

HSBC Asset Finance M.O.G. Holdings (UK) Limited

Registration No: 6606400

**Annual Report and Financial Statements for the year
ended 31 December 2018**



**Annual Report and Financial Statements for the year ended
31 December 2018**

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Strategic Report

Principal activities

The principal activity of HSBC Asset Finance M.O.G. Holdings (UK) Limited ('the Company') includes 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 Company is a limited Company domiciled and incorporated in England and Wales.

Review of the Company's business

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

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 6 of these financial statements.

Key performance indicators

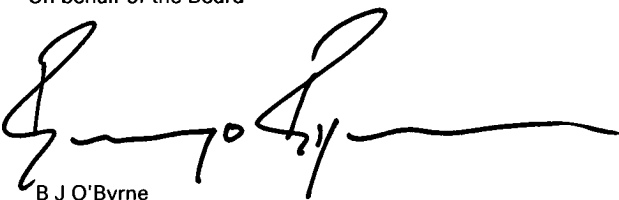
As the Company is managed as part of the global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of the performance of the Company is carried out by comparing actual performance against annually set budgets.

Principal risks and uncertainties

The 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 12 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The ultimate economic effect of the UK leaving the EU is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime, this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in Note 12, foreign exchange and interest rate risks are managed by the Company in the ordinary course of business and so any increased volatility as a result of the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

On behalf of the Board



B J O'Byrne
Director

23 September 2019

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 |
|-----------------|-------------------|-----------------|
| V L Phelps-Gill | | 04 March 2019 |
| B J O'Byrne | 10 May 2018 | |
| M R W Hordley | 23 September 2019 | |
| D Labram | 23 September 2019 | |

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 £260,800 in respect of retained earnings from 2018, payable in the year ending 31 December 2019. An interim dividend of £260,430 was paid on the ordinary share capital during the year (2017: £259,300).

Significant events since the end of the financial year

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

Future developments

No change in the Company's activities is expected.

Going concern basis

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

Financial risk management

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 12 of the Notes on the financial statements.

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders' equity. It is the 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

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP ('PwC') will therefore continue in office.

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities set out in their report on page 5, is made with a view to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

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

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors 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').

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 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a 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. They 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.

Disclosure of Information to Auditors

In accordance with section 418 of the Companies Act 2006, the Directors' report includes a statement, in the case of each Director in office as at the date the Report of the Directors is approved, that:

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

On behalf of the Board



B J O'Byrne
Director
23 September 2019

Registered Office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the independent auditors to the members of HSBC Asset Finance M.O.G. Holdings (UK) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the *Annual Report and Financial Statements* (the "*Annual Report*"), which comprise: the balance sheet as at 31 December 2018; 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 of Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's 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

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 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 Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's 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.

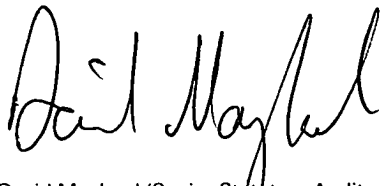
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

29 September 2019

Financial statements

Income statement for the year ended 31 December 2018

| | <i>Notes</i> | 2018 £ | 2017 £ |
|----------------------------|--------------|-----------------|-----------|
| Fee and commission income | | 150,000 | 150,000 |
| Net fee income | | 150,000 | 150,000 |
| Dividend income | | 139,300 | 139,300 |
| Profit before tax | | 289,300 | 289,300 |
| Tax expense | <i>5</i> | (28,500) | (28,870) |
| Profit for the year | | 260,800 | 260,430 |

Statement of comprehensive income for the year ended 31 December 2018

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2017: nil).

HSBC Asset Finance M.O.G. Holdings (UK) Limited

Balance sheet at 31 December 2018

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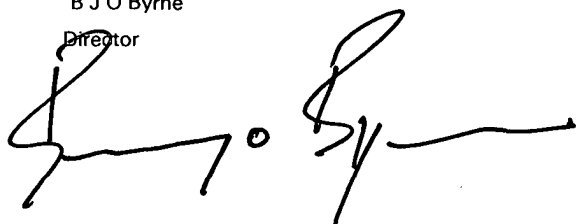
| | Notes | 2018 £ | 2017 £ |
|---|-------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | | 380,780 | 321,910 |
| Trade and other receivables | 8 | 180,000 | 180,000 |
| Financial investments | 9 | 1,999,995 | 1,999,995 |
| Prepayments and accrued income | | 35,111 | 35,111 |
| Total assets | | 2,595,886 | 2,537,016 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Trade and other payables | 10 | 276,591 | 217,721 |
| Accruals, deferred income and other liabilities | | 30,000 | 30,000 |
| Current tax liabilities | | 28,500 | 28,870 |
| Total liabilities | | 335,091 | 276,591 |
| Equity | | | |
| Called up share capital | 11 | 1,999,995 | 1,999,995 |
| Retained earnings | | 260,800 | 260,430 |
| Total equity | | 2,260,795 | 2,260,425 |
| Total liabilities and equity | | 2,595,886 | 2,537,016 |

The accompanying notes on pages 10 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 September 2019 and signed on its behalf by:

B J O'Byrne

Director



HSBC Asset Finance M.O.G. Holdings (UK) Limited

Statement of cash flows for the year ended 31 December 2018

| | 2018 | 2017 |
|--|------------------|-----------|
| | £ | £ |
| Cash flows from operating activities | | |
| Profit before tax | 289,300 | 289,300 |
| Adjustments for: | | |
| Change in operating assets | — | (180,000) |
| Tax paid | (28,870) | (30,000) |
| Net cash generated from operating activities | 260,430 | 79,300 |
| Cash flows from financing activities | | |
| Movements in inter-company funding | 58,870 | 60,000 |
| Dividends paid | (260,430) | (259,300) |
| Net cash used in financing activities | (201,560) | (199,300) |
| Net increase/(decrease) in cash and cash equivalents | 58,870 | (120,000) |
| Cash and cash equivalents brought forward | 321,910 | 441,910 |
| Cash and cash equivalents carried forward | 380,780 | 321,910 |

Statement of changes in equity for the year ended 31 December 2018

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|--|------------------------------|------------------------|-------------------|
| At 1 Jan 2018 | 1,999,995 | 260,430 | 2,260,425 |
| Profit for the year | — | 260,800 | 260,800 |
| Total comprehensive income for the year | — | 260,800 | 260,800 |
| Dividends to shareholders | — | (260,430) | (260,430) |
| At 31 Dec 2018 | 1,999,995 | 260,800 | 2,260,795 |

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|---|------------------------------|------------------------|-------------------|
| At 1 Jan 2017 | 1,999,995 | 259,300 | 2,259,295 |
| Profit for the year | — | 260,430 | 260,430 |
| Total comprehensive income for the year | — | 260,430 | 260,430 |
| Dividends to shareholders | — | (259,300) | (259,300) |
| At 31 Dec 2017 | 1,999,995 | 260,430 | 2,260,425 |

Equity is wholly attributable to ordinary shareholders.

Notes on the financial statements

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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

At 31 December 2018, there were no unendorsed standards effective for the year ended 31 December 2018 affecting these financial statements, and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2018

The Company has adopted the requirements of IFRS 9 'Financial Instruments' from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by IFRS 9, the Company has not restated comparatives. Adoption has had no material impact on the results or net assets of the Company.

In addition, the Company has adopted the requirements of IFRS 15 'Revenue from contracts with customers' and a number of interpretations and amendments to standards which have had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2019, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2019 that are expected to have an impact on the financial statements of the Company.

(c) Presentation of information

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

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

(d) Critical accounting estimates and judgements

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

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(e) Going concern

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

1.2 Summary of significant accounting policies

(a) Income and expense

Non-interest income and expense

Fee income is accounted for as follows:

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

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

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

HSBC Asset Finance M.O.G. Holdings (UK) Limited

(b) Valuation of financial instruments

All financial instruments are initially recognised 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. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received).

(c) Financial instruments measured at amortised cost

Financial assets

Financial assets that are held to collect the contractual cash flows and which 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 and investments relating to preference shares. In addition, financial liabilities are measured at amortised cost.

Financial assets 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 allowances.

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.

(d) Financial instruments designated at fair value through profit or loss

Financial assets at fair value through profit or loss are designated as such upon initial recognition. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments managed on a fair value basis'.

(e) Impairment of amortised cost and FVOCI financial assets

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

No ECL is considered to be required for financial assets held by the company as amounts are either short term in nature or not considered significant in relation to customer risk ratings.

(f) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. Payments associated with any incremental base erosion and anti-abuse tax are reflected in tax expense in the period incurred.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(g) 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.

(h) Cash and cash equivalents

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

(i) 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.

HSBC Asset Finance M.O.G. Holdings (UK) Limited

(j) Accounting policies applicable prior to 1 January 2018

Impairment of trade and other receivables

Losses for impaired receivables are recognised promptly when there is objective evidence that impairment of a receivables has occurred. Impairment allowances are calculated on individual receivables, are recorded as charges to the income statement and are recorded against the carrying amount of impaired receivables on the Balance sheet. Losses which may arise from future events are not recognised.

Available-for-sale financial assets

Available-for-sale financial assets are recognised on the trade date when the Company enters into contractual arrangements to purchase them, and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until the assets are either sold or become impaired. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses from financial investments'.

Impairment of available-for-sale financial assets

Available-for-sale financial assets are assessed at each Balance sheet date for objective evidence of impairment. Impairment losses are recognised in the income statement within 'Gains less losses from financial investments'.

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2017: nil).

3 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2017: 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.

4 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the Company amounted to £1000 (2017: £1,000).

There were no non-audit fees incurred during the year (2017: nil).

5 Tax

Tax expense

| | 2018 | 2017 |
|--------------------------|---------------|---------------|
| | £ | £ |
| Current tax | | |
| - For this year | 28,500 | 28,870 |
| Total current tax | 28,500 | 28,870 |
| Year ended 31 Dec | 28,500 | 28,870 |

The UK corporation tax rate applying to the Company was 19.00% (2017: 19.25%).

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020 and this was enacted in the Finance (No2) Act 2016 on 6 September 2016.

Tax reconciliation

| | 2018 | | 2017 | |
|------------------------------|---------------|------------|---------------|-------------|
| | £ | (%) | £ | (%) |
| Profit before tax | 289,300 | | 289,300 | |
| Tax at 19.00% (2017: 19.25%) | 54,967 | 19.0 | 55,680 | 19.3 |
| Non-taxable income and gains | (26,467) | (9.1) | (26,810) | (9.3) |
| Year ended 31 Dec | 28,500 | 9.9 | 28,870 | 9.95 |

6 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

| | Fair value through profit and loss | Financial assets and liabilities at amortised cost | Total |
|--|------------------------------------|--|------------------|
| | £ | £ | £ |
| At 31 Dec 2018 | | | |
| Assets | | | |
| Cash and cash equivalents | – | 380,780 | 380,780 |
| Trade and other receivables | – | 180,000 | 180,000 |
| Financial investments | 9,995 | 1,990,000 | 1,999,995 |
| Prepayments and accrued income | – | 35,111 | 35,111 |
| Total financial assets | 9,995 | 2,585,891 | 2,595,886 |
| Total non-financial assets | | | – |
| Total assets | | | 2,595,886 |
| Liabilities | | | |
| Trade and other payables | – | 276,591 | 276,591 |
| Total financial liabilities | – | 276,591 | 276,591 |
| Total non-financial liabilities | | | 58,500 |
| Total liabilities | | | 335,091 |

Categories of financial instruments are disclosed under IFRS 9 at 31 December 2018. These are not directly comparable with 31 December 2017, where the instruments were categorised in accordance with IAS 39.

| | Available-for-sale securities | Financial assets and liabilities at amortised cost | Total |
|--|-------------------------------|--|------------------|
| | £ | £ | £ |
| At 31 Dec 2017 | | | |
| Assets | | | |
| Cash and cash equivalents | – | 321,910 | 321,910 |
| Trade and other receivables | – | 180,000 | 180,000 |
| Financial investments | 1,999,995 | – | 1,999,995 |
| Prepayments and accrued income | – | 35,111 | 35,111 |
| Total financial assets | 1,999,995 | 537,021 | 2,537,016 |
| Total non-financial assets | | | – |
| Total assets | | | 2,537,016 |
| Liabilities | | | |
| Trade and other payables | – | 217,721 | 217,721 |
| Total financial liabilities | – | 217,721 | 217,721 |
| Total non-financial liabilities | | | 58,870 |
| Total liabilities | | | 276,591 |

In 2018, the Company adopted IFRS 9 which resulted in the reclassification of the investment held in 1,990,000 £1 Cumulative preference shares in Motability Operations Group plc as financial assets measured at amortised cost. The investment in 9,995 £1 ordinary shares has been classified as fair value through profit or loss. Further detail in respect of the classification of investments is disclosed in Note 9.

In 2017 all financial investments were classified as Available-for sale assets and measured at fair value.

7 Fair value of financial instruments carried at fair value

Fair value hierarchy

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

- 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.
- 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.
- Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

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Financial instruments carried at fair value and bases of valuation

| | 2018 | |
|--|--------------|------------|
| | Level 3 £ | Total £ |
| Recurring fair value measurements at 31 Dec | | |
| Assets | | |
| Financial investments at fair value | 9,995 | 9,995 |

| | 2017 | |
|---|--------------|------------|
| | Level 3 £ | Total £ |
| Recurring fair value measurement at 31 Dec | | |
| Assets | | |
| Financial investments | 9,995 | 9,995 |

The fair value has been assessed based on historical observations, future expectations and the fair value of equivalent holdings reported by other investees.

8 Trade and other receivables

| | 2018 £ | 2017 £ |
|-------------------|----------------|----------------|
| Other receivables | 180,000 | 180,000 |
| At 31 Dec | 180,000 | 180,000 |

9 Financial investments

Carrying amount of financial investments

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Financial investments measured at: | | |
| - fair value through profit and loss | 9,995 | - |
| - amortised cost | 1,990,000 | - |
| - available-for-sale assets at fair value | - | 1,999,995 |
| Year ended 31 Dec | 1,999,995 | 1,999,995 |

Categories of financial instruments are disclosed under IFRS 9 at 31 December 2018. These are not directly comparable with 31 December 2017, where the instruments were categorised in accordance with IAS 39.

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 directors consider that the business model for the investment in 1,990,000 7% £1 Cumulative preference shares is to hold to collect for the foreseeable future and hence has been reclassified at amortised cost with effect from 1 January 2018.

Furthermore, following the adoption of IFRS 9 with effect from 1 January 2018, the investment in 9,995 £1 ordinary shares has been classified as fair value through profit or loss.

In 2017 all financial investments were classified as Available-for sale assets and measured at fair value.

Financial Investments held at fair value are 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 the fair value of equivalent holdings reported by other investees. Based on these observations there has been no material change to the fair value of the 9,995 £1 Ordinary shares and therefore no gain or loss has been recognised during the year.

10 Trade and other payables

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Amounts owed to other group undertakings | 276,591 | 217,721 |
| At 31 Dec | 276,591 | 217,721 |

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 due to their short term nature.

11 Called up share capital

| | 2018 | | 2017 | |
|---|------------------|------------------|------------------|------------------|
| | Number | £ | Number | £ |
| Issued, allotted and fully paid up | | | | |
| Ordinary shares of £1 each | 1,999,995 | 1,999,995 | 1,999,995 | 1,999,995 |
| As at 1 January and 31 December | 1,999,995 | 1,999,995 | 1,999,995 | 1,999,995 |

12 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

The Company has no significant exposure to credit risk.

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

| | On Demand £ | Total £ |
|--------------------------|----------------|----------------|
| Trade and other payables | 276,591 | 276,591 |
| At 31 Dec 2018 | 276,591 | 276,591 |
| Trade and other payables | 217,721 | 217,721 |
| At 31 Dec 2017 | 217,721 | 217,721 |

Market risk management

Market risk is the risk that movements in market factors including interest rates or foreign exchange rates will impact the Company's income. The Company is not exposed to 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.

13 Related party transactions

Transaction with other related parties

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

| | 2018 | | 2017 | |
|--------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | Highest balance during the year | Balance at 31 December | Highest balance during the year | Balance at 31 December |
| | £ | £ | £ | £ |
| Trade and other payables | 276,592 | 276,591 | 217,722 | 217,721 |

14 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

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

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

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

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

15 Events after the balance sheet date

There are no significant events after the balance sheet date.