

**ASSETFINANCE DECEMBER (W) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**Registered No: 1277502**

TUESDAY



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## ASSETFINANCE DECEMBER (W) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

#### Principal activity

The Company's principal activity is to lease assets to third party lessees for an agreed term under finance lease arrangements. No change in the Company's activities is anticipated.

#### Business review

During the year the Company continued the leasing transactions written in previous years.

Another group undertaking, HSBC Asset Finance (UK) Limited, acts as an agent to and provides agency services to the Company, charging an annual management fee. The services provided by the agent are to seek new business, to negotiate and to agree terms and to arrange the execution of all lease documents on behalf of the Company.

The business is funded by borrowings. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company has no stakeholders other than its parent company.

#### Risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 13 of the financial statements.

#### Performance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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

The Government enacted a reduction in the UK corporation tax rate to 28% with effect from 1 April 2008. The effect of this rate change is reflected in the 2007 financial year as the rate change was substantively enacted in that period, as disclosed in Note 5. As a result of a variation clause in a lease, finance lease income was reduced in the 2007 financial year by US\$369,030 reflecting a reduction in finance lease receivables.

The Government announced reductions in the availability of capital allowances which were substantively enacted on 2 July 2008. As a result of a variation clause in a lease, finance lease income has been increased by US\$231,189 reflecting an increase in finance lease receivables.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows in comparison with the planned cashflows determined at the inception of the lease transactions. Its performance is also measured by reference to its net income as a percentage of the net investment in finance leases less related tax balances (deferred and current tax). Monthly management accounts are prepared and reviewed by the management of the HSBC Business in which this Company resides.

#### Future developments

No new lease transactions are currently anticipated, but the Directors keep opportunities under regular review.

## ASSETFINANCE DECEMBER (W) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

#### Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: US\$584,722 being US\$292,361 per share, paid during the 2008 financial year).

#### Directors

The Directors who served during the year were as follows:

#### Resigned

R L H Bencard  
G Owen-Conway  
D R Turner  
K A Singleton  
M B Kenny

3 December 2008

P J Spencer was appointed a Director of the Company on 17 March 2009.

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 1985 and the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

#### Supplier payment policy

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

#### Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

#### Auditor

KPMG Audit plc are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

ASSETFINANCE DECEMBER (W) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

Statement of Directors' responsibilities in relation to financial statements

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

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

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

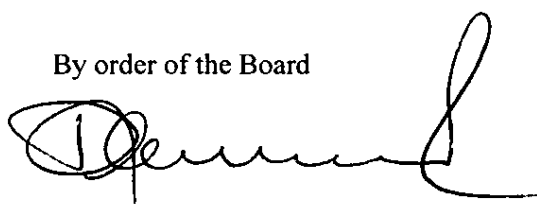
In preparing these financial statements, the Directors are required to:

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

The Directors 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 to enable them to ensure that its financial statements comply with the Companies Act 1985.

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

By order of the Board



D R Turner  
Director

Date: 3 September 2009

Registered Office:  
8 Canada Square  
London  
E14 5HQ

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSETFINANCE DECEMBER (W) LIMITED

We have audited the financial statements of Assetfinance December (W) Limited ('the Company') for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

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

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

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

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

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

### Basis of audit opinion

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

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

*15 September 2009*

2 Cornwall Street  
Birmingham B3 2DL

ASSETFINANCE DECEMBER (W) LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 US\$	2007 US\$
Revenue			
Finance lease income		5,177,309	6,175,202
Finance costs			
Interest income	3	81,367	47,308
Interest expense	3	(4,482,053)	(6,644,343)
Foreign exchange differences		<u>1,432,875</u>	<u>(87,255)</u>
		2,209,498	(509,088)
Administrative expenses	4	<u>(16,349)</u>	<u>(14,305)</u>
PROFIT/(LOSS) BEFORE TAX		2,193,149	(523,393)
Tax (expense)/credit	5	<u>(727,551)</u>	<u>2,488,484</u>
PROFIT FOR THE YEAR	11	<u><u>1,465,598</u></u>	<u><u>1,965,091</u></u>

There were no acquisitions, discontinued or discontinuing operations during the year.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

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

The notes on pages 8 to 19 form part of the financial statements

**ASSETFINANCE DECEMBER (W) LIMITED****BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 US\$	2007 US\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Finance lease receivables	6	158,087,249	158,691,246
Receivables	7	<u>451,010</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>158,538,259</u>	<u>158,691,246</u>
<b>TOTAL ASSETS</b>		<u>158,538,259</u>	<u>158,691,246</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Payables	8	<u>122,110,267</u>	<u>125,446,426</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>122,110,267</u>	<u>125,446,426</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax	9	<u>34,962,391</u>	<u>32,660,095</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>34,962,391</u>	<u>32,660,095</u>
<b>TOTAL LIABILITIES</b>		<u>157,072,658</u>	<u>158,106,521</u>
<b>EQUITY</b>			
Share capital	10,11	3	3
Retained earnings	11	<u>1,465,598</u>	<u>584,722</u>
<b>TOTAL EQUITY</b>	11	<u>1,465,601</u>	<u>584,725</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>158,538,259</u>	<u>158,691,246</u>

These financial statements were approved by the Board of Directors on 3 September 2009 and were signed on its behalf by:



R L H Bencard  
Director

The notes on pages 8 to 19 form part of the financial statements

ASSETFINANCE DECEMBER (W) LIMITEDCASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 US\$	2007 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		2,193,149	(523,393)
<i>Adjustments for:</i>			
Interest expense	3	4,482,053	6,644,343
Interest income	3	(81,367)	(47,308)
Foreign exchange (gains)/losses		<u>(1,432,875)</u>	<u>87,255</u>
Operating profit before changes in working capital and provisions		5,160,960	6,160,897
Change in finance lease receivables	6	<u>603,997</u>	<u>2,145,305</u>
Cash generated from operations		5,764,957	8,306,202
Interest paid		(4,482,053)	(6,644,343)
Interest received		81,367	47,308
Received from group undertakings in respect of group relief	5	<u>1,574,745</u>	<u>3,585,316</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>2,939,016</u>	<u>5,294,483</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Paid to parent undertaking in respect of other financing activities		(2,354,294)	(5,294,483)
Dividends paid	11	<u>(584,722)</u>	<u>-</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<u>(2,939,016)</u>	<u>(5,294,483)</u>
Net increase in cash and cash equivalents		-	-
Opening cash and cash equivalents		<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 8 to 19 form part of the financial statements



1. Basis of preparation

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2008, there were no unendorsed standards effective for 31 December 2008 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

Except as stated below, there are currently no IFRSs or Interpretations that have been issued by the IASB or IFRIC and endorsed by the EU that have not yet been adopted by the Company:

- IFRS 8 'Operating segments' was issued on 30 November 2006 and is effective for periods commencing on or after 1 January 2009. This standard will have no impact on the Company when adopted with effect from 1 January 2009.
- A revised IAS 1 'Presentation of Financial Statements' was issued on 6 September 2007 and is effective for periods commencing on or after 1 January 2009. This revised standard will result in certain presentational changes in the primary financial statements of the Company when adopted with effect from 1 January 2009.
- The IASB issued an amendment to IFRS 2 'Share-based Payment' – 'Vesting Conditions and Cancellations' on 17 January 2008 with effect for periods commencing on or after 1 January 2009. This standard will have no impact on the Company when adopted with effect from 1 January 2009.
- A revised IAS 23 'Borrowing Costs' was issued on 29 March 2007 and is effective for periods commencing on or after 1 January 2009. This standard will have no impact on the Company when adopted with effect from 1 January 2009.
- IFRIC 13 'Customer Loyalty Programmes' was issued on 28 June 2007 and is effective for periods commencing on or after 1 July 2008. This standard will have no impact on the Company when adopted with effect from 1 January 2009.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in US dollars being the Company's functional currency and have been prepared on the historical cost basis. For the purpose of these financial statements, Sterling is a foreign currency.

Where necessary, comparative figures have been reclassified to be consistent with the current year's presentation.

General information

Assetfinance December (W) Limited is a company domiciled and incorporated in England and Wales.

2. Summary of significant accounting policies

(a) Finance leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of the assets, but not necessarily legal title, are classified as finance leases. They are recorded at an amount equal to the net investment in the lease less any impairment provisions, within finance lease receivables.

The net investment in finance leases represents the sum of the minimum payments receivable (gross investment in the lease) discounted at the rate of interest implicit in the lease. The difference between the gross investment in the lease and the net investment in the lease is recorded as unearned finance income.

Income from finance leases is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases. It is shown as "Finance lease income" in the income statement.

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.

(b) Interest income and interest expense

Interest income and interest expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period.

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 liability or financial asset. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but not 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.

(c) Cash and cash equivalents

For the purpose of the cash flow statement, 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, and include cash.

2. Summary of significant accounting policies (continued)

(d) Financial liabilities

Financial liabilities are initially measured at fair value plus any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised if the Company becomes party to the contractual provisions of the liability 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.

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

(e) Income 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 directly in equity, in which case it is recognised in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

The tax on items recognised directly in equity is transferred to profit or loss when those items are transferred to profit or loss.

(f) Accounting for foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

2. Summary of significant accounting policies (continued)

(g) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans 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 losses.

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

(h) Cash flow statement

The cash flow statement 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.

(i) Use of assumptions and estimates

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

There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

(j) Impairment of financial assets

Financial assets, other than those at fair value through the profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the asset the estimated future cash flows of the asset have been impacted.

The Company considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or receivable by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter into bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as economic conditions that correlate with defaults in the group.

ASSETFINANCE DECEMBER (W) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008  
(continued)

2. Summary of significant accounting policies (continued)

(k) Share capital

Shares are 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 proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

3. Interest expense and income

	2008 US\$	2007 US\$
Interest expense charged by parent undertakings	<u>(4,482,053)</u>	<u>(6,644,343)</u>
Interest income from parent undertakings	<u>81,367</u>	<u>47,308</u>

4. Administrative expenses

Administrative expenses represent US\$16,349 (2007: US\$14,305) in respect of group management charges payable to a parent undertaking.

Auditor's remuneration has been borne by a parent undertaking and is therefore not charged in arriving at the profit before tax. The Company has no employees and hence no staff costs. The Directors made no charge for their services.

5. Income tax

(a) Analysis of tax expense/(credit) for the year

	Notes	2008 US\$	2007 US\$
<i>Current tax credit</i>			
Group relief receivable		(1,718,194)	(3,586,714)
Foreign exchange on retranslation of tax balances		<u>143,449</u>	<u>1,398</u>
Current tax credit for the year		<u>(1,574,745)</u>	<u>(3,585,316)</u>
<i>Deferred tax expense</i>			
Origination of temporary differences	9	2,302,296	3,429,696
Effect of changes in tax rates	9	<u>-</u>	<u>(2,332,864)</u>
Total deferred tax expense for the year		<u>2,302,296</u>	<u>1,096,832</u>
Total tax expense/(credit) for the year		<u>727,551</u>	<u>(2,488,484)</u>

ASSETFINANCE DECEMBER (W) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008  
(continued)

5. Income tax (continued)

(b) Factors affecting tax expense/(credit) for the year	2008 US\$	2007 US\$
Profit/(loss) before tax	<u>2,193,149</u>	<u>(523,393)</u>
Taxation at UK corporate tax rate of 28.5% (2007: 30%)	624,987	(157,018)
Effect of:		
Foreign exchange on retranslation of tax balances	143,449	1,398
Tax rate differences	<u>(40,885)</u>	<u>(2,332,864)</u>
Overall tax expense/(credit) for the year	<u>727,551</u>	<u>(2,488,484)</u>

The UK corporate tax rate was reduced from 30% to 28% commencing 1 April 2008 giving rise to a blended tax rate for 2008 of 28.5%. This is different to the rate at which the deferred tax liability is expected to be settled giving rise to the 'Tax rate differences' (disclosed above). In the comparative period the 'Tax rate differences' comprise the one off re-measurement of the deferred tax liability as a result of the reduction in the UK corporate tax rate to 28%.

6. Finance lease receivables

Finance lease receivables comprise:	2008 US\$	2007 US\$
<u>Gross investment in finance leases</u>		
Amounts falling due:		
No later than one year	13,112,562	8,793,209
Later than one year and not later than five years	64,261,308	60,107,647
Later than five years	<u>148,370,042</u>	<u>165,011,620</u>
Gross investment in finance leases	225,743,912	233,912,476
Unearned finance income	<u>(67,656,663)</u>	<u>(75,221,230)</u>
Net investment in finance leases	<u>158,087,249</u>	<u>158,691,246</u>
<u>Amortisation of finance lease receivables</u>		
Amounts falling due:		
No later than one year	4,802,677	479,951
Later than one year and not later than five years	36,434,790	30,777,114
Later than five years	<u>116,849,782</u>	<u>127,434,181</u>
Present value of minimum lease receivables	<u>158,087,249</u>	<u>158,691,246</u>
Aggregate finance lease rentals receivable in the year	<u>5,244,425</u>	<u>7,914,317</u>
Contingent rents: reduction in rents receivable in respect of interest variation included in revenue	<u>(3,121,758)</u>	<u>(1,085,809)</u>

The fair value of floating rate finance lease receivables is not considered to be significantly different from the carrying value.

# ASSETFINANCE DECEMBER (W) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

### 7. Receivables

	2008	2007
	US\$	US\$
Amounts owed by parent undertakings	<u>451,010</u>	<u>-</u>

Amounts owed by parent undertakings represent an inter-company current account which is denominated in Sterling.

Amounts owed to parent undertakings are accounted for as loans and receivables, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

### 8. Payables

	2008	2007
	US\$	US\$
Amounts owed to parent undertakings	<u>122,110,267</u>	<u>125,446,426</u>

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

The amount owed to parent undertakings includes an inter-company current account of US\$nil (2007: US\$2,868,049) which is denominated in Sterling.

### 9. Deferred tax

	2008	2007
	US\$	US\$
Leasing transactions temporary differences:		
Opening balance	32,660,095	31,563,263
<i>Recognised in income statement:</i>		
Origination of temporary differences	2,302,296	3,429,696
Effect of changes in tax rates	<u>-</u>	<u>(2,332,864)</u>
	<u>34,962,391</u>	<u>32,660,095</u>

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

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, being 28%.

Under the terms of certain of the Company's finance leases, rentals have been adjusted to reflect both the corporation tax rate change and changes in capital allowances.

ASSETFINANCE DECEMBER (W) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008  
(continued)

9. Deferred tax (continued)

The Government enacted a reduction in the UK corporation tax rate to 28% with effect from 1 April 2008. The effect of this rate change is reflected in the 2007 financial year as the rate change was substantively enacted in that period. Where appropriate the benefit has been passed on to customers by way of reduced future rentals and the book value of finance lease receivables at 31 December 2007 was recalculated accordingly. The effect was a one-off reduction in finance lease income in the 2007 financial year of US\$369,030.

The Government announced reductions in the availability of capital allowances which were substantively enacted on 2 July 2008. As a result of a variation clause in a lease, finance lease income has been increased by US\$231,189 reflecting an increase in finance lease receivables.

10. Share capital

	Authorised		Issued and fully paid up	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Ordinary shares of £1 each	193	193	3	3

The Company has 100 ordinary shares of £1 each authorised and 2 issued and fully paid up.

11. Capital and reserves

	Share capital	Retained earnings	Total equity
	US\$	US\$	US\$
At 1 January 2007	3	(1,380,369)	(1,380,366)
Total recognised income and expense	-	1,965,091	1,965,091
Balance at 31 December 2007	3	584,722	584,725
Total recognised income and expense	-	1,465,598	1,465,598
Dividends	-	(584,722)	(584,722)
Balance at 31 December 2008	3	1,465,598	1,465,601

Shareholders' equity is wholly attributable to equity shareholders.

*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. The Company's capital resource policy is to maintain a strong capital base. It seeks to maintain at all times a prudent relationship between total capital and the varied risks of its business. There were no changes in the Company's approach to capital management during the year.

*Dividends*

For the year ended 31 December 2008 no dividend has been paid or declared (2007: US\$584,722 being US\$292,361 per share, paid during the 2008 financial year).



## ASSETFINANCE DECEMBER (W) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

#### 12. Related party transactions

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 Asset 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

Particulars of transactions, arrangements and agreements involving related parties not disclosed elsewhere within the financial statements are as follows:

#### *Parent undertakings*

On 31 March 2008 the immediate holding company changed from Forward Trust Motor Finance Limited to HSBC Asset Finance (UK) Limited.

#### 13. Risk management

The Company has exposure to the following types of risk arising from its use of financial instruments; credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

The Company participates in transactions to which other HSBC group companies are also party. The HSBC Business in which these companies reside (the "Business") has an established risk management process which considers the risks at the outset and on an ongoing basis in relation to each transaction from the Business' perspective – this will consolidate the risks of participating companies and, as such, offsetting risks will be eliminated. To the extent there is any residual risk, management will mitigate this by implementing the appropriate instruments and these will reside in the relevant company.

As part of that process, the Business' management will review the monthly management accounts of the Business. There were no changes in the Company's approach to risk management during the year.

#### Credit risk management

Credit risk is the risk that financial loss arises from the failure of a counterparty to meet its obligations under a contract, and arises principally from finance lease receivables and amounts owed by group undertakings.

The Business manages credit risk for this entity as described above for risks generally.

13. Risk management (continued)

Credit risk management (continued)

Credit risk is managed within the overall framework of HSBC policy, with an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and a portfolio basis. The Directors are responsible for the quality of the credit portfolios and follow a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products. Credit risk is managed at a group level by business sector, rather than in respect of individual undertakings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. No finance lease receivables are in arrears. The finance lease receivables are supported by investment grade companies or equivalents.

No collateral is held in respect of finance lease receivables, although as title to the underlying assets remains with the lessor, these assets would be recoverable in case of default and it is anticipated that sale proceeds would cover any shortfall in the amounts recovered from the lessee.

The credit risk of amounts owed by group undertakings is minimised because such group undertakings are wholly owned subsidiaries of HSBC Holdings plc, and are part of the Business described above. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 parent undertakings.

The Business manages liquidity risk for this entity as described above for risks generally.

The Company's finance lease receivables are funded principally by borrowings from parent undertakings, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand. The treasury function provides funds as required to finance the leases, at the same interest rates that currently applies to the relevant Company borrowings, for the term of the leases.

ASSETFINANCE DECEMBER (W) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008  
(continued)

13. Risk management (continued)

Liquidity risk management (continued)

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

<b>As at 31 December 2008:</b>	<b>Carrying amount US\$</b>	<b>Contractual cash flows US\$</b>	<b>Less than one year US\$</b>
Amounts owed to parent undertakings	<u>122,110,267</u>	<u>(122,110,267)</u>	<u>(122,110,267)</u>
<b>As at 31 December 2007:</b>	<b>Carrying amount US\$</b>	<b>Contractual cash flows US\$</b>	<b>Less than one year US\$</b>
Amounts owed to parent undertakings	<u>125,446,426</u>	<u>(125,446,426)</u>	<u>(125,446,426)</u>

Market risk management

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

The Company's finance leases are "interest variable". This means that contingent rents will be receivable/payable in relation to money variation (Note 6) when there is a change in the interest rate. Such rents are determined by reference to the Company's net cash investment (being net investment less related tax balances) in the finance lease. This investment is funded by the Company's corresponding borrowings, which also carry variable rate of interest.

The Company is exposed to foreign exchange risk on the inter-company current account with parent undertakings which is denominated in Sterling. Management keep the foreign exchange exposure under review and will take appropriate action if required.

*Sensitivity analysis: interest rate risk*

The interest rates on the financial asset and financial liability are both at variable rates. A change in 100 basis points in interest rates as at the reporting date would neither increase or decrease profit or loss as the amount of contingent rents receivable/payable relating to money variation would be offset by the change in interest payable. This assumes that all other variables remain constant.

*Sensitivity analysis: exchange rate risk*

	<b>Transaction date rate</b>	
	<b>2008</b>	<b>2007</b>
USD/GBP	0.6856	0.4984

ASSETFINANCE DECEMBER (W) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008  
(continued)

13. Risk management (continued)

Market risk management (continued)

The following table analyses how a 20 percent strengthening/weakening of the USD against the Sterling at reporting date would have increased/(decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss	
	20% increase	20% decrease
As at 31 December 2008:	US\$	US\$
Loans and receivables	<u>(75,168)</u>	<u>112,753</u>
Net exposure	<u><u>(75,168)</u></u>	<u><u>112,753</u></u>

	Profit or loss	
	20% increase	20% decrease
As at 31 December 2007:	US\$	US\$
Liabilities at amortised cost	<u>478,008</u>	<u>(717,012)</u>
Net exposure	<u><u>478,008</u></u>	<u><u>(717,012)</u></u>

14. Contingent liabilities

There were no contingent liabilities at 31 December 2008 (2007: US\$nil).

15. Subsequent events

There are no subsequent events requiring disclosure in the financial statements.