Assetfinance March (D) Limited

Registration No: 1524344

Annual Report and Financial Statements for the year ended 31 March 2022

HSBC

Annual Report and Financial Statements for the year ended 31 March 2022

Contents

Strategic Report

Principal activities

The principal activity of Assetfinance March (D) Limited (the 'Company') is to lease assets to third party lessees for an agreed term under finance and operating lease arrangements. In the current year and the prior year, all of the ongoing finance lease agreements were in their secondary lease period and therefore balances are held at nil net book value. The Company has not entered into any new finance or operating leasing transactions during the current or prior year. 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 continued the leasing transactions written in previous years.

In June 2022, the Company has re-classed a number of operating lease arrangements relating to specific customers as held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As the held for sale conditions were met after the year end, this is considered to be a non-adjusting post balance sheet event. Further detail in respect of the re-classification is included in the Report of the Directors under Significant events since the end of the financial year.

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 stakeholder 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 stakeholder 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.

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Company are credit risk, liquidity risk and market risk. These risks, the exposure to such risks and management of risk are set out in Note 15 of the financial statements.

The European Union ('EU') and the UK agreed a Trade and Cooperation Agreement ('TCA') at the end of 2020 following the UK's withdrawal from the EU. The new trading relationship between the UK and the EU, outlined within the TCA, commenced on 1 January 2021 and is taking some time to settle. Further disputes are expected during 2022 and there is still uncertainty around the ultimate economic effect of the UK leaving the EU. This uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. However, it is considered that there is no significant impact on the Company's operating model, neither operationally nor financially due to the nature of the Company's transactions, its counterparties and available security.

The Covid-19 pandemic has continued to impact the global economy during 2022. Due to the roll-out of vaccines and measures taken by governments and central banks in many countries to protect their economies, there have been positive signs of economic recovery. However, there is still uncertainty remaining in assessing the duration and impact of the Covid-19 outbreak. Renewed outbreaks and new Covid-19 variants could still result in the requirement for future restrictions. Although it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, it is not considered that the Covid-19 outbreak will have a significant impact on its principal risks.

Climate risk developments are managed at HSBC group level across key risk areas, priority regions and business lines. It is not considered that there is any significant risk from climate change to the Company as an individual entity.

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 transactions.

On behalf of the Board

S Balachandran
Director

15 December 2022

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	Appointed	Resigned
M Harris		
M E Rothbury		30 June 2021
J E Rao		
S Balachandran	17 December 2021	

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 March 2022 (2021: nil). Dividend payments are reflected in the financial statements in the period in which they are paid.

Significant events since the end of the financial year

In June 2022, the Company has re-classed a number of operating lease arrangements relating to specific customers as held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As the held for sale conditions were met after the year end, this is considered to be a non-adjusting post balance sheet event. The net book value as at 31 March 2022 for the relevant leasing arrangements was £10,406k. The valuation held as at 30 June 2022 amounted to £9,071k which included additional depreciation of property, plant and equipment of £253k together with a write down of £1,082k as a result of the re-classification.

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 March 2022, the Company had net current liabilities of £16,627,119 (2021: £21,704,268). The parent undertaking, HSBC Equipment Finance (UK) Limited, 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. Furthermore, based on the leasing arrangements held by the Company as at the year end, positive operating cash flows are expected to be generated for more than one year from the date of authorisation of these financial statements. As a result of this, together with the considerations referred to in the Principal risks and uncertainties 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 15 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 has expressed its 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 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 15 December 2022 and signed on its behalf by:

S Balachandran
Director

Registered office
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

Independent auditors' report to the members of Assetfinance March (D) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Assetfinance March (D) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 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 March 2022; the income statement, the statement of comprehensive income, the statement of cash flows and 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 March 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 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 the posting of inappropriate manual journal entries. Audit procedures performed by the engagement team included:

- Identifying and testing a sample of manual journal entries that met specific fraud risk criteria;
- Challenging assumptions made by management in determining critical accounting estimates; and
- Incorporation of an element of unpredictability into our audit testing through altering the nature, timing and/or extent of work performed.

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. 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.

BCH

William Elliott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Dated: 15 December 2022

Financial statements

Income statement for the year ended 31 March 2022

	Notes	2022 £	2021 £
Interest expense		**(394,039)**	(441,137)
Net interest expense		**(394,039)**	(441,137)
Other operating income	2	**4,285,637**	5,347,033
Net operating income		**3,891,598**	4,905,896
General and administrative expenses	3	**(128,434)**	(116,026)
Depreciation of property, plant and equipment		**(2,636,617)**	(3,184,216)
Gain/(loss) on disposal of property, plant and equipment		**23,067**	(123,022)
Total operating expenses		**(2,741,984)**	(3,423,264)
Operating profit		**1,149,614**	1,482,632
Profit before tax		**1,149,614**	1,482,632
Tax expense	7	**(65,765)**	(281,700)
Profit for the year		**1,083,849**	1,200,932

Statement of comprehensive income for the year ended 31 March 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).

Balance sheet at 31 March 2022
Registration No: 1524344

	Notes	2022 £	2021 £
Assets			
Trade and other receivables	11	**14,818**	28,409
Current tax assets		**905,150**	947,734
Property, plant and equipment	12	**20,231,182**	23,638,498
Deferred tax assets	8	**818,279**	1,404,263
Total assets		**21,969,429**	26,018,904
Liabilities and equity			
Liabilities			
Trade and other payables	13	**17,402,032**	22,559,571
Accruals, deferred income and other liabilities		**145,055**	120,840
Total liabilities		**17,547,087**	22,680,411
Equity			
Called up share capital	14	**2**	2
Retained earnings		**4,422,340**	3,338,491
Total equity		**4,422,342**	3,338,493
Total liabilities and equity		**21,969,429**	26,018,904

The accompanying notes on pages 11 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 15 December 2022 and signed on its behalf by:

S Balachandran
Director

Statement of cash flows for the year ended 31 March 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit before tax	**1,149,614**	1,482,632
Adjustments for:		
Non-cash items included in profit before tax	**2,613,550**	3,307,238
Change in operating assets	**13,591**	19,133
Change in operating liabilities	**(38,314)**	(277,455)
Tax credit received/(paid)	**562,803**	(885,803)
Net cash generated from operating activities	**4,301,244**	3,645,745
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**793,766**	1,580,396
Net cash generated from investing activities	**793,766**	1,580,396
Cash flows from financing activities		
Movements in inter-company funding	**(5,095,010)**	(5,226,141)
Net cash used in financing activities	**(5,095,010)**	(5,226,141)
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents brought forward	**–**	–
Cash and cash equivalents carried forward	**–**	–

Statement of changes in equity for the year ended 31 March 2022

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Apr 2021	**2**	**3,338,491**	**3,338,493**
Profit for the year	–	1,083,849	1,083,849
Total comprehensive income for the year	–	**1,083,849**	**1,083,849**
At 31 Mar 2022	**2**	**4,422,340**	**4,422,342**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Apr 2020	2	2,137,559	2,137,561
Profit for the year	–	1,200,932	1,200,932
Total comprehensive income for the year	–	1,200,932	1,200,932
At 31 Mar 2021	2	3,338,491	3,338,493

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

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 March 2022 affecting these financial statements.

Standards adopted during the year ended 31 March 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 International Financial Reporting Standards ('IFRSs')

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 April 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. The Company expects they will have an insignificant effect, when adopted, on the financial statements.

New IFRSs

IFRS 17 'Insurance Contracts'

The IASB has published IFRS 17 'Insurance Contracts' which is effective from 1st January 2023. IFRS 17 has not yet been endorsed in the UK but is not expected 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 March 2022, the Company had net current liabilities of £16,627,119 (2021: £21,704,268). The parent undertaking, HSBC Equipment Finance (UK) Limited, 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. Furthermore, based on the leasing arrangements held by the Company as at the year end, positive operating cash flows are expected to be generated for more than one year from the date of authorisation of these financial statements. As a result of this, together with the considerations referred to in the Principal risks and uncertainties 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.

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.

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 for the continued existence of the lease and therefore, as the Company has no additional performance obligations, recognise the income in full on the contracted invoice date.

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

Trade and other payables

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual 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) 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. Payments associated with any incremental base erosion and anti-abuse tax are reflected in tax expense in the period incurred.

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.

Critical accounting estimates and judgements

The recognition of deferred tax assets depends on judgements, relating to UK deferred tax assets within HSBC group.

- Assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies
- In the absence of a history of taxable profits, assessing the expected future profitability and the applicability of tax planning strategies, including corporate reorganisations

(d) 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 in 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
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.

(e) 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.

(f) Statement of cash flows

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

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

2 Other operating income

	2022 £	2021 £
Finance lease income	**30,800**	34,579
Operating lease income	**4,254,837**	5,312,454
Year ended 31 Mar	**4,285,637**	5,347,033

3 General and administrative expenses

The major components of expenses are:

	2022 £	2021 £
Group management charges payable to another group undertaking	**119,845**	112,718
Audit fees	**3,308**	3,308
Other expenses	**5,281**	—
Year ended 31 Mar	**128,434**	116,026

4 Employee compensation and benefits

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

5 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.

6 Auditors' remuneration

The amount incurred by the Company in respect of the statutory audit of these financial statements was £3,308 (2021: £3,308).

There were no non-audit fees payable to the Company's statutory auditor incurred by the Company during the year (2021: nil).

7 Tax

Tax expense

	2022 £	2021 £
Current tax		
- For this year	**(520,219)**	(384,931)
Total current tax	**(520,219)**	(384,931)
Deferred tax		
- Origination and reversals of temporary differences	**738,646**	666,631
- Effects of changes in tax rates	**(152,662)**	—
Total deferred tax	**585,984**	666,631
Year ended 31 Mar	**65,765**	281,700

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. The deferred tax asset at 31 March 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021:19%).

Tax reconciliation

	2022		2021	
	£	(%)	£	(%)
Profit before tax	**1,149,614**		1,482,632	
Tax at 19.00% (2021: 19.00%)	**218,427**	**19.0**	281,700	19.0
Impact due to changes in tax rates	**(152,662)**	**(13.3)**	–	–
Year ended 31 Mar	**65,765**	**5.7**	281,700	19.0

8 Deferred tax assets

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

	Other temporary differences	
	2022	2021
	£	£
At 1 Apr	**1,404,263**	2,070,894
Income statement charge	**(585,984)**	(666,631)
At 31 Mar	**818,279**	1,404,263

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

A deferred tax asset of £818,279 (2021: £1,404,263) is recognised in respect of leasing transactions temporary differences. The related tax benefit is expected to be realised through the offset of losses with future taxable profits within the UK Group.

In the financial statements for the year ended 31 March 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.

The amount of deferred tax expected to be recovered within 12 months amounted to £182,191 (2021: nil).

9 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.

10 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 March 2022 and 31 March 2021.

11 Trade and other receivables

	2022	2021
	£	£
Other assets	**14,818**	28,409
At 31 Mar	**14,818**	28,409

12 Property, plant and equipment

	Vehicles	
	2022	2021
	£	£
Cost		
At 1 Apr	**41,636,626**	45,350,087
Disposals	**(2,164,145)**	(3,713,461)
As at 31 Mar	**39,472,481**	41,636,626
Accumulated depreciation		
At 1 Apr	**17,998,128**	16,823,955
Charge for the year	**2,636,617**	3,184,216
Disposals	**(1,393,446)**	(2,010,043)
As at 31 Mar	**19,241,299**	17,998,128
Net book value		
At 1 Apr	**23,638,498**	28,526,132
As at 31 Mar	**20,231,182**	23,638,498

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

	2022	2021
	£	£
– No later than one year	**2,103,183**	4,241,256
– One to two years	**1,627,707**	2,690,379
– Two to three years	**777,351**	1,773,324
– Three to four years	**531,393**	746,739
– Four to five years	**192,631**	386,500
– Later than 5 years	**230,963**	–
Year ended 31 Mar	**5,463,228**	9,838,198

Gains in respect of disposals of property, plant and equipment amounted to £23,067 (2021: £123,022 losses) during the year and are included in the income statement.

The depreciation charge for the current year has been impacted from changes in expected contract periods and estimated residual values. As at 31 March 2022, residual values amounted to £2,020,289 (2021: £7,859,155).

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 £394,725 (2021: £416,366) or a decrease of £394,725 (2021: £416,366).

13 Trade and other payables

	2022	2021
	£	£
Amounts owed to other group undertakings	17,222,027	22,317,037
Value added tax	180,005	242,534
At 31 Mar	**17,402,032**	22,559,571

Amounts due to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand.

They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different to the carrying value in the balance sheet as they are short term in nature.

14 Called up share capital

	2022		2021	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	2	2	2	2
As at 31 Mar	**2**	**2**	2	2

15 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.

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. The Company has no exposure to credit risk on its financial assets as finance leases held by the Company are in their secondary period and are held at nil net book value. All other assets held by the Company are out of scope for impairments as required by IFRS 9.

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

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

	On Demand	Total
	£	£
Trade and other payables	**17,222,027**	**17,222,027**
At 31 Mar 2022	**17,222,027**	**17,222,027**
Trade and other payables	22,317,037	22,317,037
At 31 Mar 2021	22,317,037	22,317,037

Market risk management

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

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

16 Related party transactions

Transaction with other related parties

Transactions detailed below include amounts due to other group undertakings.

	2022		2021	
	Highest balance during the year [1]	**Balance at 31 March**	Highest balance during the year [1]	Balance at 31 March
	£	**£**	£	£
Liabilities				
Trade and other payables	**22,317,037**	**17,222,027**	28,281,509	22,317,037

	2022	2021
	£	£
Income statement		
Interest expense	**394,039**	441,137
General and administrative expenses	**119,845**	112,718

[1] *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.*

The parent undertaking, HSBC Equipment Finance (UK) Limited, provides agency services to the Company as detailed in the Strategic Report within the Review of the Company's business. A management fee is charged accordingly. The parent undertaking also acts as a Treasury function providing funding as and when required through an inter-company account. Details of interest charged is set out in Note 15 under Liquidity risk and Market risk management.

General and administrative expenses include £119,845 (2021: £112,718) in respect of group management charges.

All related party balances are held with the parent undertaking, HSBC Equipment Finance (UK) Limited.

17 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.

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

Copies of HSBC Holdings plc and HSBC UK Bank plc 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

18 Events after the balance sheet date

In June 2022, the Company has re-classed a number of operating lease arrangements relating to specific customers as held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As the held for sale conditions were met after the year end, this is considered to be a non-adjusting post balance sheet event. The net book value as at 31 March 2022 for the relevant leasing arrangements was £10,406k. The valuation held as at 30 June 2022 amounted to £9,071k which included additional depreciation of property, plant and equipment of £253k together with a write down of £1,082k as a result of the re-classification.

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