

Registered No 6606400

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

FINANCIAL STATEMENTS

31 DECEMBER 2009

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

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HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2009

Business Review

HSBC Asset Finance M O G Holdings (UK) Limited ("the company") is a company incorporated in the United Kingdom

The company was incorporated on 30 May 2008 and is a wholly owned subsidiary of HSBC Bank plc Its principal activities include the holding of investments together with the receipt of dividends and the provision of management services

The business is funded by a parent undertaking through equity investment

The company has no employees Services required are provided by fellow HSBC Group companies

The Company has no stakeholders other than its parent company

Risk Management

The company's principal risks are described in note 9

Performance

The company's results for the year under review are as detailed in the income statement shown in these accounts

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011

Dividends

The Directors recommend the payment of a dividend of £499,300 in respect of the year ended 31 December 2009 (2008 £251,206) Dividend payments will be reflected in the financial statements in the year in which they are paid

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2009 (CONTINUED)

Directors

The directors who served during the year were as follows

Name	Resigned
M J Brookes	
R H Musgrove	19 January 2009
M J Russell-Brown	

On 23 September 2010 N P Quinn 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.

Capital management

The company has no 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 group's capital resources policy is to maintain its capital base through the diversification of its sources of capital and the efficient allocation of capital. It seeks to maintain at all times a prudent relationship between its total capital, as measured according to the criteria used by the FSA for supervisory purposes, and the varied risks of its business.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditors

KPMG Audit Plc are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

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.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2009 (CONTINUED)

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company, the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 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



M J Brookes
Director

Date 24 September 2010

Registered office
8 Canada Square
London
E14 5HQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED

We have audited the financial statements of HSBC Asset Finance M O G Holdings (UK) Limited for the year ended 31 December 2009 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



24 SEPT 2010

Simon Clark (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill, Snow Hill Queensway
Birmingham, B4 6GH

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
INCOME STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2009

	Note	<u>2009</u>	<u>Period 30 May to 31 December 2008</u>
		£	£
Revenue		500,000	251,366
Finance Income	3	139,300	70,222
		-----	-----
Profit before tax		639,300	321,588
Tax expense	4	(140,000)	(70,382)
		-----	-----
Profit for the year		499,300	251,206
		-----	-----

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2009

There has been no comprehensive income or expense other than the profit for the year as shown above (2008 £nil)

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2009

	Note	<u>2009</u>	<u>Restated</u> <u>Note 1(a)</u> <u>2008</u>
		£	£
ASSETS			
Non-current assets			
Available-for-sale investments	5	1,999,995	1,999,995
Current assets			
Cash and cash equivalents held with parent undertakings		37,865	289,071
Accrued income		174,411	70,222
Other debtors		575,000	-
		<u>787,276</u>	<u>359,293</u>
Total assets		<u>2,787,271</u>	<u>2,359,288</u>
Current liabilities			
Current tax liabilities		140,000	70,382
Amounts owed to other group undertakings	6	72,976	-
Value added tax		75,000	37,705
		<u>287,976</u>	<u>108,087</u>
Total liabilities		<u>287,976</u>	<u>108,087</u>
Equity			
Called up share capital	7	1,999,995	1,999,995
Retained earnings		499,300	251,206
		<u>2,499,295</u>	<u>2,251,201</u>
Total equity		<u>2,499,295</u>	<u>2,251,201</u>
Total liabilities and equity		<u>2,787,271</u>	<u>2,359,288</u>

These financial statements were approved by the Board of Directors on 24 September 2010 and were signed on its behalf by



M J Brookes
Director

Company Registered Number 6606400

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2009

	<u>2009</u>	<u>Restated</u> <u>Note 1(a)</u> <u>Period 30 May</u> <u>to 31 December</u> <u>2008</u>
	£	£
Cash flows from operating activities		
Profit before tax	639,300	321,588
Adjustments for		
Change in operating liabilities	37,295	37,705
Change in accruals and deferred income	(679,189)	(70,222)
Tax paid	(70,382)	-
Net cash from operating activities	<u>(72,976)</u>	<u>289,071</u>
Cash flows from investing activities		
Purchase of investment	-	(1,999,995)
Net cash from investing activities	<u>-</u>	<u>(1,999,995)</u>
Cash flows from financing activities		
Issue of share capital	-	1,999,995
Paid to other group undertaking in respect of other financing activities	(66,324)	-
Dividends received	139,300	-
Dividends paid	(251,206)	-
Net cash from financing activities	<u>(178,230)</u>	<u>1,999,995</u>
Net increase in cash and cash equivalents	(251,206)	289,071
Cash and cash equivalents brought forward	289,071	-
Cash and cash equivalents carried forward	<u>37,865</u>	<u>289,071</u>

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY

	<u>2009</u>	<u>Period 30 May to 31 December 2008</u>
	£	£
Called up share capital		
Shares issued during the period	1,999,995	1,999,995
	-----	-----
Balance carried forward	1,999,995	1,999,995
	-----	-----
Retained earnings		
Profit for the period	499,300	251,206
	-----	-----
Total comprehensive income for the year	499,300	251,206
Dividend paid	(251,206)	-
	-----	-----
Balance carried forward	248,094	251,206
	-----	-----
Total shareholders' equity		
Balance brought forward	2,251,201	-
Shares issued during the period	-	1,999,995
Total comprehensive income for the year	499,300	251,206
Dividend paid	(251,206)	-
	-----	-----
Balance carried forward	2,499,295	2,251,201
	-----	-----

Shareholders' equity is wholly attributable to equity shareholders

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

NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Basis of preparation

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

The company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU') EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU At 31 December 2009, there were no unendorsed standards effective for the year ended 31 December 2009 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 2009 are prepared in accordance with IFRSs as issued by the IASB

During the year the company adopted IAS 1 'Presentation of Financial Statements' ('IAS 1') (revised 2007) This standard aims to improve users' ability to analyse and compare information given in financial statements The adoption of the revised standard has no effect on the results reported in the financial statements It does, however, result in certain presentational changes in the company's separate financial statements including

- the presentation of all items of income and expenditure in a financial statement, the 'Statement of comprehensive income', and

- the presentation of the 'Statement of changes in equity' as a financial statement replaces the previous 'Reconciliation of movement in equity' note on the financial statements

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body

At 31 December 2009, the company had adopted all IFRSs and Interpretations that had been issued by the IASB and IFRIC, and endorsed by the EU There are currently no IFRSs or Interpretations that have been issued by the IASB and endorsed by the EU which become effective for the year ended 31 December 2009 that have not already been adopted by the company

No standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the company when adopted

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

a) **Basis of preparation (continued)**

The comparative information for the prior year has been restated so as to show separately in the Statement of Financial Position current tax liabilities. Previously these amounts, which are paid by a group entity on behalf of the company, were included within amounts owed to other group undertakings. This resulted in £70,382 being reclassified from amounts owed to other group undertakings to current tax liabilities. There was no impact on current liabilities or total liabilities. The comparative statement of cash flows has been adjusted accordingly.

The accounting policies set out below have been applied consistently to all periods presented.

b) **Cash and cash equivalents**

Inter company transactions are accounted for as financing activities.

c) **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.

d) **Income Tax**

Income tax comprises current tax 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 HSBC Asset Finance M O G Holdings (UK) Limited 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. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when HSBC has a legal right to offset.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

1 **ACCOUNTING POLICIES (continued)**

e) **Related party transactions**

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. Related party transactions are detailed in their respective notes.

f) **Use of assumptions and estimates**

When preparing the financial statements, it is the directors' responsibility to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

The accounting policy that is deemed critical to the company's IFRS results and financial position, in terms of the materiality of the items to which the policy is applied, or which involves a high degree of judgement and estimation, is provision against financial investments.

Provisions are calculated on the basis of current and expected future market conditions.

2 **PROFIT FOR THE YEAR**

The directors made no charge for their services. The company has no employees and hence no staff costs. Any services required are provided by fellow HSBC group companies and the costs are borne by those companies.

3 **FINANCE INCOME**

Finance income comprises dividend income from investments in preference shares.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

4 **TAX EXPENSE**

	<u>Period 30 May to</u>	
	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	£	£
Current tax		
UK corporation tax		
- on current year profit	140,000	70,382
Total tax expense	<u>140,000</u>	<u>70,382</u>

The UK corporation tax rate applying to HSBC Asset Finance M O G Holdings (UK) Limited was 28% (2008 28%)

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly.

The following table reconciles the tax expense

	<u>Period 30 May</u>			
	<u>to 31 December</u>			
	<u>2009</u>		<u>2008</u>	
	£	%	£	%
Analysis of overall tax expense				
Taxation at UK corporation tax at 28% (2008 28%)	179,004	28.0%	90,045	28.0%
Effects of				
Income not taxable for tax purposes	<u>(39,004)</u>	(6.1%)	<u>(19,663)</u>	(6.1%)
Overall tax expense (see above)	<u>140,000</u>	21.9%	<u>70,382</u>	21.9%

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

5 FINANCIAL INVESTMENTS

	<u>2009</u>
	£
At 1 January and 31 December - at cost and fair value	1,999,995

On 30 June 2008 the company acquired 1,990,000 7% £1 Cumulative preference shares and 9,995 ordinary shares at par, 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. During the year there has been no significant movement in the fair value.

6 AMOUNTS OWED TO OTHER GROUP UNDERTAKINGS

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 and are stated at amortised cost. They do not bear interest and the fair value is not considered to be significantly different from the carrying value.

7 SHARE CAPITAL

	<u>2009</u>	<u>2008</u>
	£	£
Authorised		
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
1,999,995 Ordinary shares of £1 each	<u>1,999,995</u>	<u>1,999,995</u>

8 PARENT UNDERTAKINGS

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

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
NOTES ON THE FINANCIAL STATEMENTS

9 **RISK MANAGEMENT**

Liquidity risk

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 date for repayment and funds are provided as required. The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of each reporting period.

	On demand	Due within 3 months	Due between 3-12 months	Total
	£	£	£	£
31 December 2009				
Amounts owed to other group undertakings	72,976	-	-	72,976
Value added tax	-	75,000	-	75,000
Current tax liabilities	-	-	140,000	140,000
	-----	-----	-----	-----
31 December 2008				
Value added tax	-	37,705	-	37,705
Current tax liabilities	-	-	70,382	70,382
	-----	-----	-----	-----

Market risk

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.

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.