

Registered No: 6606400

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

FINANCIAL STATEMENTS

31 DECEMBER 2008



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 PERIOD 30 MAY 2008 TO 31
DECEMBER 2008

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. On 30 June 2008 it acquired a 19.99% interest in the 7% £1 Cumulative preferences shares and ordinary shares of Motability Operations Group plc. The principal activity of Motability Operations Group plc is to manage the Motability car scheme which provides motor finance to disabled customers. The acquisition of the shares was as a consequence of the restructuring of the financing arrangements of the Motability car scheme. Prior to the restructure, the operations of the scheme were funded through a partnership structure, of which a fellow HSBC group company was a partner.

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 10.

Performance

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

Dividends

The Directors recommend the payment of a dividend of £251,206 in respect of the period 30 May 2008 to 31 December 2008. Dividend payments will be reflected in the financial statements in the period in which they are paid.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE PERIOD 30 MAY 2008 TO 31
DECEMBER 2008 (CONTINUED)

Directors

The directors who served during the period were as follows:

Name	Appointed
M J Brookes	23 June 2008
R H Musgrove	30 May 2008
M J Russell-Brown	23 June 2008

On 19 January 2009 R H Musgrove resigned 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 period 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.

Auditors

It is the intention of the directors to reappoint KPMG Audit plc as the Company's auditor for the forthcoming financial year.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
DIRECTORS' REPORT FOR THE PERIOD 30 MAY 2008 TO 31
DECEMBER 2008 (CONTINUED)

Statement of directors' responsibilities in respect of the Directors' Report and 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 IFRSs as adopted by the EU and applicable law.

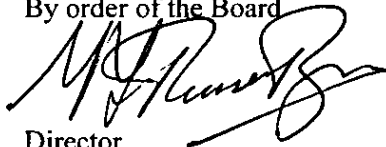
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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



Director

Date: 1 October 2009

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 period ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with IFRSs as adopted by the EU and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

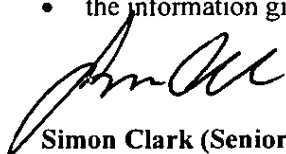
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.



Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
2 Cornwall Street
Birmingham B3 2DL

1 October 2009

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
INCOME STATEMENT FOR THE PERIOD 30 MAY 2008 TO
31 DECEMBER 2008

	Note	<u>Period ended</u> <u>31 December</u> <u>2008</u> £m
Revenue		251,366
Finance Income	3	70,222
Profit before tax		321,588
Tax expense	4	(70,382)
Profit for the period		251,206

There were no discontinued or discontinuing operations during the period.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR
THE PERIOD ENDED 31 DECEMBER 2008

There has been no recognised income or expense other than the profit for the period as shown above.

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	<u>2008</u> £
ASSETS		
Non-current assets		
Available-for-sale investments	5	1,999,995
Current assets		
Cash and cash equivalents held with parent undertakings		289,071
Accrued income		70,222
		<u>359,293</u>
Total assets		<u>2,359,288</u>
Current liabilities		
Amounts owed to other group undertakings	6	70,382
Value added tax		37,705
		<u>108,087</u>
Equity		
Called up share capital	8	1,999,995
Retained earnings		251,206
		<u>2,251,201</u>
Total equity	7	<u>2,251,201</u>
Total liabilities and equity		<u>2,359,288</u>

These financial statements were approved by the Board of Directors on 1 October 2009 and were signed on its behalf by:



M J Brookes
Director

HSBC ASSET FINANCE M.O.G. HOLDINGS (UK) LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31
DECEMBER 2008

	<u>Period ended</u> <u>31 December</u> <u>2008</u> £
Cash flows from operating activities	
Profit before tax	321,588
Adjustments for:	
Change in operating liabilities	37,705
Change in accruals and deferred income	(70,222)
Paid to other group undertaking in respect of group relief	(70,382)
Net cash from operating activities	<u>218,689</u>
Cash flows from investing activities	
Purchase of investment	<u>(1,999,995)</u>
Net cash from investing activities	<u>(1,999,995)</u>
Cash flows from financing activities	
Issue of share capital	1,999,995
Received from other group undertaking	70,382
Net cash from financing activities	<u>2,070,377</u>
Net increase in cash and cash equivalents	289,071
Cash and cash equivalents brought forward	-
Cash and cash equivalents carried forward	<u>289,071</u>

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 2008, there were no unendorsed standards effective for the period ended 31 December 2008 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 period ended 31 December 2008 are prepared in accordance with IFRSs as issued by the IASB.

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 2008, 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 period ended 31 December 2008 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.

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. Amounts received from/paid to parent undertakings in respect of group relief are accounted for as operating 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.

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

NOTES ON THE FINANCIAL STATEMENTS

1. **ACCOUNTING POLICIES (continued)**

d) **Income Tax**

Income tax on the profit or loss for the period comprises current tax.

Current tax is the tax expected to be payable on the taxable profit for the period, calculated using tax rates enacted or substantively enacted by the balance sheet date.

e) **Related party transactions**

Another group undertaking provides an inter-company current account. This is reflected in the balance sheet, 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 PERIOD**

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.

4. **TAX EXPENSE**

	<u>Period ended</u> <u>31 December</u>
The tax expense comprises:	<u>2008</u>
	£
Group relief payable to other group undertakings	
- current tax on income for the period	70,382
Total tax expense	<u>70,382</u>

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

4. **TAX EXPENSE (continued)**

The tax expense for the period is not consistent with the standard rate of corporation tax in the UK of 28%. The differences are explained below.

	<u>Period ended</u> <u>31 December</u> <u>2008</u> £
Analysis of overall tax expense	
Profit before tax	321,588
	<u>321,588</u>
Taxation at 28%	90,045
Effects of:	
Non taxable income	<u>(19,663)</u>
Overall tax expense (see above)	<u>70,382</u>

5. **FINANCIAL INVESTMENTS**

	<u>2008</u> £
Additions	1,999,995
At 31 December - at cost and fair value	<u>1,999,995</u>

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 balance sheet at fair value. During the period 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 represent amounts due in relation to group relief surrendered by fellow HSBC group companies. 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.

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

7. **RECONCILIATION OF MOVEMENT IN EQUITY**

	<u>Period ended</u> <u>31 December</u> <u>2008</u> £
Called up share capital	
Shares issued during the period	1,999,995
Balance carried forward	1,999,995
Retained earnings	
Profit for the period	251,206
Total recognised income and expense for the period	251,206
Balance carried forward	251,206
Total shareholders' equity	
Shares issued during the period	1,999,995
Profit for the period	251,206
Balance carried forward	2,251,201

Shareholders' equity is wholly attributable to equity shareholders.

8. **SHARE CAPITAL**

At incorporation on 30 May 2008, 200,000 £1 Ordinary shares were allotted to and paid for at par by HSBC Bank plc. On 30 June 2008, on the acquisition of the investment in Motability Operations Group plc, a further 1,799,995 £1 Ordinary shares were allotted to and paid for at par by HSBC Bank plc.

At 31 December 2008 share capital comprises:

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

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

NOTES ON THE FINANCIAL STATEMENTS

9. **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

10. **RISK MANAGEMENT**

Liquidity risk

Another group undertaking provides an inter-company current account. This is reflected in the balance sheet, 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 balance sheet.

31 December 2008	On <u>demand</u> £	Within <u>3 months</u> £	<u>Total</u> £
Amounts owed to other group undertakings	70,382	-	70,382
Value added tax	-	37,705	37,705
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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.