

Assetfinance December (P) Limited

Registration No: 1337172

**Annual Report and Financial Statements for the year
ended 31 December 2019**



Assetfinance December (P) Limited

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31 December 2019**

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Strategic Report

Principal activities

The principal activity of Assetfinance December (P) Limited (the 'Company') is to lease assets to third party lessees for an agreed term under finance lease and operating lease arrangements. No change in the Company's activities is anticipated.

The Company is a private limited company 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 remaining leasing transactions written in previous years.

On 1 January 2019, the Company adopted the requirements of IFRS 16 'Leases.' Comparatives were not restated. The adoption of the standard increased assets by £356,778 and increased financial liabilities by the same amount with no effect on net assets or retained earnings. On adoption of IFRS 16 'Leases', the Company has recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' in accordance with IAS 17 'Leases'. A new finance lease receivable has also been recognised in respect of corresponding lease arrangements that were previously classified as 'operating leases.' Further detail in respect of the changes is included in Note 1.1 (a), Note 6 and Note 12 on the accounts.

Where relevant, another group undertaking, HSBC Asset Finance (UK) Limited provides agency services to the Company. 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. Services required are provided by fellow HSBC Group companies. The Company's principal stakeholder is its parent company.

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. During the financial year, the decisions taken by the Company were related to approval of the annual accounts and change in the company secretary for the entity. Hence, there was no principal decision made or undertaken by the Company during the financial year.

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 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 financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, as required under the Companies Act 2006 are set out in Note 16 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 into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage the ultimate economic effect of the UK leaving the EU is uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 16, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In addition to the above, since early January 2020, the COVID-19 outbreak has spread across the globe and is been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or 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 on the valuation of the Company's assets, Management will monitor the impact during 2020 and beyond, for any adverse effects on the financial performance and financial position of the Company.

On behalf of the Board



J Subramaniyan
Director

30 September 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

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

Name	Resigned
G Owen-Conway	6 December 2019
J Subramaniam	
S E Long	
C R J Irvin	
O Uwakwa	

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers 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 up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, all Directors have the benefit of Directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: nil).

Significant events since the end of the financial year

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 is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or 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 on the valuation of the Company's assets, Management will monitor the impact during 2020 and beyond, for any adverse effects on the financial performance and financial position of the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

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

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the COVID-19 outbreak referred to above, together with future projections of profitability, cash flows and capital resources.

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 16 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 HSBC Group'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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also 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 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 as at the date the Directors' Report 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.

On behalf of the Board



J Subramaniyan
Director

30 September 2020

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the member of Assetfinance December (P) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Assetfinance December (P) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the *Annual Report and Financial Statements* (the "*Annual Report*"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes on the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards of 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 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.

Assetfinance December (P) Limited

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 set out on page 4, 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.

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 member 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 received 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 : 30 September 2020

Assetfinance December (P) Limited

Financial statements

Income statement for the year ended 31 December 2019

		Restated
		Note1(e)
	2019	2018
	£	£
<i>Notes</i>		
Interest income	140	—
Interest expense	(140)	—
Net interest income	—	—
Other operating income	207,740	338,976
Net operating income	207,740	338,976
General and administrative expenses	—	(78,675)
Total operating expenses	—	(78,675)
Operating profit	207,740	260,301
Profit before tax	207,740	260,301
Tax expense	(3,281)	(49,457)
Profit for the year	204,459	210,844

Statement of comprehensive income for the year ended 31 December 2019

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

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
Balance sheet at 31 December 2019

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	Notes	2019 £	2018 £
Assets			
Trade and other receivables	11	1,860,673	1,366,939
Current tax assets		304,332	—
Deferred tax assets	8	1,401,353	1,708,966
Total assets		3,566,358	3,075,905
Liabilities and equity			
Liabilities			
Trade and other payables	12	9,717	9,678
Current tax liabilities		—	49,457
Lease liabilities	14	335,412	—
Total liabilities		345,129	59,135
Equity			
Called up share capital	15	100,000	100,000
Retained earnings		3,121,229	2,916,770
Total equity		3,221,229	3,016,770
Total liabilities and equity		3,566,358	3,075,905

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 30 September 2020 and signed on its behalf by:


J Subramaniyan
Director

Assetfinance December (P) Limited

Statement of cash flows for the year ended 31 December 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit before tax	207,740	260,301
Adjustments for:		
Change in operating assets	(335,412)	—
Change in operating liabilities	335,451	295
Tax paid	(49,457)	(37,049)
Net cash generated from operating activities	158,322	223,547
Cash flows from financing activities		
Movements in inter-company funding	(168,322)	(223,547)
Net cash used in financing activities	(168,322)	(223,547)
Net (decrease)/increase in cash and cash equivalents	—	—
Cash and cash equivalents brought forward	—	—
Cash and cash equivalents carried forward	—	—

Assetfinance December (P) Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2019	100,000	2,916,770	3,016,770
Profit for the year	—	204,459	204,459
Total comprehensive income for the year	—	204,459	204,459
At 31 Dec 2019	100,000	3,121,229	3,221,229

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2018	100,000	2,705,926	2,805,926
Profit for the year	—	210,844	210,844
Total comprehensive income for the year	—	210,844	210,844
At 31 Dec 2018	100,000	2,916,770	3,016,770

Notes on the financial statements

1. Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). 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.

1.1. Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2019, there were no unendorsed standards effective for the year ended 31 December 2019 affecting these financial statements, and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2019

IFRS 16 'Leases'

On 1 January 2019, the Company adopted the requirements of IFRS 16 'Leases.' Comparatives were not restated. The adoption of the standard increased assets by £356,778 and increased financial liabilities by the same amount with no effect on net assets or retained earnings.

IFRS 16 introduces new or amended requirements with respect to lease accounting. For lessees, the distinction between operating and finance leases has been removed and requires the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Lessor accounting has remained substantially the same as under IAS 17 'Leases.'

On adoption of IFRS 16 'Leases', the Company has recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' in accordance with IAS 17 'Leases'. These liabilities have been recognised in 'Lease liabilities' and measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at 1 January 2019. The Company's lease liabilities form part of head leasing and sub leasing arrangements and consequently the sub leasing arrangement has been re-assessed. As the sub leasing arrangement is a corresponding arrangement with the lease liability, the lease has been classified as a new finance lease entered into on 1 January 2019 rather than a right of use asset. The new finance lease receivable has been recognised as equal to the amounts disclosed as lease liabilities as the discount rate used for the lease liability has been used for the measurement of the net investment in the finance lease.

Finance costs associated with lease liabilities are included in the income statement within 'General and administrative expense.'

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are endorsed by the EU and are effective from 1 January 2020 that are expected to have an 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 to follow, 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 conclusions from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which 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) Restatement of prior year balances

All finance leases are in their secondary rental period and 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 the Company has no additional performance obligations and recognise the income in full on the contracted invoice date.

Accordingly, in order to align this income to the above policy and the fact that the secondary rentals do not contain any financing component per se, the Directors believe that it is more appropriate to treat income from secondary lease rentals as operating income rather than interest income.

Assetfinance December (P) Limited

Consequently, the Company has restated amounts reported in the Income statement in the prior year from interest income to other operating income in order to conform with the presentation for the current year. The reclassification has been made by the Company as considered more appropriate and this did not have any impact on the previously reported results or equity.

	Previously reported	Restatement	Restated
	2018	2018	2018
	£	£	£
Interest income	310,301	(310,301)	-
Other operating income	28,675	310,301	338,976

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the COVID-19 outbreak, together with future projections of profitability, cash flows and capital resources.

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.

Trade and other receivables

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.

Impairment of trade and other receivables

Expected credit losses ('ECL') are recognised for trade and other receivables and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

Assetfinance December (P) Limited

Where the Company's exposures are with other group undertakings, the credit risk of amounts due from other group undertakings is minimised because such other group undertakings are wholly owned subsidiaries of HSBC Holdings plc. Such counterparties have no history of default and have been able to meet their liabilities as they fall due. On this basis the Company considers the amounts due to be fully recoverable and hence no impairments are required.

For amounts relating to finance lease receivables, it is not considered that any impairment would have a significant impact on the financial statements of the Company due to the nature of the leasing arrangements comprising head lease and sub lease agreements.

(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.

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 and judgements

The recognition of deferred tax assets depends on judgements

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) 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.

(e) 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. Operating Profit

Operating profit is stated after the following items of income and expense:

	2019	Restated 2018
	£	£
Income		
Finance lease income	140	—
Operating lease income	—	28,676
Other finance lease income	207,740	310,301
Expense		
Interest on lease liabilities	(140)	—
Rentals payable under operating leases	—	(28,675)

3. Employee compensation and benefits

The Company has no employees and hence no staff costs (2018: nil).

4. Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: 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.

5. Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the Company amounted to £1,050 (2018: £1,000).

There were no non-audit fees incurred during the year (2018: nil).

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6. Commitments under operating leases

Accounting policy

Operating leases

Contractual relationships and their related transactions are accounted for as operating leases when substantially all the risks and rewards of ownership remain with the lessor. Rentals payable or receivable under operating leases are spread on a straight-line basis over the lease periods and are recognised in "General and administrative expense" or in "other operating income". When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

	2019	2018
	£'000	£'000
Not later than one year	–	28,675
Later than one year and no later than five years	–	114,699
later than five years	–	264,281
	–	397,655

The Company is obligated under non-cancellable operating leases for property for which the future minimum payments extend over a number of years.

Future minimum lease payable under non-cancellable operating lease:

	2019	2018
	£'000	£'000
Expiring within one year	–	28,675
Expiring between one and five years	–	114,699
Expiring later than five years	–	264,281
	–	397,655

In 2018, £28,675 was charged to 'General and administrative expense' in respect of lease and sublease agreements.

Following the adoption of IRFS 16 on 1 January 2019, operating lease commitments have been re-classed as lease liabilities and a corresponding finance lease receivable. Comparatives have not been restated.

7. Tax

Tax expense

	2019	2018
	£	£
Current tax		
UK Corporation tax		
- For this year	(304,332)	49,457
Total current tax	(304,332)	49,457
Deferred tax		
- Origination and reversals of temporary differences	343,803	–
- Effects of changes in tax rates	(36,190)	–
Total deferred tax	307,613	–
Year ended 31 Dec	3,281	49,457

The UK corporation tax rate applying to the Company was 19.00% (2018: 19.00%).

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% will not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the planned rate reduction. If the deferred tax asset as at 31 December 2019 were re-measured at 19% it would increase by £164,865.

Tax reconciliation

	2019		2018	
	£	(%)	£	(%)
Profit before tax	207,740		260,301	
Tax at 19.00% (2018: 19.00%)	39,471	19.0	49,457	19.0
Impact due to changes in tax rates	(36,190)	(17.4)	–	–
Year ended 31 Dec	3,281	1.6	49,457	19.0

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8. Deferred tax

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

	Other temporary differences	
	2019	2018
	£	£
At 1 Jan	1,708,966	1,708,966
Income statement (charge)/credit	(307,613)	—
At 31 Dec	1,401,353	1,708,966

Other temporary differences arise from leasing transactions and relate principally to accelerated capital allowances and depreciation.

A deferred tax asset of £1,401,353 (2018: £1,708,966) 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 Group.

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 financial assets and liabilities as at 31 December 2019 and 31 December 2018.

11. Trade and other receivables

	Notes	2019	2018
		£	£
Amount due from other group undertakings		1,525,261	1,366,939
Finance lease receivables	12	335,412	—
At 31 Dec		1,860,673	1,366,939

Amounts due from other group undertakings are unsecured and repayable on demand. They are accounted for as financial assets, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

12. Finance lease receivables

Following the adoption of IFRS 16 on 1 January 2019, the Company has recognised a finance lease receivable in respect of sub lease arrangements previously recognised as operating leases under IAS 17 'Leases.' Assets leased relate to property and are held with third parties. Comparatives have not been restated

	2019			2018		
	Total future minimum payments	Unearned charges	Net Investment	Total future minimum payments	Unearned charges	Net investment
	£	£	£	£	£	£
Lease receivables						
No later than one year	28,675	(516)	28,159	—	—	—
Later than one year but not later than 5 years	N/A	N/A	N/A	—	—	—
– One to two years	28,675	(883)	27,792	—	—	—
– Two to three years	28,675	(1,251)	27,424	—	—	—
– Three to four years	28,675	(1,610)	27,065	—	—	—
– Four to five years	28,675	(1,966)	26,709	—	—	—
– More than five years	225,613	(27,350)	198,263	—	—	—
	368,988	(33,576)	335,412	—	—	—

13. Trade and other payables

	2019	2018
	£	£
Value added tax	9,717	9,678
At 31 Dec	9,717	9,678

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14. Lease liabilities

Following the adoption of IFRS 16 on 1 January 2019, the Company has recognised lease liabilities in respect of leasing arrangements previously recognised as operating leases under IAS 17 'Leases'. Comparatives have not been restated.

	2019	2018
	£	£
Lease liabilities		
No later than one year	28,675	—
– One to two years	28,675	—
– Two to three years	28,675	—
– Three to four years	28,675	—
– Four to five years	28,675	—
– More than five years	225,613	—
Unearned interest	(33,578)	—
	335,412	—

15. Called up share capital

	2019		2018	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
As at 1 January and 31 December	100,000	100,000	100,000	100,000

16. 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.

a) 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 credit risk of amounts due from other group undertakings is minimised because such group undertakings are wholly owned subsidiaries of HSBC Holdings plc and amounts represent inter-company accounts which are short term in nature. Consequently, expected credit losses under IFRS 9 impairment requirements are considered to be negligible.

For amounts relating to finance lease receivables, it is not considered that any impairment would have a significant impact on the financial statements of the Company due to the nature of the leasing arrangements comprising head lease and sub lease agreements.

b) 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 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 other group undertakings.

The Business manages liquidity risk for the Company as described above for risks generally.

The Company is funded principally by equity and retained earnings. Another group undertaking acts as a treasury function providing funds as required. This funding has no repayment date and is therefore technically repayable on demand.

c) Market risk management

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

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

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17. Related party transactions

Transactions with other related parties

Transactions detailed below include amounts due to/from HSBC Asset Finance (UK) Limited.

	2019		2018	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	£	£	£	£
Amounts due from other group undertakings	1,574,715	1,525,261	1,412,769	1,366,939

18. 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 Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Bank plc. All companies are registered in England and Wales.

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

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

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

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

19. Events after the balance sheet date

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 is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. Whilst it cannot be predicted how long the disruption will continue or 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 on the valuation of the Company's assets, Management will monitor the impact during 2020 and beyond, for any adverse effects on the financial performance and financial position of the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

There are no other significant events after the balance sheet date.