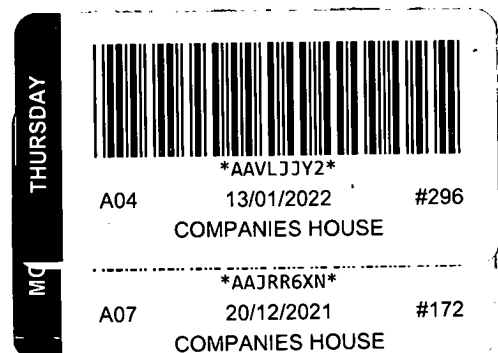


# Assetfinance March (D) Limited

Registration No: 1524344

Annual Report and Financial Statements for the year  
ended 31 March 2021



## **Annual Report and Financial Statements for the year ended 31 March 2021**

### **Contents**

	<b>Page</b>
Strategic Report	<b><u>1</u></b>
Report of the Directors	<b><u>3</u></b>
Independent Auditors' Report to the members of Assetfinance March (D) Limited	<b><u>5</u></b>
Income statement	<b><u>7</u></b>
Statement of comprehensive income	<b><u>7</u></b>
Balance sheet	<b><u>8</u></b>
Statement of cash flows	<b><u>9</u></b>
Statement of changes in equity	<b><u>10</u></b>
Notes on the financial statements	<b><u>11</u></b>

## **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. All of the ongoing finance lease agreements are now in the secondary lease period. 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.

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 decisionmaking. 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, market risk, and liquidity risk. These risks, the exposure to such risks and management of risk are set out in Note 15 of the financial statements.

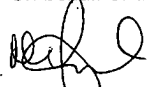
Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered a transition period until 31 December 2020. During the transition period, the UK continued to be bound by EU laws and regulations. A Trade and Cooperation Agreement between the EU and the UK was agreed on 24 December 2020 and ratified by the UK on 30 December 2020. There is no expected impact on the Company's operating model, neither operationally nor financially.

## Assetfinance March (D) Limited

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This has caused ongoing global disruption to business and economic activity, and continues to require government and central banks relief actions and support measures in many countries to protect their economies. Whilst there are now signs of economic recovery and withdrawal of some support measures, it cannot be predicted how long the disruption will continue nor the full extent of the impact on the Company and its customers.

An assessment of the leasing arrangements and cash flows held by the Company has been performed by Management and Management do not consider there has been any significant impact on the valuation of its assets up to the date of signing the financial statements. However, given the ongoing uncertainty of the full extent of the COVID-19 outbreak, Management will monitor the impact during 2021 and beyond, for any adverse effects on the financial performance and financial position of the Company.

On behalf of the Board



M Harris  
Director

16 December 2021

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 March 2021	30 June 2021
J E Rao		

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 2021 (2020: 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

No 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

The Company had net current liabilities of £21,704,268 as at 31 March 2021. HSBC Equipment Finance (UK) Limited, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. 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 the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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;
- 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.

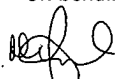
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the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

On behalf of the Board



M Harris  
Director

16 December 2021

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 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2021; the Income statement, the Statement of comprehensive Income, the Statement of cash flows and 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 2021 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 posting inappropriate journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- identifying and testing journal entries posted that have greater risk of fraud such as those posted post year end and backdated, posted by unexpected users, or those posted using unexpected account combinations. We also incorporated an element of unpredictability into our testing.

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

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

### **Use of this report**

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

### **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.



Gethin Evans (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes

Dated: 16 December 2021



## Financial statements

### Income statement for the year ended 31 March 2021

	Notes	2021 £	2020 £
Interest expense		(441,137)	(459,130)
<b>Net interest expense</b>		<b>(441,137)</b>	<b>(459,130)</b>
Other operating income	2	5,347,033	6,276,187
<b>Net operating income</b>		<b>4,905,896</b>	<b>5,817,057</b>
General and administrative expenses	3	(116,026)	(124,783)
Depreciation and impairment of property, plant and equipment		(3,184,216)	(5,096,652)
Loss on disposal of property, plant and equipment		(123,022)	(114,594)
<b>Total operating expenses</b>		<b>(3,423,264)</b>	<b>(5,336,029)</b>
<b>Operating profit</b>		<b>1,482,632</b>	<b>481,028</b>
<b>Profit before tax</b>		<b>1,482,632</b>	<b>481,028</b>
Tax (expense)/credit	7	(281,700)	195,457
<b>Profit for the year</b>		<b>1,200,932</b>	<b>676,485</b>

### Statement of comprehensive income for the year ended 31 March 2021

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2020: nil).

# Assetfinance March (D) Limited

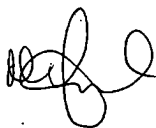
## Balance sheet at 31 March 2021

Registration No: 1524344

	Notes	2021 £	2020 £
<b>Assets</b>			
Trade and other receivables	11	28,409	47,542
Current tax assets		947,734	—
Property, plant and equipment	12	23,638,498	28,526,132
Deferred tax assets	8	1,404,263	2,070,894
<b>Total assets</b>		<b>26,018,904</b>	<b>30,644,568</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	13	22,559,571	27,790,453
Accruals, deferred income and other liabilities		120,840	393,554
Current tax liabilities		—	323,000
<b>Total liabilities</b>		<b>22,680,411</b>	<b>28,507,007</b>
<b>Equity</b>			
Called up share capital	14	2	2
Retained earnings		3,338,491	2,137,559
<b>Total equity</b>		<b>3,338,493</b>	<b>2,137,561</b>
<b>Total liabilities and equity</b>		<b>26,018,904</b>	<b>30,644,568</b>

The accompanying notes on pages 11 to 17 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 16 December 2021 and signed on its behalf by:



M Harris  
Director

Statement of cash flows for the year ended 31 March 2021

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>1,482,632</b>	481,028
<b>Adjustments for:</b>		
Non-cash items included in profit before tax	<b>3,307,238</b>	5,211,246
Change in operating assets	<b>19,133</b>	1,793,454
Change in operating liabilities	<b>(277,455)</b>	(197,704)
Tax (paid)/credit received	<b>(885,803)</b>	—
<b>Net cash generated from operating activities</b>	<b>3,645,745</b>	7,288,024
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	<b>1,580,396</b>	852,500
<b>Net cash generated from investing activities</b>	<b>1,580,396</b>	852,500
<b>Cash flows from financing activities</b>		
Movements in inter-company funding	<b>(5,226,141)</b>	(8,140,524)
<b>Net cash used in financing activities</b>	<b>(5,226,141)</b>	(8,140,524)
Net increase in cash and cash equivalents	<b>—</b>	—
Cash and cash equivalents brought forward	<b>—</b>	—
<b>Cash and cash equivalents carried forward</b>	<b>—</b>	—

Statement of changes in equity for the year ended 31 March 2021

	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

	Called up share capital £	Retained earnings £	Total equity £
At 1 Apr 2019	2	1,461,074	1,461,076
Profit for the year	—	676,485	676,485
Total comprehensive income for the year	—	676,485	676,485
At 31 Mar 2020	2	2,137,559	2,137,561

## 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 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

There were no unendorsed standards effective for the year ended 31 March 2021 affecting these financial statements.

Standards adopted during the year ended 31 March 2021

Interest Rate Benchmark Reform - Phase 2

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 issued in August 2020 represents the second phase of the International Accounting Standards Board's ('IASB's') project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform. This has been early adopted during the year ended 31 March 2021.

Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

The amendments have not had a significant effect on the financial statements of the Company.

Other changes

In addition, the company has adopted a number of interpretations and amendments to standards, which have had an insignificant effect on the financial statements of the company.

##### (b) Future accounting developments

Minor amendments to International Financial Reporting Standards ('IFRSs')

The IASB has not published any minor amendments to IFRSs which are effective from 1 April 2021. However, the IASB has published a number of minor amendments to IFRSs that are effective for accounting periods beginning on or after 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'. IFRS 17 has not yet been endorsed 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

The Company had net current liabilities of £21,704,268 as at 31 March 2021. HSBC Equipment Finance (UK) Limited, the parent undertaking, has committed to ensuring the provision of sufficient funds for a period of not less than twelve months from the date of authorisation of these financial statements, to enable the Company to meet its liabilities as they fall due. Furthermore, based on the leasing arrangements held by the Company as at the year end, positive 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.

## Assetfinance March (D) Limited

### Critical accounting estimates and judgements

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

#### Judgements

- 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

	2021	2020
	£	£
Finance lease income	34,579	49,340
Operating lease income	5,312,454	6,226,847
<b>Year ended 31 Mar</b>	<b>5,347,033</b>	<b>6,276,187</b>

## 3 General and administrative expenses

The major components of expenses are:

	2021	2020
	£	£
Group management charges payable to another group undertaking	112,718	121,475
Audit fees	3,308	3,308
<b>Year ended 31 Mar</b>	<b>116,026</b>	<b>124,783</b>

## 4 Employee compensation and benefits

The Company has no employees and hence no staff costs (2020: nil).

## 5 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2020: 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 audit of these financial statements was £3,308 (2020: £3,308).

There were no non-audit fees incurred during the year (2020: nil).

## 7 Tax

### Tax expense/(credit)

	2021	2020
	£	£
<b>Current tax</b>		
- For this year	(384,931)	(562,803)
<b>Total current tax</b>	<b>(384,931)</b>	<b>(562,803)</b>
<b>Deferred tax</b>		
- Origination and reversals of temporary differences	666,631	654,198
- Effects of changes in tax rates	—	(286,852)
<b>Total deferred tax</b>	<b>666,631</b>	<b>367,346</b>
<b>Year ended 31 Mar</b>	<b>281,700</b>	<b>(195,457)</b>

The UK corporation tax rate applying to the Company was 19% (2020: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Subsequently, in the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment was after the balance sheet date, deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax asset would have been £443,673 higher.

### Tax reconciliation

	2021		2020	
	£	(%)	£	(%)
Profit before tax	1,482,632		481,028	
Tax at 19.00% (2020: 19.00%)	281,700	19.0	91,395	19.0
Impact due to changes in tax rates	—	—	(286,852)	(59.6)
<b>Year ended 31 Mar</b>	<b>281,700</b>	<b>19.0</b>	<b>(195,457)</b>	<b>(40.6)</b>

## 8 Deferred tax assets

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

	Other temporary differences	
	2021	2020
	£	£
At 1 Apr	2,070,894	2,438,240
Income statement charge	(666,631)	(367,346)
<b>At 31 Mar</b>	<b>1,404,263</b>	<b>2,070,894</b>

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

A deferred tax asset of £1,404,263 (2020: £2,070,894) 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 2021, 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. Deferred tax assets are expected to be realised in future periods, being greater than 12 months from the balance sheet date.

## 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 2021 and 31 March 2020.



## 11 Trade and other receivables

	2021 £	2020 £
Other assets	28,409	47,542
<b>At 31 Mar</b>	<b>28,409</b>	<b>47,542</b>

## 12 Property, plant and equipment

	Vehicles	
	2021 £	2020 £
<b>Cost</b>		
At 1 Apr	45,350,087	48,573,732
Disposals	(3,713,461)	(3,223,645)
<b>As at 31 Mar</b>	<b>41,636,626</b>	<b>45,350,087</b>
<b>Accumulated depreciation</b>		
At 1 Apr	16,823,955	13,983,854
Charge for the year	3,184,216	4,987,432
Impairment charge	—	109,220
Disposals	(2,010,043)	(2,256,551)
<b>As at 31 Mar</b>	<b>17,998,128</b>	<b>16,823,955</b>
<b>Net book value</b>		
At 1 Apr	28,526,132	34,589,878
<b>As at 31 Mar</b>	<b>23,638,498</b>	<b>28,526,132</b>

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

	2021 £	2020 £
Vehicles-No later than one year	4,241,256	4,428,530
– One to two years	2,690,379	3,216,217
– Two to three years	1,773,324	2,113,631
– Three to four years	746,739	1,417,655
– Four to five years	386,500	474,180
Vehicles-Later than 5 years	—	215,700
<b>Year ended 31 Mar</b>	<b>9,838,198</b>	<b>11,865,913</b>

Losses in respect of disposals of property, plant and equipment amounted to £123,022 (2020: £114,594 ) 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 2021, residual values amounted to £7,859,155 (2020: £9,983,167).

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 £416,366 (2020: £451,331) or a decrease of £416,366 (2020: £451,077).

## 13 Trade and other payables

	2021 £	2020 £
Amounts owed to other group undertakings	22,317,037	27,543,178
Value added tax	242,534	247,275
<b>At 31 Mar</b>	<b>22,559,571</b>	<b>27,790,453</b>

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

	2021		2020	
	Number	£	Number	£
<b>Issued, allotted and fully paid up</b>				
Ordinary shares of £1 each	2	2	2	2
<b>As at 31 Mar</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

## 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	22,317,037	22,317,037
<b>At 31 Mar 2021</b>	<b>22,317,037</b>	<b>22,317,037</b>
Trade and other payables	27,543,178	27,543,178
<b>At 31 Mar 2020</b>	<b>27,543,178</b>	<b>27,543,178</b>

### 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.

	2021		2020	
	Highest balance during the year £	Balance at 31 March £	Highest balance during the year £	Balance at 31 March £
<b>Liabilities</b>				
Trade and other payables	28,281,508	22,317,037	35,683,702	27,543,178
			2021 £	2020 £
<b>Income statement</b>				
Interest expense			441,137	459,130
General and administrative expenses			112,718	121,475

Administrative expenses include £112,718 (2020: £121,475) 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

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