Assetfinance December (H) Limited

Registration No: 02353439

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

HSBC

Assetfinance December (H) Limited

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

Contents

Strategic Report

Principal activities

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

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 leasing transactions written in previous years.

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 business is funded by another group undertaking mainly through borrowing. The Company has no employees. In addition to agency services, other required services 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 he or she considers, 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, bank with us, own us, regulate us and live in the societies we serve. During 2022, 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 stakeholders' views through management reports and presentations.

The majority of decisions made by the Board during the financial year are deemed to be routine in nature and are taken on a cyclical basis.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the actual performance of the Company is carried out on a monthly basis.

Impact of Climate Risk

Climate risks have the potential to cause both financial and non-financial impacts for the Company. Financial impacts could materialise from transactional losses or Business decisions to achieve overall climate ambitions of the HSBC Group. Non-financial impacts could materialise from the impact of significant changes in climate on the Company's assets or operations.

The impact of climate risk on the balance sheet has been assessed and it is considered that there is no material impact on the financial statements for the year ended 31 December 2022. The impact on a number of areas of the balance sheet have been considered, including Trade and other receivables and deferred tax as well as within the going concern assessment of the Company.

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 14 of the financial statements.

The Russian invasion of Ukraine in February 2022 has resulted in the outbreak of war between the two countries. This has resulted in many countries implementing significant sanctions and trade restrictions against Russia in support of Ukraine. This has had repercussions in the global economy creating uncertainty and market volatility. Whilst negotiations are ongoing to seek a resolution, the outcome of the negotiations is unlikely to lead to the resolution of the conflict in the foreseeable future. Consequently, the war is expected to continue for some time into the future with ongoing disruption in UK domestic and global markets. It is not considered that the Russia-Ukraine war will have a significant impact on the principal risks of the Company due to the nature of the Company's operations.

During 2022, the UK economy has faced a number of challenges, including rising inflation, increased interest rates and a period of significant market volatility that followed changes to policies announced by the UK Government. Consumer confidence has fallen with a deepening cost of living crisis partly driven by a sharp rise in energy prices. This has led to uncertainty in respect of growth expectations in the UK economy in 2023. However, due to the nature of the Company's transactions, it is not considered that these events will have a significant impact on its principal risks.

On behalf of the Board

O Uwakwe
Director

25 September 2023

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	Appointed	Resigned
C R J Irvin		28 July 2022
O Uwakwe		
G M Lawn		13 May 2022
R M Tang	29 July 2022	
V K Crowley	29 July 2022	

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

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: nil).

Significant events since the end of the financial year

In August 2023, information was received to indicate that the primary rental period for the leasing arrangement held by the Company would no longer expire in November 2039 as assumed in previous years. The primary rental period will now expire in November 2024. The impact of the change will change the maturity of finance lease receivables set out in Note 11 so that all future minimum payments and unearned finance income from the primary rental period will be received within two years. The change has no effect on the present value of finance lease receivables as at 31 December 2022. As the information in respect of the expiry of the primary period reflected conditions existing after the year end, this is considered to be a non-adjusting post balance sheet event.

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 total net current liabilities of £6,744,985 as at 31 December 2022 (2021: £6,949,680). A parent undertaking, HSBC Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of signing the financial statements.

As a result of this, together with the considerations referred to in the Significant events since the end of the financial year, Principal risks and uncertainties and the impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 14 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 have expressed their willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.

Statement of Directors' Responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 25 September 2023 and signed on its behalf by:

OUwakwe

O Uwakwe
Director

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent auditors' report to the members of Assetfinance December (H) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; 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 to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries meeting specific fraud risk criteria;
- Reviewing minutes of meetings of those charged with governance; and
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Challenging assumptions made by management in its significant accounting estimates.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Timothy Lawrence

Timothy Lawrence (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Dated : 25 September 2023

Financial statements

Income statement for the year ended 31 December 2022

	Notes	2022 £	2021 £
Interest income		54,631	82,673
Interest expense		(108,904)	(8,252)
Net interest (expense)/income		(54,273)	74,421
Net operating (expense)/income before change in expected credit losses and other credit impairment		(54,273)	74,421
Change in expected credit losses and other credit impairment charges		(366)	2,184
Operating (loss)/profit	2	(54,639)	76,605
(Loss)/profit before tax		(54,639)	76,605
Tax credit	6	10,289	870,494
(Loss)/profit for the year		(44,350)	947,099

Statement of comprehensive income for the year ended 31 December 2022

All operations are continuing. There has been no comprehensive income or expense other than the loss for the year as shown above (2021: nil).

Balance sheet at 31 December 2022
Registration No: 02353439

	Notes	2022 £	2021 £
Assets			
Trade and other receivables	10	**2,989,748**	2,981,523
Current tax assets		**226,729**	229,959
Deferred tax assets	7	**3,736,114**	3,952,554
Total assets		**6,952,591**	7,164,036
Liabilities and equity			
Liabilities			
Trade and other payables	12	**6,928,826**	7,095,921
Total liabilities		**6,928,826**	7,095,921
Equity			
Called up share capital	13	**100**	100
Retained earnings		**23,665**	68,015
Total equity		**23,765**	68,115
Total liabilities and equity		**6,952,591**	7,164,036

The accompanying notes on pages 11 to 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 25 September 2023 and signed on its behalf by:

OUwakwe

O Uwakwe
Director

Statement of cash flows for the year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
(Loss)/profit before tax	**(54,639)**	76,605
Adjustments for:		
Provisions raised/(released)	**366**	(2,184)
Change in operating assets	**(8,591)**	(50,170)
Tax credit received	**229,959**	246,801
Net cash generated from operating activities	**167,095**	271,052
Cash flows from financing activities		
Movements in inter-company funding	**(167,095)**	(271,052)
Net cash used in financing activities	**(167,095)**	(271,052)
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents brought forward	**–**	–
Cash and cash equivalents carried forward	**–**	–

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2022	**100**	**68,015**	**68,115**
Loss for the year	–	(44,350)	(44,350)
Total comprehensive expense for the year	**–**	**(44,350)**	**(44,350)**
At 31 Dec 2022	**100**	**23,665**	**23,765**

At 1 Jan 2021	100	(879,084)	(878,984)
Profit for the year	–	947,099	947,099
Total comprehensive income for the year	–	947,099	947,099
At 31 Dec 2021	100	68,015	68,115

Notes on the financial statements

1 Basis of preparation and significant accounting policies

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards ('IFRSs')

The financial statements of the Company comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2022 affecting these financial statements.

Standards adopted during the year ended 31 December 2022

There were no new accounting standards or interpretations that had a significant effect on the Company in 2022. Accounting policies have been consistently applied.

(b) Future accounting developments

Minor amendments to IFRSs

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 January 2022 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2023 and 1 January 2024. Not all of these amendments have been endorsed for use in the UK to date but adoption is not expected to have a significant effect on the financial statements of the Company.

New IFRSs

IFRS 17 'Insurance Contracts'

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 and has been adopted for use in the UK. However, it is not considered to have a significant impact on the financial statements of the Company.

(c) Presentation of information

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company.

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

(d) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical accounting estimates and judgements in section 1.2 below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

Management has considered the impact of climate-related risks on the Company's financial position and performance. While the effects of climate change are a source of uncertainty as at 31 December 2022, Management do not consider there to be a material impact on the critical judgements and estimates from the physical, transition and other climate-related risks in the short to medium term.

(e) Going concern

The Company had total net current liabilities of £6,744,985 as at 31 December 2022 (2021: £6,949,680). A parent undertaking, HSBC Bank plc, will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for a period of not less than 12 months from the date of signing the financial statements.

As a result of this, together with the considerations referred to in the Significant events since the end of the financial year, Principal risks and uncertainties and the impact of climate risk section in the Strategic Report, the Directors have prepared the financial statements on a going concern basis.

1.2 Summary of significant accounting policies

(a) Income and expense

Interest income and expense

Interest income and expense for all financial instruments, excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premium 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.

Trade and other payables

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provision of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

(c) 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 receivables 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.

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.

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 and considers other factors such as climate-related risks.

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 economic scenarios applied more generally by the HSBC 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 the Company is exposed to credit risk.

Forward-looking economic inputs

The Company applies multiple forward-looking global economic scenarios determined with reference to external forecast distributions representative of its 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 result in additional scenarios or adjustments, to reflect a range of possible economic outcomes sufficient for an unbiased estimate.

Four economic scenarios are used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to HSBC Group's top and emerging risks.

Three of the scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution, which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters. Consensus Upside and Downside scenarios are created with reference to distributions for select markets that capture forecasters' views of the entire range of outcomes. In the later years of the scenarios, projections revert to long-term consensus trend expectations. In the consensus outer scenarios, reversion to trend expectations is done mechanically with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, Downside 2, is designed to represent Management's view of severe downside risks. It is a globally consistent narrative-driven scenario that explores more extreme economic outcomes than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations. They may instead explore alternative states of equilibrium, where economic activity moves permanently away from past trends.

The consensus, 'Upside' scenarios is constructed to be consistent with a 5% probability. The two Downside scenarios were given a combined probability weighting of 35%. The Central Scenario is assigned the remaining 60%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, Management may depart from this probability based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

In comparison with 2021, the Consensus Upside scenario was constructed to be consistent with a 10% probability with the two Downside scenarios assigned a combined probability weighting of 30%. The Central Scenario was assigned with the remaining 60%.

(d) 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 estimates and judgements

The recognition of deferred tax assets depends on judgements, relating to UK deferred tax assets within HSBC group.
Judgements
• Assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. • In the absence of a history of taxable profits, assessing the expected future profitability and the applicability of tax planning strategies, including corporate reorganisations.

(e) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(f) Statement of cash flows

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

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

2 Operating (loss)/profit

Operating (loss)/profit is stated after the following items of income and expense:

	2022 £	2021 £
Income		
Finance lease income	**54,631**	82,673
Expense		
Interest expense to other group undertakings	**(108,904)**	(8,252)

3 Employee compensation and benefits

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

4 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2021: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

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 statutory auditor remuneration in respect of the audit of the financial statements of the Company borne on behalf of the Company amounted to £3,011 (2021: £2,205).

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

6 Tax

Tax credit

	2022 £	2021 £
Current tax		
UK Corporation tax		
- For this year	**(226,729)**	(229,959)
Total current tax	**(226,729)**	(229,959)
Deferred tax		
- For this year	**216,417**	244,099
- Effects of changes in tax rates	**23**	(884,634)
Total deferred tax	**216,440**	(640,535)
Year ended 31 Dec	**(10,289)**	(870,494)

The UK corporation tax rate applying to the Company was 19% (2021: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021: 24.48%).

Tax reconciliation

	2022		2021	
	£	(%)	£	(%)
(Loss)/profit before tax	**(54,639)**		76,605	
Tax at 19.00% (2021: 19.00%)	**(10,381)**	**19.0**	14,555	19.0
Expenses not deductible	**69**	**(0.1)**	(415)	(0.5)
Impact due to changes in tax rates	**23**	**—**	(884,634)	(1,154.8)
Year ended 31 Dec	**(10,289)**	**18.9**	(870,494)	(1,136.3)

7 Deferred tax

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

	Other temporary differences	
	2022	2021
	£	£
At 1 Jan	**3,952,554**	3,312,019
Income statement (charge)/credit	**(216,440)**	640,535
At 31 Dec	**3,736,114**	3,952,554

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

A deferred tax asset of £3,736,114 (2021: £3,952,554) is recognised in respect of leasing transactions temporary differences. The related tax benefit is expected to be realised through the offset of losses with future taxable profits within the UK HSBC group.

Deferred tax assets expected to be realised within 12 months amounted to £248,523.

8 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.

9 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.

For all financial instruments, the fair value is equal to the carrying value in the Balance sheet, except as analysed below. The fair value of finance lease receivables is calculated by discounting future minimum lease receivables using appropriate current interest rates.

		Fair values	
	Carrying amount	Significant unobservable inputs Level 3	Total
	£	£	£
At 31 Dec 2022			
Assets			
Trade and other receivables	**2,989,748**	**3,091,989**	**3,091,989**
At 31 Dec 2021			
Assets			
Trade and other receivables	2,981,523	3,238,396	3,238,396

10 Trade and other receivables

	2022	2021
	£	£
Finance lease receivables	**2,989,748**	2,981,523

11 Finance lease receivables

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.

	2022			2021		
	Total future minimum payments	Unearned finance income	Present value	Total future minimum payments	Unearned finance income	Present value
	£	£	£	£	£	£
Lease receivables						
No later than one year	**193,990**	**(235,611)**	**(41,621)**	184,753	(267,570)	(82,817)
One to two years	**203,690**	**(159,635)**	**44,055**	193,990	(161,384)	32,606
Two to three years	**213,874**	**(156,313)**	**57,561**	203,690	(159,635)	44,055
Three to four years	**224,568**	**(152,684)**	**71,884**	213,874	(156,313)	57,561
Four to five years	**235,797**	**(148,240)**	**87,557**	224,568	(152,684)	71,884
Later than five years	**3,792,364**	**(1,020,785)**	**2,771,579**	4,028,161	(1,169,026)	2,859,135
	4,864,283	**(1,873,268)**	**2,991,015**	5,049,036	(2,066,612)	2,982,424
Impairment provisions			**(1,267)**			(901)
At 31 Dec			**2,989,748**			2,981,523

Negative amounts in the table above arise where rentals for the period are lower than the finance income to be recognised. In 2022, £108,344 (2021: £140,284) was payable as contingent rents and recognised in the income statement.

12 Trade and other payables

	2022	2021
	£	£
Amounts owed to other group undertakings	**6,928,826**	7,095,921
At 31 Dec	**6,928,826**	7,095,921

Amounts owed to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. The fair value is not considered to be significantly different from the carrying value due to their short-term nature.

13 Called up share capital

	2022		2021	
	Number	£	Number	£
Issued, allotted and fully paid up				
Ordinary shares of £1 each	**100**	**100**	100	100
As at 1 Jan and 31 Dec	**100**	**100**	100	100

14 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract.

Within the overall framework of the HSBC Group policy, the Company has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Company is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high-quality risk assets. The Company's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

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.

The following tables represent the concentration of exposures on which credit risk are managed.

	2022		2021	
	Gross carrying/ nominal amount	Allowance/ Provision for ECL[1]	Gross carrying/ nominal amount	Allowance/ Provision for ECL[1]
	£	£	£	£
Trade and other receivables	**2,991,015**	**(1,267)**	2,982,424	(901)
At 31 Dec	**2,991,015**	**(1,267)**	2,982,424	(901)

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.*

The following tables 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

All receivables relate to the corporate and commercial sector of industry.

	Gross carrying/nominal amount			Allowance for ECL			ECL Coverage %		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	£	£	£	£	£	£	%	%	%
Trade and other receivables	**2,991,015**	**–**	**–**	**(1,267)**	**–**	**–**	**0.04**	**–**	**–**
At 31 Dec 2022	**2,991,015**	**–**	**–**	**(1,267)**	**–**	**–**	**0.04**	**–**	**–**
Trade and other receivables	2,982,424	–	–	(901)	–	–	0.03	–	–
At 31 Dec 2021	2,982,424	–	–	(901)	–	–	0.03	–	–

Reconciliation of allowances for Trade and other receivables

	2022 ECL allowance	2021 ECL allowance
	£	£
At 1 Jan	**901**	3,085
ECL income statement charge/(release) for the period	**366**	(2,184)
At 31 Dec	**1,267**	901
ECL income statement charge/(release) for the period	**366**	(2,184)
Total ECL income statement charge/(release) for the period	**366**	(2,184)

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 exposure and allowances for Trade and other receivables

	Non-credit impaired Stage 1		Total	
	Gross exposure	Allowance/ provision for ECL	Gross exposure	Allowance/ provision for ECL
	£	£	£	£
As at 1 Jan 2022	**2,982,424**	**(901)**	**2,982,424**	**(901)**
Net new and further lending/(repayments)	**8,591**	**(366)**	**8,591**	**(366)**
At 31 Dec 2022	**2,991,015**	**(1,267)**	**2,991,015**	**(1,267)**
ECL income statement charge for the period	**–**	**366**	**–**	**366**
Total ECL income charge for the period	**–**	**366**	**–**	**366**
As at 1 Jan 2021	2,932,254	(3,085)	2,932,254	(3,085)
Net new and further lending/(repayments)	50,170	2,184	50,170	2,184
At 31 Dec 2021	2,982,424	(901)	2,982,424	(901)
ECL income statement release for the period	–	(2,184)	–	(2,184)
Total ECL income release for the period	–	(2,184)	–	(2,184)

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**

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							
	Strong	Good	Satisfactory	Substandard	Credit impaired	Total	Allowance provision for ECL	Net
	£	£	£	£	£	£	£	£
Trade and other receivables	**2,991,015**	**–**	**–**	**–**	**–**	**2,991,015**	**(1,267)**	**2,989,748**
At 31 Dec 2022	**2,991,015**	**–**	**–**	**–**	**–**	**2,991,015**	**(1,267)**	**2,989,748**
Trade and other receivables	2,982,424	–	–	–	–	2,982,424	(901)	2,981,523
At 31 Dec 2021	2,982,424	–	–	–	–	2,982,424	(901)	2,981,523

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
	£	£	£	£	£	£	£	£
Trade and other receivables	**2,991,015**	**–**	**–**	**–**	**–**	**2,991,015**	**(1,267)**	**2,989,748**
- stage 1	**2,991,015**	**–**	**–**	**–**	**–**	**2,991,015**	**(1,267)**	**2,989,748**
At 31 Dec 2022	**2,991,015**	**–**	**–**	**–**	**–**	**2,991,015**	**(1,267)**	**2,989,748**
Trade and other receivables	2,982,424	–	–	–	–	2,982,424	(901)	2,981,523
- stage 1	2,982,424	–	–	–	–	2,982,424	(901)	2,981,523
At 31 Dec 2021	2,982,424	–	–	–	–	2,982,424	(901)	2,981,523

Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

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

The Company's assets net of deferred tax, are funded principally by borrowings from another group undertaking, which acts as a treasury function. This funding has no fixed repayment date and therefore is technically repayable on demand.

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

	On Demand
	£
Trade and other payables	**6,928,826**
At 31 Dec 2022	**6,928,826**
Trade and other payables	7,095,921
At 31 Dec 2021	7,095,921

Market risk management

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

Foreign exchange risk

The Company has no material foreign exchange risk as all balances and transactions are in sterling.

Interest rate risk

The Company's finance leases are 'interest variable'. This means that contingent rents will be receivable/payable in relation to money variation when there is a change in the interest rate. Such rents are determined by reference to the Company's net cash investment (being net investment less related tax balances) in the finance lease. Interest is charged on amounts due to other group undertakings at a variable rate of interest based on the Bank of England base rate.

Sensitivity analysis

As at 31 December 2022, the Company was exposed to interest rate risk on its finance lease receivables which are based on SONIA and on its payables which are based on the Bank of England base rate. In the prior year, interest rate risk on finance lease receivables was based on LIBOR and during 2022, a transition from using interest rates based on LIBOR to interest rates based on SONIA was completed. The transition is not considered to have a significant impact on the financial statements.

For finance lease receivables the effect on future net interest income from an incremental 100 basis points parallel rise or fall in interest rates at the report date (floored to 0%) amounts to an increase of £19,092 (2021: £19,467) or a decrease of £19,092 (2021: £5,105).

For amounts owed to parent undertakings, the effect on future net interest income of an incremental 100 basis parallel rise or fall in interest rates at the report date (floored to 0%) amounts to decrease of £69,288 (2021: £70,959) or an increase of £69,288 (2021: £17,740).

15 Related party transactions

Transactions with other related parties

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

	2022		2021	
	Highest balance during the year [1]	**Balance at 31 December**	Highest balance during the year [1]	Balance at 31 December
	£	**£**	£	£
Liabilities				
Trade and other payables	**7,120,973**	**6,928,826**	7,368,163	7,095,921

[1] The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

	2022	2021
	£	£
Income statement		
Interest expense	**108,904**	8,252

16 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 Asset Finance (UK) Limited. All companies are registered in England and Wales.

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

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

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

17 Events after the balance sheet date

In August 2023, information was received to indicate that the primary rental period for the leasing arrangement held by the Company would no longer expire in November 2039 as assumed in previous years. The primary rental period will now expire in November 2024. The impact of the change will change the maturity of finance lease receivables set out in Note 11 so that all future minimum payments and unearned finance income from the primary rental period will be received within two years. The change has no effect on the present value of finance lease receivables as at 31 December 2022. As the information in respect of the expiry of the primary period reflected conditions existing after the year end, this is considered to be a non-adjusting post balance sheet event.

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