HSBC Asset Finance M.O.G. Holdings (UK) Limited
Registered No: 6606400

Annual Report and Financial Statements for the year ended 31 December 2017

HSBC

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Contents

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 9 of these financial statements.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of HSBC Bank plc. Ongoing review of 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 13 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 13, 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 macro-economic 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

Dated: 18 July 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Report of the Directors

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
R Davies		10 July 2017
A J Coates		3 August 2017
R F Carver		13 November 2017
N Subramanian		24 November 2017
V L Phelps-Gill	27 October 2017	

On 10 May 2018 B J O'Byrne 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 £260,430 in respect of retained earnings from 2017, payable in the year ending 31 December 2018. An interim dividend of £259,300 was paid on the ordinary share capital during the year (2016: £258,930).

Significant events since the end of the financial year

No important 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.

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 13 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 equity. It is HSBC Group's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Disclosure of information to the Auditor and Statement of Director's Resposibilities

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The following statement, which should be read in conjunction with the Auditor's statement of their iresponsibilities set out in their report on page 7, 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 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.

On behalf of the Board

B J O'Byrne
Director

Dated: 18 July 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

Independent Auditors' Report 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 for the year ended 31 December 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes on the financial statements, which include a description of the significant accounting policies.

Basis of opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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

Dated: 20 July 2018

Income statement for the year ended 31 December 2017

	Notes	2017 £	2016 £
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	5	**(28,870)**	(30,000)
Profit for the year		**260,430**	259,300

Statement of comprehensive income for the year ended 31 December 2017

There has been no comprehensive income or expense other than the profit for the year as shown above (2016: nil).

Balance sheet as at 31 December 2017

	Notes	2017 £	2016 £
Assets			
Cash and cash equivalents		**321,910**	441,910
Trade and other receivables	6	**180,000**	-
Financial investments	7	**1,999,995**	1,999,995
Prepayments and accrued income		**35,111**	35,111
Total assets		**2,537,016**	2,477,016
Liabilities and equity			
Liabilities			
Trade and other payables	8	**217,721**	157,721
Accruals, deferred income and other liabilities		**30,000**	30,000
Current tax liabilities		**28,870**	30,000
Total liabilities		**276,591**	217,721
Equity			
Called up share capital	9	**1,999,995**	1,999,995
Retained earnings		**260,430**	259,300
Total equity		**2,260,425**	2,259,295
Total liabilities and equity		**2,537,016**	2,477,016

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 18 July 2018 and signed on its behalf by:

B J O'Byrne

Director
Company Registration No: 6606400

Statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit before tax	**289,300**	289,300
Adjustments for:		
Change in operating assets	**(180,000)**	-
Tax paid	**(30,000)**	(30,370)
Net cash generated from operating activities	**79,300**	258,930
Cash flows from financing activities		
Movements in inter-company funding	**60,000**	60,370
Dividends paid	**(259,300)**	(258,930)
Net cash used in financing activities	**(199,300)**	(198,560)
Net (decrease)/increase in cash and cash equivalents	**(120,000)**	60,370
Cash and cash equivalents brought forward	**441,910**	381,540
Cash and cash equivalents carried forward	**321,910**	441,910

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
2017			
At 1 January 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 December 2017	**1,999,995**	**260,430**	**2,260,425**

	Called up share capital £	Retained earnings £	Total equity £
2016			
At 1 January 2016	1,999,995	258,930	2,258,925
Profit for the year	-	259,300	259,300
Total comprehensive income for the year	-	259,300	259,300
Dividends to shareholders	-	(258,930)	(258,930)
At 31 December 2016	1,999,995	259,300	2,259,295

Equity is wholly attributable to ordinary shareholders.

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 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 2017, there were no unendorsed standards effective for the year ended 31 December 2017 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 2017

There were no new standards applied during the year ended 31 December 2017. During 2017, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 1 January 2018 and 2019, some of which have been endorsed for use in the EU. The Company expects that they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9 and IFRS 15 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an 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 in 'stage 1'; financial assets that 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'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted by the Company 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, with no requirement to restate comparatives. The Company does not intend to restate comparatives. Whilst adoption will impact classification, it is not expected to have a material impact on the measurement of assets. Impairment requirements will have no effect on the net assets of the Company.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' and it is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Company will adopt the standard on its mandatory effective date and the standard will be applied on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings. The Company has assessed the impact of IFRS 15 and expects that the standard will have no effect, when applied, 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 listed below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This would 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 is listed below. It reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

- Impairments of available-for-sale financial assets: refer Note 7.

(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.

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

(b) Valuation of financial instruments

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

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

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

(c) Financial instruments measured at amortised cost

Trade and other receivables

These include trade and other receivables originated by the Company, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

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.

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 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.

(d) Financial instruments measured at fair value

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'.

(e) 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.

(f) Statement of cash flows

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

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

(g) 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 any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes.

Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

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

(h) Called up share capital

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

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2016: nil).

3 Directors' emoluments

No Director received any fees or emoluments from the Company during the year (2016: 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 £1,000 (2016: £1,000). There were no non-audit fees incurred during the year (2016: nil).

5 Tax

Tax expense

	2017 £	2016 £
Current tax		
- for this year	**28,870**	30,000
Total current tax	**28,870**	30,000
Total tax charged for the year ended 31 December	**28,870**	30,000

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

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 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned.

Tax reconciliation

The tax charged to the income statement differs to the tax expense that would apply if all profits had been taxed at the UK corporation tax rate as follows:

	2017 £	%	2016 £	%
Profit before tax	**289,300**		289,300	
Tax at 19.25% (2016: 20.00%)	**55,680**	**19.2**	57,860	20.0
Non taxable income and gains	**(26,810)**	**(9.3)**	(27,860)	(9.6)
Total tax charged to the income statement	**28,870**	**9.9**	30,000	10.4

6 Trade and other receivables

	2017	2016
	£	£
Other receivables	180,000	-

7 Financial investments

Available-for-sale financial investments include the following:

	2017	2016
	£	£
At 1 January	**1,999,995**	1,999,995
As at 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 Balance sheet at fair value.

The available-for-sale financial 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 (2016: £nil).

8 Trade and other payables

	2017 £	2016 £
Amounts owed to other group undertakings	**217,721**	157,721
	217,721	157,721

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.

9 Called up share capital

	2017 £	2016 £
Issued, allotted and fully paid up		
1,999,995 (2016: 1,999,995) Ordinary shares of £1 each		
As at 1 January and 31 December	**1,999,995**	1,999,995

10 Contingent liabilities, contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2017 (2016: nil).

11 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.

The following table analyses the carrying amount of financial assets and liabilities by category and by Balance sheet heading:

At 31 December 2017	**Available-for-sale investments**	**Financial assets and liabilities at amortised cost**	**Total**
	£	**£**	**£**
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 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**

At 31 December 2016	Available-for-sale investments	Financial assets and liabilities at amortised cost	Total
	£	£	£
Assets			
Cash and cash equivalents	-	441,910	441,910
Financial investments	1,999,995	-	1,999,995
Prepayments and accrued income	-	35,111	35,111
Total financial assets	1,999,995	477,021	2,477,016
Total assets			2,477,016
Liabilities			
Trade and other payables	-	157,721	157,721
Total financial liabilities	-	157,721	157,721
Total non-financial liabilities			60,000
Total liabilities			217,721

12 Fair value of financial instruments carried at fair value

Determination of fair value

Fair values are determined according to the following hierarchy:

(a) Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.

(b) Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

The following table sets out the financial instruments carried at fair value:

	Fair Value	
	Valuation techniques	
	With significant unobservable inputs	Total
	Level 3	
	£	£
At 31 December 2017		
Assets		
Available-for-sale financial assets	**1,999,995**	**1,999,995**

	Fair value	
	Valuation techniques	
	With significant unobservable inputs	Total
	Level 3	
	£	£
At 31 December 2016		
Assets		
Available-for-sale financial assets	1,999,995	1,999,995

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:

	2017	2016
	£	£
At 1 January and 31 December	1,999,995	1,999,995

Fair values of available-for-sale financial assets are determined using unobservable inputs by discounting future cash flows using equivalent current interest rates.

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 (2016: £nil).

13 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.

a) Credit risk management

The Company has no significant exposure to credit risk.

b) Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost.

The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from other 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
	£	£
At 31 December 2017		
Trade and other payables	217,721	217,721

	On demand	Total
	£	£
At 31 December 2016		
Trade and other payables	157,721	157,721

c) 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.

14 Related party transactions

Transactions with other related parties

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

	2017		2016	
	Highest balance during the year	**Balance at 31 December**	Highest balance during the year	Balance at 31 December
	£	**£**	£	£
Liabilities				
Trade and other payables	**217,722**	**217,721**	157,722	157,721

15 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.

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

Copies of HSBC Holdings plc and HSBC Bank plc 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

16 Events after the balance sheet date

There are no significant events after the balance sheet date.