

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Registered No: 6606400

Financial Statements for the year ended 31 December 2015



A5E794HT

A29

26/08/2016

#41

COMPANIES HOUSE

HSBC 

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
Financial Statements for the year ended 31 December 2015

Contents

Strategic Report.....	2
Directors' Report.....	3
Independent Auditors' Report to the Members of HSBC Asset Finance M.O.G. Holdings (UK) Limited	5
Income statement	7
Statement of comprehensive income	7
Statement of financial position	8
Statement of cash flows.....	9
Statement of changes in equity	10
Notes on the financial statements	11

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Strategic Report for the year ended 31 December 2015

Review of the Company's business

The principal activities of HSBC Asset Finance M.O.G. Holdings (UK) Limited (the "Company") include the holding of investments together with the receipt of dividends and the provision of management services. No change in the Company's activities is anticipated.

The business is funded principally by a parent undertaking through equity investment. The Company has no employees. Services required are provided by fellow HSBC Group companies. The Company's principal stakeholder is its parent company.

Financial Performance

UK corporation tax rates are being reduced and details of the changes are set out in note 5 to the financial statements.

The Company's results for the year under review are as detailed in the income statement shown in 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 performance of the Company is carried out by comparing actual performance against annually set budgets.

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 11 of the financial statements.

Signed on behalf of the Board



R F Carver
Director

Dated: 02 August 2016

Registered Office
8 Canada Square
London
E14 5HQ

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Directors' Report for the year ended 31 December 2015

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
M P F Lord	13 January 2015	
R F Carver		
A J Coates	17 February 2015	
R Davies	24 June 2015	
G P Hewitt		23 January 2015
M J Russell-Brown		2 June 2015

On 3 February 2016 M P F Lord resigned as a Director of the Company and N Subramanian was appointed as a Director of the Company.

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 but have not been utilised by the Directors. All Directors have the benefit of directors' and officers' liability insurance.

Dividends

The directors intend to declare an interim dividend of £258,930 in respect of retained earnings from 2015, payable in the year ending 31 December 2016. An interim dividend of £257,060 (in lieu of a final dividend in respect of the previous financial year) was paid on the ordinary share capital during the year (2014: £254,430).

Significant events since the end of the financial year

There are no important events affecting the Company that have occurred since the end of the financial year.

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

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 11 of the financial statements

Disclosure of information to the Auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries in 2013, PriceWaterhouseCoopers LLP was appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
Directors' Report for the year ended 31 December 2015 (continued)

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the page 6, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law, a Strategic Report, a Directors' Report and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Company's financial statements on the same basis.

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 these financial statements, the Directors are required to:

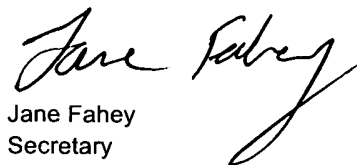
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board


Jane Fahey
Secretary

Dated: 02 August 2016

Registered Office
8 Canada Square
London
E14 5HQ

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Independent Auditor's Report to the Members of HSBC Asset Finance M.O.G. Holdings (UK) Limited

Report on the financial statements

Our opinion

In our opinion, HSBC Asset Finance M.O.G. Holdings (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profits 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.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Independent Auditor's Report to the Members of HSBC Asset Finance M.O.G. Holdings (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

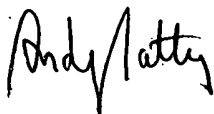
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Batty (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 2 August 2016

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Financial Statements

Income statement for the year ended 31 December 2015

	<i>Notes</i>	2015 £	2014 £
Revenue		150,000	150,000
Finance income	3	<u>139,300</u>	<u>139,300</u>
Profit before tax		289,300	289,300
Tax expense	5	<u>(30,370)</u>	<u>(32,240)</u>
Profit for the year		<u>258,930</u>	<u>257,060</u>

There were no acquisitions, discontinued or discontinuing operations during the year.

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

Statement of comprehensive income for the year ended 31 December 2015

There has been no comprehensive income or expense other than the profit for the year as shown above (2014: £Nil).

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

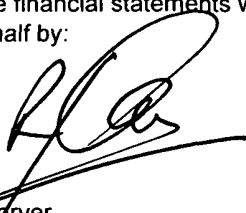
Financial Statements (continued)

Statement of financial position as at 31 December 2015

	Notes	2015 £	2014 £
ASSETS			
Non-current assets			
Financial investments	6	<u>1,999,995</u>	<u>1,999,995</u>
Current assets			
Cash and cash equivalents held with parent undertakings.....		381,540	139,300
Receivables	7	-	180,000
Accrued income		<u>35,111</u>	<u>35,111</u>
		<u>416,651</u>	<u>354,411</u>
Total assets		<u>2,416,646</u>	<u>2,354,406</u>
LIABILITIES AND EQUITY			
Current liabilities			
Other liabilities	8	127,351	65,111
Current tax liabilities		<u>30,370</u>	<u>32,240</u>
Total liabilities		<u>157,721</u>	<u>97,351</u>
Equity			
Called up share capital	9	1,999,995	1,999,995
Retained earnings		<u>258,930</u>	<u>257,060</u>
Total shareholders' equity		<u>2,258,925</u>	<u>2,257,055</u>
Total equity and liabilities		<u>2,416,646</u>	<u>2,354,406</u>

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

These financial statements were approved by the Board of Directors on 02 August 2016 and were signed on its behalf by:



R F Carver
Director
Company Registration No: 6606400

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED**Financial Statements (continued)****Statement of cash flows for the year ended 31 December 2015**

	2015	2014
	£	£
Cash flows from operating activities		
Profit before tax	289,300	289,300
Adjustments for:		
– Change in operating assets	180,000	(180,000)
– Tax paid	(32,240)	(34,870)
– Dividend income	(139,300)	(139,300)
Net cash generated from/(used in) operating activities.....	<u>297,760</u>	<u>(64,870)</u>
Cash flows from investing activities		
Dividends received	139,300	139,300
Net cash from investing activities	<u>139,300</u>	<u>139,300</u>
Cash flows from financing activities		
Received from /(paid to) from other group undertakings in respect of other financing activities	62,240	(779,576)
Dividends paid	(257,060)	(254,430)
Net cash used in financing activities	<u>(194,820)</u>	<u>(1,034,006)</u>
Net increase/(decrease) in cash & cash equivalents	242,240	(959,576)
Cash and cash equivalents brought forward	<u>139,300</u>	<u>1,098,876</u>
Cash and cash equivalents carried forward	<u>381,540</u>	<u>139,300</u>

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

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
2015			
At 1 January 2015	1,999,995	257,060	2,257,055
Profit for the year	-	258,930	258,930
Total comprehensive income for the year	-	258,930	258,930
Dividends to shareholders	-	(257,060)	(257,060)
At 31 December 2015	<u>1,999,995</u>	<u>258,930</u>	<u>2,258,925</u>

	Called up share capital	Retained earnings	Total shareholders' equity
	£	£	£
2014			
At 1 January 2014	1,999,995	254,430	2,254,425
Profit for the year	-	257,060	257,060
Total comprehensive income for the year	-	257,060	257,060
Dividends to shareholders	-	(254,430)	(254,430)
At 31 December 2014	<u>1,999,995</u>	<u>257,060</u>	<u>2,257,055</u>

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

Shareholders' equity is wholly attributable to equity shareholders.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements are presented in sterling and have been prepared on the historical cost basis.

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the year ended 31 December 2015

During 2015, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements.

(b) Future accounting developments

At 31 December 2015, a number of standards and amendments to standards had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2015. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

(c) General information

HSBC Asset Finance M.O.G. Holdings (UK) Limited is a company domiciled and incorporated in England and Wales.

2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where stated otherwise.

(a) Fee income

Income earned from the provision of services is recognised as revenue as the services are provided.

(b) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

(c) Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

(d) Financial assets and liabilities

(i) Loans and receivables

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the loans are sold 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 losses.

(ii) Available-for-sale investments

Available-for-sale investments are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value and changes therein are recognised in equity in an 'Available-for-sale reserve' until the investments are either sold or impaired. When available-for-sale investments are sold, cumulative gains or losses previously recognised in equity are recognised in the income statement.

(iii) Financial liabilities

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 provisions 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.

(iv) Cash and cash equivalents

For the purpose of the statement of cash flows, 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, and include cash.

(e) Statement of cash flows

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

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

(f) Share capital

Shares are 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 proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

(g) Determination of fair value

All financial instruments are recognised initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 or unobservable 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.

(h) 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 listed below, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2015 Financial Statements. Management's selection of the Company's accounting policies which contain critical estimates and judgements is listed below; it reflects the materiality of the items to which the policies are applied, the high degree of judgement involved and estimation uncertainty involved:

- Provisions against financial investments: refer to Note 6;

3 Finance income

Finance income comprises dividend income from investments in preference shares.

4 Profit for the year

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

The Company has no employees and hence no staff costs (2014: £Nil). The Directors made no charge for their services (2014: £Nil) and their services to the Company are deemed to be provided as part of their services to HSBC Bank plc.

5 Tax expense

	2015	2014
	£	£
Current taxation		
UK corporation tax charge - on current year profit	<u>30,370</u>	<u>32,240</u>
Total tax charged to the income statement	<u>30,370</u>	<u>32,240</u>

The UK corporation tax rate applying to the Company was 20.25 per cent (2014: 21.5 per cent).

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

The following table reconciles the tax expense which would apply if all profits had been taxed at the UK corporation tax rate:

	2015	Percentage of overall profit before tax	2014	Percentage of overall profit before tax
	£	%	£	%
Taxation at UK corporation tax rate of 20.25% (2014 21.5%).....	58,573	20.2%	62,180	21.5%
Non taxable income and gains subject to tax at a lower rate.....	(28,203)	(9.7)%	(29,940)	(10.4)%
Total tax charged to the income statement	30,370	10.5%	32,240	11.1%

The UK Government announced that the main rate of corporation tax rate for the year beginning 1 April 2017 will reduce from 20% to 19% to be followed by a further reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

The UK Government then announced in the 2016 Budget that the main rate of corporation tax will reduce to 17% for the year beginning 1 April 2020. As this charge has not been substantively enacted at the reporting date its effect has not been included in these financial statements.

It is not expected that the future rate reduction will have a significant effect to the Company.

6 Financial investments

Available-for-sale investments	2015	2014
	£	£
At 1 January and 31 December	1,999,995	1,999,995

The Company holds an investment in 1,990,000 7% £1 Cumulative preference shares and 9,995 ordinary shares in Motability Operations Group plc representing a 19.99% interest. The investment is available for sale and stated in the statement of financial position at fair value.

The available for sale investment is held at fair value, initially measured at purchase consideration. Subsequent evaluation of fair value incorporates significant inputs which are not based on observable market data (unobservable inputs), such as historical observations, future expectations and any contractual limitations. Based on these observations there has been no material change to the fair value of the asset and therefore no adjustment has been made (2014: £nil).

7 Receivables

	2015	2014
	£	£
Other debtors	-	180,000
	-	180,000

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

8 Other liabilities

	2015 £	2014 £
Amounts owed to other group undertakings	97,351	35,111
Value added tax	30,000	30,000
	127,351	65,111

Amounts owed to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

9 Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1,999,995 (2014: 1,999,995) Ordinary shares of £1 each	1,999,995	1,999,995

10 Fair value of financial assets and liabilities

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2015 and 31 December 2014.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

The table below analyses financial instruments carried at fair value. The levels have been defined as follows:

2015 Assets	Level 3 £	Total £
Available-for-sale financial assets	1,999,995	1,999,995
	1,999,995	1,999,995
2014 Assets	Level 3 £	Total £
Available-for-sale financial assets	1,999,995	1,999,995
	1,999,995	1,999,995

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

Reconciliation of fair value measurements in Level 3 financial instruments

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 financial instruments, measured at fair value based on unobservable inputs:

	2015 £	2014 £m
At 1 January and 31 December	<u>1,999,995</u>	<u>1,999,995</u>

Fair values of available-for-sale financial assets have been evaluated using significant inputs that are not based on observable market data, such as historical observations and future expectations.

The available for sale investment is held at fair value, initially measured at purchase consideration. Subsequent evaluation of fair value incorporates significant inputs which are not based on observable market data (unobservable inputs), such as historical observations, future expectations and any contractual limitations. Based on these observations there has been no material change to the fair value of the asset and therefore no adjustment has been made (2014: £nil).

11 Risk Management

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

The Company has no exposure to credit risk.

Liquidity risk management

Liquidity risk is the risk that the Entity does not have sufficient financial resources to meet its 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 this entity as described above for risks generally.

Another group undertaking provides an inter-company current account. This is reflected in the Statement of financial position as amounts owed to other group undertakings. 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 financial liabilities by remaining contractual maturities at the end of the reporting period:

	Carrying value £	Contractual cash flows £	On demand £
31 December 2015			
Amounts owed to other group undertakings	<u>97,351</u>	<u>97,351</u>	<u>97,351</u>
	<u>97,351</u>	<u>97,351</u>	<u>97,351</u>
31 December 2014			
Amounts owed to other group undertakings	<u>35,111</u>	<u>35,111</u>	<u>35,111</u>
	<u>35,111</u>	<u>35,111</u>	<u>35,111</u>

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

Notes on the Financial Statements (continued)

Market risk management

Market risk is the risk that movements in market risk factors, including the value of the Company's investments, will reduce the Company's income. The Company is not exposed to interest rate risk or foreign exchange risk on its financial assets or financial liabilities:

Appropriate actions to mitigate the impact of such risk, if material are considered as part of the ongoing management of the business.

The Company's investments carry a fixed rate of return and are mainly funded by equity.

12 Related-party transactions

The Company has a related party relationship with its parent and with other group undertakings.

Particulars of transactions, arrangements and agreements involving related parties are disclosed elsewhere within the financial statements.

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is HSBC Holdings plc, and the parent undertaking of the smallest such group is HSBC Bank plc. The immediate holding Company is HSBC Bank plc. The result of the Company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc.

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc
8 Canada Square
London
E14 5HQ

HSBC Holdings plc
8 Canada Square
London
E14 5HQ

13 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'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.

14 Contingent liabilities

There were no contingent liabilities at 31 December 2015 (2014: £Nil).

15 Subsequent events

There are no subsequent events requiring disclosure in the financial statements.