LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

The accounting policies adopted by the Company are set out below.

#### **a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with Financial Reporting Standard Number 1 "Cash Flow Statements", no cash flow statement is presented as all voting rights are controlled by HSBC Holdings plc which publishes such a statement in its own publicly available accounts.

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard Number 8 "Related Party Disclosures" and has not disclosed details of transactions with entities that are part of the HSBC Group or with investees of that Group qualifying as related parties.

The Company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance & Leasing Association.

The principal activity of the Company is the provision of leasing services for commercial and industrial customers in the public and private sectors.

The principal risk of the Company is residual value risk, which arises in relation to a leasing transaction to the extent that the actual value of the leased asset at the end of the lease term (the residual value) recovered through disposing of or re-letting the asset at the end of the lease term, could be different to that projected at the time that the lease inceptioned. Residual value exposure is regularly monitored by the business through reviewing the recoverability of the residual value projected at lease inception. Provision is made in accordance with Financial Reporting Statement number 11 to the extent that the carrying value of assets is impaired through residual values not being fully recoverable.

#### **b) Income Release**

##### **i) Leasing**

Income from leasing contracts, other than those with major recourse or other similar agreements, is credited to the profit and loss account in proportion to the funds invested.

Where leasing contracts are covered by major recourse or other similar agreements, income is released to maintain the book amount of the asset at a value consistent with the contractual arrangements.

Leasing balances are stated in the balance sheet after the deduction of unearned charges, provision for reduced future rentals and grant equalisation.

Regional development grants are recognised in the profit and loss account over the period of the lease and in proportion to the net cash investment.

##### **ii) Leasing Obligations**

Leasing debtors, for which the underlying assets are held under finance leases, are recognised in the balance sheet, the income from which is credited to the profit and loss account in proportion to the funds invested.

The interest element of rental obligations is charged to the profit and loss account over the period of the lease, and in proportion to the capital outstanding.

**ASSETFINANCE DECEMBER (F) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES (Continued)**

c) **Turnover**

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

d) **Tangible Fixed Assets and Depreciation**

Fleet vehicles are depreciated over the period of the relevant hirer's rental contract to an estimated residual value on an actuarial basis to reflect the interest expense to the Company. This depreciation charge is included within cost of sales in the profit and loss account.

e) **Bad Debts**

Lease agreements in debtors are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired balances to their expected realisable values. General provisions are made on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

f) **Taxation**

The charge for taxation is based on the profit for the year and recognises deferred taxation, calculated on the liability method, on all timing differences to the extent that they are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

**2. ACCUMULATED LOSSES**

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

**3. ADMINISTRATIVE EXPENSES**

Administrative expenses include movements in bad debt provisions and £341,992 (2000: £583,746) in respect of group management charges. The Directors made no charge for their services. Audit fees are borne by another group undertaking.

**4. INTEREST RECEIVABLE/(PAYABLE)**

All interest receivable was due from parent undertakings. All interest payable was due to parent undertakings and includes £9,541 (2000: £13,783) in respect of finance lease charges.

**ASSETFINANCE DECEMBER (F) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

5. **TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

The charge/(credit) for taxation comprises:	<u>2001</u>	<u>2000</u>
	£	£
Group relief payable/(receivable)		
- current year	1,949,167	602,035
- prior year	-	367
- group relief discount	-	(3,234,017)
Deferred taxation		
- current year	(1,437,920)	(260,625)
- prior year	-	83
	<u>511,247</u>	<u>(2,892,157)</u>

6. **TANGIBLE FIXED ASSETS**

Operating lease assets

<u>Cost</u>	£
At 1 January 2001	39,067,643
Additions	6,199,768
Disposals	(7,849,845)
At 31 December 2001	<u>37,417,566</u>

**Depreciation**

At 1 January 2001	5,984,837
Charge for the year	7,285,585
Disposals	(4,757,356)
At 31 December 2001	<u>8,513,066</u>
Net book value at 31 December 2001	<u>28,904,500</u>
Net book value at 31 December 2000	<u>33,082,806</u>

**ASSETFINANCE DECEMBER (F) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

7. **RESIDUAL VALUES**

Included in Leasing Debtors are residual values at the end of current lease terms, which will be recovered through sale or re-letting in the following periods:

	<u>2001</u>	<u>2000</u>
	Finance	Finance
	<u>leases</u>	<u>leases</u>
	£	£
Within 1 year	195,850	25,410
Between 1-2 years	-	195,850
Total exposure	195,850	221,260

8. **DEBTORS**

Lease agreements:

Aggregate finance lease rentals receivable in the financial year were £5,331,621 (2000: £7,317,310).

Aggregate operating lease rentals receivable in the financial year were £10,096,286 (2000: £3,926,863).

9. **PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation
	£
Leasing transactions - provided and full potential liability:	
As at 1 January 2001	3,300,386
Transfer to profit and loss account	(1,437,920)
As at 31 December 2001	1,862,466

**ASSETFINANCE DECEMBER (F) LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**

10. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>2001</u>	<u>2000</u>
	£	£
Profit on ordinary activities after taxation and retained for the financial year	1,192,910	4,031,727
Opening shareholders' funds - deficit	(10,026,245)	(14,057,972)
Closing shareholders' funds - deficit	(8,833,335)	(10,026,245)

Shareholders' funds are wholly attributable to equity shareholders.

11. **SHARE CAPITAL**

	<u>2001</u>	<u>2000</u>
	£	£
Authorised		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called up and fully paid		
2,500,000 Ordinary shares of £1 each	2,500,000	2,500,000

12. **PARENT UNDERTAKINGS**

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

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

HSBC Holdings plc  
8 Canada Square  
London  
E14 5HQ