

HSBC Equipment Finance (UK) Limited

Registration No: 1503727

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



HSBC Equipment Finance (UK) Limited

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

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HSBC Equipment Finance (UK) Limited

Strategic Report

Principal activities

The principal activity of HSBC Equipment Finance (UK) Limited ('the Company') is to provide finance and operating leases, hire purchase and instalment finance to third parties. The Company also provides funding for its subsidiary undertakings. 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 wrote leasing and hire purchase new business and continued to manage the leasing transactions underwritten in previous years.

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 2019, 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 the Company's 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 year are deemed to be routine in nature and are taken on a cyclical basis. An example of a principal decision taken by the Company during the year is the approval of a dividend payment to the Company's sole shareholder, HSBC UK. Prior to approving the dividend, consideration was given to the company's obligations under the Companies Act 2006, the benefits and risks of the proposed dividend payment, the long term interests of the Company, as well as the interests of HSBC UK and the wider HSBC Group.

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.

The Balance sheet shows an increase in total assets from higher levels of lending activity at £4,521m at 31 December 2019 compared to £4,372m at the previous year end. Interest income also increased to £122.8m in 2019 compared to £105.5m in 2018. During the year the Company incurred expected credit losses of £25,810k (2018: £12,442k).

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 20 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 20, 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.

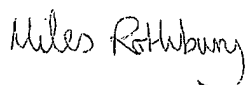
HSBC Equipment Finance (UK) Limited

In addition to the above, 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.

The main risk to the Company relates to expected credit losses ('ECL') arising from its lending and leasing to third parties. As at 31 December 2019, provisions in respect of ECL amounted to £56,171k based on a range of forecasted economic conditions in line with Forward Economic Guidance as at that date. During 2020, ECL provisions have increased significantly to £113,728k as at 31 August 2020. The increase in provisions mainly reflects deteriorating credit risk based on revised Forward Economic Guidance which includes significantly higher weightings in relation to downside scenarios.

Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, Management continue to monitor the situation closely including the impact on the Company's financial performance. Based on currently available information, it is considered that the Company has sufficient resources in terms of liquidity, capital and future projections of profitability in order to withstand the risks faced from increased ECLs arising from adverse downside scenarios.

On behalf of the Board



M E Rothbury
Director

30 September 2020

Registered office
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

HSBC Equipment Finance (UK) Limited

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		
S S Nair		
G H Lacey		17 March 2020
B Bulford		25 April 2019
R I McElroy		29 March 2019
J E Rao	11 November 2019	
M E Rothbury	25 November 2019	
J P Royle	30 July 2019	

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

Interim dividends of £ 26,000,000 (2018: £21,217,000) were paid on the ordinary share capital during the year. Details of dividend payments made during the year are included in Note 8 and payments are reflected in the financial statements in the period in which they are paid.

The Directors do not intend to declare an interim dividend in respect of retained earnings from the year ended 31 December 2019.

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.

The main risk to the Company relates to expected credit losses ('ECL') arising from its lending and leasing products to customers. As at 31 December 2019, provisions in respect of ECL amounted to £56,171k based on a range of forecasted economic conditions in line with Forward Economic Guidance as at that date. During 2020, ECL provisions have increased significantly to £113,728k as at 31 August 2020. The increase in provisions reflects deteriorating credit risk based on revised Forward Economic Guidance which includes significantly higher weightings in relation to downside scenarios.

Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, Management continue to monitor the situation closely including the impact on the Company's financial performance. Based on currently available information, it is considered that the Company has sufficient resources in terms of liquidity, capital and future projections of profitability in order to withstand the risks faced from increased ECLs arising from adverse downside scenarios.

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 Company had net current liabilities of £1,454,586k as at 31 December 2019. HSBC UK Bank plc, 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 lending and 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 in respect of the impact of the COVID-19 outbreak referred to above, 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 20 of the Notes on the financial statements.

HSBC Equipment Finance (UK) Limited

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 estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

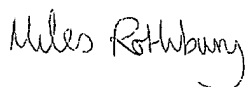
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office 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 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 E Rothbury
Director

30 September 2020

Registered office
1 Centenary Square
Birmingham B1 1HQ
United Kingdom

Independent auditors' report to the member of HSBC Equipment Finance (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, HSBC Equipment Finance (UK) 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 of 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.

HSBC Equipment Finance (UK) 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.



Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated : 30 September 2020

HSBC Equipment Finance (UK) Limited

Financial statements

Income Statement for the year ended 31 December 2019

		2019	2018
	Notes	£'000	£'000
Interest income		122,844	105,481
Interest expense		(54,540)	(44,498)
Net interest income		68,304	60,983
Fee and commission income		2,340	3,099
Net fee income		2,340	3,099
Other operating income		5,387	6,202
Net operating income before change in expected credit losses and other credit impairment charges		76,031	70,284
Change in expected credit losses and other credit impairment charges		(25,810)	(12,442)
Net operating income		50,221	57,842
General and administrative expenses	3	(18,133)	(17,811)
Depreciation of property, plant and equipment		(4,175)	(4,389)
Total operating expenses		(22,308)	(22,200)
Operating profit	2	27,913	35,642
Profit before tax		27,913	35,642
Tax expense	6	(5,381)	(6,721)
Profit for the year		22,532	28,921

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)

HSBC Equipment Finance (UK) Limited

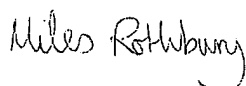
Balance sheet at 31 December 2019

Registration No: 1503727

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents		48,698	243,816
Loans and advances	11	872,742	734,106
Trade and other receivables	12	3,578,836	3,375,596
Investments in subsidiaries	14	2,741	2,741
Property, plant and equipment	15	17,508	15,632
Deferred tax assets	7	442	—
Total assets		4,520,967	4,371,891
Liabilities and equity			
Liabilities			
Trade and other payables	16	140,799	383,502
Loans from other group undertakings	17	4,211,931	3,812,608
Accruals, deferred income and other liabilities		34,800	40,347
Current tax liabilities		5,242	3,513
Deferred tax liabilities	7	—	258
Total liabilities		4,392,772	4,240,228
Equity			
Called up share capital	18	105,000	105,000
Retained earnings		23,195	26,663
Total equity		128,195	131,663
Total liabilities and equity		4,520,967	4,371,891

The accompanying notes on pages 11 to 26 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:



M E Rothbury
Director

HSBC Equipment Finance (UK) Limited

Statement of cash flows for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit before tax	27,913	35,642
Adjustments for:		
Non-cash items included in profit before tax	29,328	1,501
Change in operating assets	(366,872)	(555,750)
Change in operating liabilities	(9,037)	(38,108)
Tax paid	(4,352)	(7,494)
Net cash used in operating activities	(323,020)	(564,209)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,279)	(618)
Proceeds from sale of property, plant and equipment	1,885	927
Net cash (used in)/generated from investing activities	(5,394)	309
Cash flows from financing activities		
Reduction in amounts owed to other group undertakings	—	(3,251,864)
Increase in amounts owed to other group undertakings	160,110	4,190,279
Increase in amounts due from other group undertakings	(814)	(109,482)
Dividends paid	(26,000)	(21,217)
Net cash generated from financing activities	133,296	807,716
Net (decrease)/increase in cash and cash equivalents	(195,118)	243,816
Cash and cash equivalents brought forward	243,816	—
Cash and cash equivalents carried forward	48,698	243,816

HSBC Equipment Finance (UK) Limited

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

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 Jan 2019	105,000	26,663	131,663
Profit for the year	—	22,532	22,532
Total comprehensive income for the year	—	22,532	22,532
Dividends to shareholders	—	(26,000)	(26,000)
At 31 Dec 2019	105,000	23,195	128,195

	Called up share capital	Retained earnings	Total equity
	£'000	£'000	£'000
As at 31 Dec 2017	105,000	31,451	136,451
Impact on transition to IFRS 9	—	(12,492)	(12,492)
At 1 Jan 2018	105,000	18,959	123,959
Profit for the year	—	28,921	28,921
Total comprehensive income for the year	—	28,921	28,921
Dividends to shareholders	—	(21,217)	(21,217)
At 31 Dec 2018	105,000	26,663	131,663

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'

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. As the Company is in the position of lessor, the implementation has had no significant effect on the financial statements of the Company.

During 2019, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(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) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

(d) 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 present information about the Company as an individual undertaking and not about its group. The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 400 of the Companies Act 2006.

The financial statements have been prepared under the historical cost basis.

(e) 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.

(f) Going concern

The Company had net current liabilities of £1,454,586k as at 31 December 2019. HSBC UK Bank plc, 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 lending and 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 in respect of the impact of the COVID-19 outbreak referred to above, the Directors have prepared the financial statements on a going concern basis.

HSBC Equipment Finance (UK) Limited

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 (d) for the accounting policy for finance income or charges on finance leases.

Non-interest income and expense

Fee income is earned from services provided by the Company to its customers and can be charged on a fixed or variable basis. Variable fees are recognised when all uncertainties are resolved. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- Income earned from the provision of services is recognised as revenue as the services are provided.

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

(b) Investments in subsidiaries

The Company classifies investments in entities which it controls as subsidiaries.

For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

The carrying values of the Company's investments in subsidiaries are reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment losses recognised in prior periods are reversed through the income statement, if and only if, there has been a change in the estimates used to determine the recoverable amount of the investment in subsidiary since the last impairment loss was recognised.

The Company's investments in subsidiaries are stated at cost less impairment losses.

(c) Valuation of financial instruments

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

(d) 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. Trade and other receivables include finance lease receivables.

Financial assets

These include loans and advances and 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.

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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.

The Company leases assets to third parties under finance leases. At the end of the lease term, assets may be sold to third parties or leased for further terms. Lessees may participate in any sales proceeds achieved. Lease rentals arising during the lease terms will either be fixed in quantum or be varied to reflect changes in, for example, tax or interest rates. Rentals are calculated to recover the cost of assets less their residual value, and earn finance income.

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 date.

All other leases are classified as operating leases. See Note 1.2 (g) 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.

(e) Impairment of amortised cost financial assets

For the impairment of amortised cost financial assets within the scope of IFRS9, the Company has adopted the methodology as developed within the HSBC group and is detailed below.

Expected credit losses ('ECL') are recognised for financial assets held at amortised cost. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) 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 which 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'.

Credit-impaired (stage 3)

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the receivable is otherwise considered to be in default.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

Unimpaired and without significant increase in credit risk - (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

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Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, HSBC calculates ECL using three main components, a probability of default ('PD'), a loss given default ('LGD') and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for stage 3 is determined on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on the credit risk officer's estimates as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under four different scenarios are probability-weighted by reference to the three economic scenarios applied more generally by the Group and the judgement of the credit risk officer in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, the effect of different economic scenarios and work-out strategies is approximated and applied as an adjustment to the most likely outcome.

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which HSBC is exposed to credit risk.

Forward-looking economic inputs

HSBC group applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of our view of forecast economic conditions. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. In certain economic environments, additional analysis may be necessary and may result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

HSBC group relies on an average of external forecasts and their distributions to create three scenarios that represent the 'most likely' outcome and two less likely outcomes referred to as the Upside and Downside scenarios. Each outer scenario is consistent with a probability of 10%, while the Central scenario is assigned the remaining 80%, according to the decision of HSBC group's senior management. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. These three scenarios are referred to as the consensus economic scenarios. Additional scenarios are used to specifically address the forward looking risks that management consider are not adequately captured by the consensus. Together, these scenarios represent the approach to the application of forward economic guidance for the calculation of ECL.

The Upside and Downside scenarios are generated once a year, reviewed at each reporting date to ensure that they are an appropriate reflection of management's view and updated if economic conditions change significantly. The Central scenario is generated every quarter.

The ECL outcome is sensitive to judgement and estimations made with regards to the formulation and incorporation of multiple forward-looking economic conditions described above. As a result, management have assessed and considered the sensitivity of the ECL outcome against the forward-looking economic conditions as part of the HSBC group ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting ECL.

Critical accounting estimates and judgements

The calculation of the Company's ECL under IFRS 9 requires number of judgements, assumptions and estimates to be made. The most significant are set out below:

Judgements	Estimates
<ul style="list-style-type: none">Defining what is considered to be a significant increase in credit riskSelecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditionsSelecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss	<ul style="list-style-type: none">Assumptions from multiple forecasted economic scenarios are applied to credit risk models to estimate future credit losses and probability-weight the results in determining an unbiased ECL estimate.

(f) 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.

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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.

(g) Property, plant and equipment

Operating lease assets are depreciated over the period of the relevant hirer's rental contract to an estimated residual value on a straight line basis.

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.

(h) 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.

(i) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

(j) 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:

	2019 £'000	2018 £'000
Finance lease income	113,489	95,958
Operating lease income	4,894	5,322

The Company has £2,897k of contingent rent payable in respect of interest variation included in finance lease income (2018: £3,046k).

3 General and administrative expenses

	2019 £'000	2018 £'000
Profit/(loss) on disposal of property, plant and equipment	658	(113)
Management charges payable to another group undertaking	(18,491)	(17,776)
Audit fees	(221)	—
Other (expenses)/income	(79)	78
Year ended 31 Dec	(18,133)	(17,811)

The amount incurred by the Company in respect of the audit of these financial statements was £221k (2018: £236k). In the prior year, auditors' remuneration was borne by another group undertaking and therefore not charged in arriving at profit before tax.

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

4 Employee compensation and benefits

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

5 Directors' emoluments

The aggregate emoluments of the Directors of the Company, computed in accordance with the Companies Act 2006 as amended by statutory instrument 2008 No. 410, were:

	2019 £'000	2018 £'000
Directors' emoluments for services to the Company	390	410
Pension contributions	15	25
Year ended 31 Dec	405	435

	No	No
Number of directors who:		
are members of money purchase schemes	3	2
exercised share options during the year	-	1

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During the year the emoluments of the highest paid Director, including benefits in kind were £298k (2018: £272k) and pension contributions of £7k (2018: £10k).

The charge for all Directors' services for the current year and prior year has been borne by another group company for services to this Company and recharged as part of the management charge.

The details regarding Directors who are also Directors of other group undertakings are disclosed in the financial statements of those companies. No remuneration is disclosed for Directors whose services are deemed to be provided to the Company as part of their services to HSBC UK Bank plc.

6 Tax

Tax expense

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax		
- For this year	5,242	3,512
- Adjustments in respect of prior years	839	–
Total current tax	6,081	3,512
Deferred tax		
- Origination and reversals of temporary differences	62	3,218
- Effects of changes in tax rates	(7)	(9)
- Adjustments in respect of prior years	(755)	–
Total deferred tax	(700)	3,209
Year ended 31 Dec	5,381	6,721

The UK corporation tax rate applying to the Company was 19% (2018: 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% 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 £52,015.

Tax reconciliation

	2019		2018	
	£'000	(%)	£'000	(%)
Profit before tax	27,913		35,642	
Tax at 19.00% (2018: 19.00%)	5,304	19.0	6,772	19.0
Adjustment in respect of prior years	84	0.3	–	–
Deferred tax assets transferred in	–	–	(41)	(0.1)
Impact due to changes in tax rates	(7)	–	(9)	–
Other	–	–	(1)	–
Year ended 31 Dec	5,381	19.3	6,721	18.9

7 Deferred tax

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	
	2019 £'000	2018 £'000
At 1 Jan	(258)	–
Impact on transition to IFRS 9	–	2,951
Adjustments in respect of prior years	755	–
Income statement charge	(55)	(3,209)
At 31 Dec	442	(258)

Short-term temporary differences related to timing differences in respect of provisions.

8 Dividends

	2019		2018	
	£ per share	£'000	£ per share	£'000
Dividends declared on ordinary shares				
First interim dividend	0.25	26,000	0.20	21,217
Total	0.25	26,000	0.20	21,217

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.

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10 Fair value of financial instruments not carried at fair value

Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (b) Level 2 - valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Fair values at the balance sheet date of the assets and liabilities set out below are estimated for the purpose of disclosure as follows:

	Fair values		
	Valuation techniques		Total £'000
	Carrying amount £'000	Significant unobservable inputs Level 3 £'000	
At 31 Dec 2019			
Assets			
Loans and advances	872,742	857,760	857,760
Trade and other receivables	3,578,836	3,712,576	3,712,576
At 31 Dec 2018			
Assets			
Loans and advances	734,106	737,087	737,087
Trade and other receivables	3,375,596	3,355,879	3,355,879

11 Loans and advances

	2019 £'000	2018 £'000
Loans and advances	872,742	734,106
At 31 Dec	872,742	734,106

12 Trade and other receivables

		2019 £'000	2018 £'000
Amounts due from other group undertakings		110,296	109,482
Finance lease receivables	13	3,464,538	3,262,772
Other receivables		4,002	3,342
At 31 Dec		3,578,836	3,375,596

Amounts due from other group undertakings are unsecured and repayable on demand. The fair value is not considered to be significantly different from the carrying value.

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13 Finance lease receivables

	2019			2018		
	Total future minimum payments	Unearned finance income	Present value	Total future minimum payments	Unearned finance income	Present value
	£'000	£'000	£'000	£'000	£'000	£'000
Lease receivables						
No later than one year	1,336,188	(66,364)	1,269,824	1,179,720	(63,659)	1,116,061
Later than one year but not later than 5 years	N/A	N/A	N/A	1,951,285	(107,600)	1,843,685
– One to two years ¹	901,662	(46,279)	855,383	N/A	N/A	N/A
– Two to three years ¹	635,490	(30,808)	604,682	N/A	N/A	N/A
– Three to four years ¹	335,671	(18,993)	316,678	N/A	N/A	N/A
– Four to Five years ¹	172,007	(12,457)	159,550	N/A	N/A	N/A
Later than five years	369,677	(62,373)	307,304	392,618	(58,874)	333,744
	3,750,695	(237,274)	3,513,421	3,523,623	(230,133)	3,293,490
Impairment provisions			(48,883)			(30,718)
As 31 Dec			3,464,538			3,262,772

¹ For 2019 additional maturity bandings have been presented as required under IFRS 16, 2018 maturity bandings have not been restated.

14 Investments in subsidiaries

Movements on investments

	2019	2018
	£'000	£'000
Cost		
At 1 Jan	2,741	2,741
At 31 Dec	2,741	2,741

Details of all subsidiaries, as required under section 409 of Companies Act 2006, are set out below. The principal countries of operation are the same as the countries of incorporation.

	Country of incorporation	Interest in equity capital (%)	Share class
Assetfinance December (F) Limited	United Kingdom	100	Ordinary shares
Assetfinance June (D) Limited	United Kingdom	100	Ordinary shares
Assetfinance March (D) Limited	United Kingdom	100	Ordinary shares
Assetfinance September (G) Limited	United Kingdom	100	Ordinary shares

The registered office for all the above subsidiary undertakings is 1 Centenary Square, Birmingham B1 1HQ, United Kingdom.

15 Property, plant and equipment

	2019	2018
	£'000	£'000
Cost		
At 1 Jan	38,130	45,753
Additions	7,279	618
Disposals	(6,299)	(8,241)
As at 31 Dec	39,110	38,130
Accumulated depreciation		
At 1 Jan	22,498	25,310
Charge for the year	4,175	4,389
Disposals	(5,071)	(7,201)
As at 31 Dec	21,602	22,498
Net book value		
At 1 Jan	15,632	20,443
As at 31 Dec	17,508	15,632

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

	2019 £'000	2018 £'000
No later than one year	3,666	3,911
Later than one year but not later than 5 years	N/A	5,707
– One to two years ¹	3,475	N/A
– Two to three years ¹	2,753	N/A
– Three to four years ¹	1,813	N/A
– Four to Five years ¹	1,155	N/A
Later than 5 years	–	39
As at 31 Dec	12,862	9,657

¹ For 2019 additional maturity bandings have been presented as required under IFRS 16, 2018 maturity bandings have not been restated.

16 Trade and other payables

	2019 £'000	2018 £'000
Amounts owed to other group undertakings	138,457	377,670
Value added tax	2,342	5,832
At 31 Dec	140,799	383,502

Amounts owed to other group undertakings are unsecured and repayable on demand. The fair value is not considered to be significantly different from the carrying value.

17 Loans from other group undertakings

	2019 £'000	2018 £'000
Less than one year	2,706,565	2,383,787
More than one year and no later than five years	1,444,366	1,373,821
More than five years	61,000	55,000
At 31 Dec	4,211,931	3,812,608

Loans from other group undertakings comprise both sterling and euro loans from the Company's parent, HSBC UK Bank plc. Loans in sterling are charged at interest rates ranging from 0.28% to 5.83%. Loans denominated in euros are predominantly charged with negative interest rates ranging from -0.07% to -0.62%.

18 Called up share capital

	2019		2018	
	Number	£'000	Number	£'000
Issued, allotted and fully paid up				
Ordinary shares of £1 each	105,000,000	105,000	105,000,000	105,000
As at 1 Jan and 31 Dec	105,000,000	105,000	105,000,000	105,000

19 Contingent liabilities, contractual commitments and other guarantees

There were no contingent liabilities or financial guarantee contracts as at 31 December 2019 (2018: nil).

20 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.

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Company's business. The Company's risk management policies are consistent with HSBC's risk management policies.

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

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

Credit risk management

Credit risk is the risk 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.

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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.

Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Due to the forward-looking nature of IFRS 9, the scope of financial instruments on which ECL are recognised is greater than the scope of IAS 39.

The following tables analyse loans by industry sector and represent the concentration of exposures on which credit risk are managed.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	2019		2018	
	Gross carrying/ nominal amount £'000	Allowance/ Provision for ECL ¹ £'000	Gross carrying/ nominal amount £'000	Allowance/ Provision for ECL ¹ £'000
Loans and advances	879,467	(6,725)	737,462	(3,356)
Trade and other receivables	3,513,421	(48,883)	3,293,490	(30,718)
Cash and cash equivalents	48,698	—	243,816	—
Amounts due from other group undertakings	110,296	—	109,482	—
Total gross carrying amount on balance sheet	4,551,882	(55,608)	4,384,250	(34,074)
Loans and other credit related commitments	183,515	(563)	240,173	(176)
- corporate and commercial	183,515	(563)	240,173	(176)
Total nominal amount off-balance sheet²	183,515	(563)	240,173	(176)
At 31 Dec 2019	4,735,397	(56,171)	4,624,423	(34,250)

¹ The total ECL is recognised in the loss allowance for the financial asset unless the total CL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

² Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

The following table provides an overview of the Company's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

- Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.
- Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

Summary of credit risk by stage distribution and ECL coverage by industry sector

	Gross carrying/nominal amount			Allowance for ECL			ECL Coverage %		
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 1 %	Stage 2 %	Stage 3 %
Loans and receivables	3,804,977	478,924	108,987	(10,087)	(17,719)	(27,802)	0.3	3.7	25.5
- corporate and commercial	3,804,977	478,924	108,987	(10,087)	(17,719)	(27,802)	0.3	3.7	25.5
Amounts due from other group undertakings	110,296	—	—	—	—	—	—	—	—
Cash and cash equivalents	48,698	—	—	—	—	—	—	—	—
Loans and other credit related commitments	153,682	29,833	—	(165)	(398)	—	0.1	1.3	—
At 31 Dec 2019	4,117,653	508,757	108,987	(10,252)	(18,117)	(27,802)	0.2	3.6	25.5

	Gross carrying/nominal amount			Allowance for ECL			ECL Coverage %		
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 1 %	Stage 2 %	Stage 3 %
Loans and receivables ¹	3,355,867	617,208	57,877	(7,487)	(13,526)	(13,061)	0.2	2.2	22.6
- corporate and commercial ¹	3,355,867	617,208	57,877	(7,487)	(13,526)	(13,061)	0.2	2.2	22.6
Amounts due from other group undertakings	109,482	—	—	—	—	—	—	—	—
Cash and cash equivalents	243,816	—	—	—	—	—	—	—	—
Loans and other credit related commitments	240,173	—	—	(176)	—	—	—	—	—
At 31 Dec 2018¹	3,949,338	617,208	57,877	(7,663)	(13,526)	(13,061)	0.2	2.2	22.6

Further detail on the following footnote is included on p21 under Re-presentation of gross carrying/nominal amounts staging.

¹ Balances have been restated in respect of an adjustment relating to UK economic uncertainty.

Amounts due from other group undertakings are short term in nature and expected credit losses are considered to be negligible.

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Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from stage 1 to stage 2. The disclosure below presents the aging of stage 2 financial assets by those less than 30 days past due and therefore presents those financial assets classified as stage 2 due to aging (30 days past due) and those identified at an earlier stage (less than 30 days past due). Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities.

Stage 2 past due analysis at 31 December

	Gross carrying/nominal amount			Allowance for ECL			ECL coverage %		
	Of which			Of which			Of which		
	Stage 2	1 to 29 Days past due	30 and > Days past due ¹	Stage 2	1 to 29 Days past due	30 and > Days past due	Stage 2	1 to 29 Days past due	30 and > Days past due
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 Dec 2019									
Loans and receivables	478,924	12	20,845	(17,719)	(4)	(422)	3.7	33.3	2.0

	Gross carrying/nominal amount			Allowance for ECL			ECL coverage %		
	Of which			Of which			Of which		
	Stage 2	1 to 29 Days past due	30 and > Days past due ¹	Stage 2	1 to 29 Days past due	30 and > Days past due	Stage 2	1 to 29 Days past due	30 and > Days past due
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 Dec 2018									
Loans and receivables ²	617,208	8,655	6,389	(13,526)	(603)	(43)	2.2	7.0	0.7

1. Up to date accounts in stage 2 are not shown in amounts presented above.

2. Balances have been restated in respect of an adjustment relating to UK economic uncertainty. Further detail on the restatement is included on p21 under Re-presentation of gross carrying/nominal amounts staging.

Reconciliation of allowances for loans and advances, trade and other receivables including loan commitments and financial guarantees

	2019	2018
	ECL allowance	ECL allowance
	£'000	£'000
At 1 Jan	34,250	26,137
ECL income statement charge for the period	25,810	12,442
Assets written off	(3,854)	(5,550)
Exchange and other movements	(35)	1,221
At 31 Dec	56,171	34,250
ECL income statement charge for the period	25,810	12,442
Total ECL income charge for the period	25,810	12,442

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

Reconciliation of gross carrying/ nominal amount and allowances for loans and advances, trade and other receivables including loan commitments and financial guarantees

The following disclosure provides a reconciliation of the Company's gross carrying/nominal amount and allowances for loans and advances, trade and other receivables including loan commitments and financial guarantees.

The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase in ECL due to these transfers.

Re-presentation of gross carrying/nominal amounts staging

The gross carrying/nominal amounts in stages 1 and 2 which were disclosed at 31 December 2018 have been re-presented to reflect the UK economic uncertainty adjustment which was not previously included. In comparison, the allowance for ECL did reflect the UK economic uncertainty adjustment. As a result of the re-presentation, there has been an increase in stage 2 amounts of £170,654k, with a corresponding decrease in stage 1.

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	Non credit - impaired				Credit impaired		Total	
	Stage 1		Stage 2					
	Gross exposure	Allowance /provision for ECL	Gross exposure	Allowance /provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 Jan 2019	3,596,040	(7,663)	617,208	(13,526)	57,877	(13,061)	4,271,125	(34,250)
Transfer of financial instruments	(202,638)	(2,703)	141,337	6,128	61,301	(3,425)	—	—
- transfers from stage 1 to stage 2	(433,044)	2,134	433,044	(2,134)	—	—	—	—
- transfers from stage 2 to stage 1	243,050	(4,916)	(243,050)	4,916	—	—	—	—
- transfers to stage 3	(12,783)	79	(50,968)	3,346	63,751	(3,425)	—	—
- transfers to stage 3	139	—	2,311	—	(2,450)	—	—	—
- Net remeasurement of ECL arising from transfer of stage	—	2,256	—	(4,991)	—	(236)	—	(2,971)
New financial assets originated and purchased	459,613	(1,655)	—	—	—	—	459,613	(1,655)
Changes to risk parameters (model inputs) Further lending/(repayments)	360,583	(679)	(219,016)	(5,766)	(3,083)	(16,039)	138,484	(22,484)
Asset derecognised (including final repayments)	(254,939)	192	(30,772)	38	(3,253)	1,104	(288,964)	1,334
Assets written off	—	—	—	—	(3,855)	3,855	(3,855)	3,855
At 31 Dec 2019	3,958,659	(10,252)	508,757	(18,117)	108,987	(27,802)	4,576,403	(56,171)

	Non credit - impaired				Credit impaired		Total	
	Stage 1		Stage 2					
	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 Jan 2018	3,533,594	(7,329)	222,668	(10,153)	47,162	(8,655)	3,803,424	(26,137)
Transfer of financial instruments	(163,017)	(8,193)	151,311	3,077	11,706	5,116	—	—
- transfers from stage 1 to stage 2	(475,075)	2,411	475,075	(2,411)	—	—	—	—
- transfers from stage 2 to stage 1	308,481	(3,807)	(308,481)	3,807	—	—	—	—
- transfers to stage 3	(4,390)	26	(18,073)	4,052	22,463	(4,078)	—	—
- transfers to stage 3	7,967	(6,823)	2,790	(2,371)	(10,757)	9,194	—	—
- Net remeasurement of ECL arising from transfer of stage	—	9,217	—	(5,914)	(2,427)	(40)	(2,427)	3,263
Changes due to modifications not derecognised	—	—	—	—	—	(660)	—	(660)
Net new and further lending/ (repayments)	277,752	(1,148)	68,875	103	(2,076)	1,673	344,551	628
Changes to risk parameters (model inputs)	—	48	—	(435)	—	(15,550)	—	(15,937)
Assets written off	—	—	—	—	(5,550)	5,550	(5,550)	5,550
Others ¹	(52,289)	(258)	174,354	(204)	9,062	(495)	131,127	(957)
At 31 Dec 2018 ¹	3,596,040	(7,663)	617,208	(13,526)	57,877	(13,061)	4,271,125	(34,250)

Further detail on the following footnotes is included on p21 under Re-presentation of gross carrying/nominal amounts staging.

¹ Balances have been restated in respect of an adjustment relating to UK economic uncertainty.

Credit quality

Credit quality of financial instruments

The Company assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2.

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades, as well as external ratings:

	Debt Securities and other bills	Lending and derivatives
Quality classification	External credit rating	Internal credit rating
Strong	A- and above	CRR1 to CRR2
Good	BBB+ to BBB-	CRR3
Satisfactory	BB+ to B and unrated	CRR4 to CRR5
Sub-standard	B- to C	CRR6 to CRR8
Credit-impaired	Default	CRR9 to CRR10

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Quality classification definitions

'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default.

'Good' exposures demonstrate a good capacity to meet financial commitments, with low default risk.

'Satisfactory' exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.

'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.

'Credit-impaired' exposures have been assessed as impaired.

Distribution of financial instruments by credit quality

	Gross carrying/notional amount							Net
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	48,698	—	—	—	—	48,698	—	48,698
Loans and receivables	852,537	2,073,465	1,221,240	136,659	108,987	4,392,888	(55,608)	4,337,280
Amounts owed by other group undertakings	110,296	—	—	—	—	110,296	—	110,296
Loan and other credit related commitments	35,004	129,268	19,022	221	—	183,515	(563)	182,952
31 Dec 2019	1,046,535	2,202,733	1,240,262	136,880	108,987	4,735,397	(56,171)	4,679,226

	Gross carrying/notional amount							Net
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	243,816	—	—	—	—	243,816	—	243,816
Loans and receivables	999,974	1,658,961	1,219,820	94,320	57,877	4,030,952	(34,074)	3,996,878
Amounts owed by other group undertakings	109,482	—	—	—	—	109,482	—	109,482
Loan and other credit related commitments	76,847	48,259	115,067	—	—	240,173	(176)	239,997
31 Dec 2018	1,430,119	1,707,220	1,334,887	94,320	57,877	4,624,423	(34,250)	4,590,173

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Distribution of financial instruments to which the impairment requirements of IFRS 9 are applied by credit quality stage allocation

Gross carrying/notional amount								
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	110,296	—	—	—	—	110,296	—	110,296
- stage 1	110,296	—	—	—	—	110,296	—	110,296
Loans and receivables	852,537	2,073,465	1,221,240	136,659	108,987	4,392,888	(55,608)	4,337,280
- stage 1	852,507	1,977,144	974,383	943	—	3,804,977	(10,087)	3,794,890
- stage 2	30	96,321	246,857	135,716	—	478,924	(17,719)	461,205
- stage 3	—	—	—	—	108,987	108,987	(27,802)	81,185
Cash and cash equivalents	48,698	—	—	—	—	48,698	—	48,698
- stage 1	48,698	—	—	—	—	48,698	—	48,698
Loans and other credit related commitments	35,004	129,268	19,022	221	—	183,515	(563)	182,952
- stage 1	35,004	107,555	11,123	—	—	153,682	(563)	153,119
- stage 2	—	21,713	7,899	221	—	29,833	—	29,833
At 31 Dec 2019	1,046,535	2,202,733	1,240,262	136,880	108,987	4,735,397	(56,171)	4,679,226

Gross carrying/notional amount								
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	109,482	—	—	—	—	109,482	—	109,482
- stage 1	109,482	—	—	—	—	109,482	—	109,482
Loans and receivables	999,974	1,658,961	1,219,820	94,320	57,877	4,030,952	(34,074)	3,996,878
- stage 1 ¹	999,787	1,652,192	703,321	567	—	3,355,867	(7,487)	3,348,380
- stage 2 ¹	187	6,769	516,499	93,753	—	617,208	(13,526)	603,682
- stage 3	—	—	—	—	57,877	57,877	(13,061)	44,816
Cash and cash equivalents	243,816	—	—	—	—	243,816	—	243,816
- stage 1	243,816	—	—	—	—	243,816	—	243,816
Loans and other credit related commitments	76,847	48,259	115,067	—	—	240,173	(176)	239,997
- stage 1	76,847	48,259	115,067	—	—	240,173	(176)	239,997
At 31 Dec 2018	1,430,119	1,707,220	1,334,887	94,320	57,877	4,624,423	(34,250)	4,590,173

Further detail on the following footnote is included on p21 under Re-presentation of gross carrying/nominal amounts staging.

¹ Balances have been restated in respect of an adjustment relating to UK economic uncertainty.

Credit impaired loans and receivables

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan or receivable is otherwise considered to be in default. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due. Therefore the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit impaired.

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 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. The treasury function provides funds as required to finance lending and other requirements of the Company.

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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 £'000	Due within 3 months £'000	Due between 3-12 months £'000	Due between 1-5 years £'000	Due after 5 years £'000	Total £'000
Amounts due to other group undertakings	138,457	—	—	—	—	138,457
Loans from other group undertakings	—	1,633,773	1,084,830	1,470,271	61,915	4,250,789
Accruals, deferred income and other liabilities	—	34,800	—	—	—	34,800
At 31 Dec 2019	138,457	1,668,573	1,084,830	1,470,271	61,915	4,424,046

	On Demand £'000	Due within 3 months £'000	Due between 3-12 months £'000	Due between 1-5 years £'000	Due after 5 years £'000	Total £'000
Amounts owed to other group undertakings	377,670	—	—	—	—	377,670
Loans from other group undertakings	—	1,359,988	1,023,799	1,373,821	55,000	3,812,608
Accruals, deferred income and other liabilities	—	40,347	—	—	—	40,347
At 31 Dec 2018	377,670	1,400,335	1,023,799	1,373,821	55,000	4,230,625

Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates and interest rates will reduce income values

Interest rate risk

Interest rate risk lending is managed at a group level by matching with equivalent fixed rate borrowings, with interest recharged to the Company at cost, after taking the cost of group level risk management into account hence minimising the interest rate sensitivity.

Analysis of fixed and floating rate financial assets:

	2019 £'000	2018 £'000
Fixed rate	2,551,936	2,466,169
Floating rate	1,789,346	1,534,051
Non interest bearing	110,296	109,482
At 31 Dec	4,451,578	4,109,702

Foreign exchange risk

During the current year and the prior year, the Company has not been exposed to significant foreign exchange risk.

21 Related party transactions

Transactions with other related parties

Transactions detailed below include amounts due to/from HSBC UK Bank plc.

	2019		2018	
	Highest balance during the year £'000	Balance at 31 December £'000	Highest balance during the year £'000	Balance at 31 December £'000
Assets				
Amounts due from other group undertakings	4,250	4,250	—	—
Liabilities				
Amounts owed to other group undertakings	222,953	1,135	222,953	222,953
Loans from other group undertakings	4,211,931	4,211,931	3,812,608	3,812,608

	2019 £'000	2018 £'000
Income statement		
Interest expense	53,313	36,943
General and administrative expenses	18,491	17,776

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Transactions detailed below include amounts due to/from other group undertakings.

	2019		2018	
	Highest balance during the year £'000	Balance at 31 December £'000	Highest balance during the year £'000	Balance at 31 December £'000
Assets				
Amounts due from other group undertakings	109,482	106,046	111,969	109,482
Liabilities				
Amounts owed to other group undertakings	154,717	137,322	154,717	154,717
			2019 £'000	2018 £'000
Income statement				
Interest income			1,452	767
Interest expense			1,227	7,555
Other operating income			444	269

22 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 parent undertaking is HSBC UK Bank plc. All companies are registered in England and Wales.

Copies of HSBC Holdings plc's and HSBC UK Bank plc's 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

23 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.

The main risk to the Company relates to expected credit losses ('ECL') arising from its lending and leasing products to customers. As at 31 December 2019, provisions in respect of ECL amounted to £56,171k based on a range of forecasted economic conditions in line with Forward Economic Guidance as at that date. During 2020, ECL provisions have increased significantly to £113,728k as at 31 August 2020. The increase in provisions reflects deteriorating credit risk based on revised Forward Economic Guidance which includes significantly higher weightings in relation to downside scenarios.

Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company and its customers, Management continue to monitor the situation closely including the impact on the Company's financial performance. Based on currently available information, it is considered that the Company has sufficient resources in terms of liquidity, capital and future projections of profitability in order to withstand the risks faced from increased ECLs arising from adverse downside scenarios.

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.