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

Financial Statements for the year ended 31 December 2016

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Financial Statements for the year ended 31 December 2016

Contents

Strategic Report

Principal activities

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

The 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 8 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 12 of the financial statements.

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('Brexit') with the process of leaving the EU commencing on 29 March 2017. The ultimate economic impact of Brexit 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 Brexit 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 Brexit 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.

Signed on behalf of the Board

R F Carver
Director

Dated: 4 July 2017

Registered office
8 Canada Square
London
E14 5HQ

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
M P F Lord		3 February 2016
R F Carver		
A J Coates		
R Davies		
N Subramanian	3 February 2016	

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 £259,300 in respect of retained earnings from 2016, payable in the year ending 31 December 2017. An interim dividend of £258,930 (in lieu of a final dividend in respect of the previous financial year) was paid on the ordinary share capital during the year (2015: £257,060).

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 Instruments

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

Disclosure of information to auditor

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and the 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 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.

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.

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

Signed on behalf of the Board

Jane Fahey
Secretary

Dated: 4 July 2017

Registered office
8 Canada Square
London
E14 5HQ

Independent Auditors' Report to the members of HSBC Asset Finance M.O.G. Holdings (UK) Limited

Report on the financial statements

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

What we have audited
The financial statements, included within the Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016 ;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.
What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

Dated: 4 July 2017

Income statement for the year ended 31 December 2016

	Notes	2016 £	2015 £
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	**(30,000)**	(30,370)
Profit for the year		**259,300**	258,930

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

The notes on pages 12 to 24 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2016

There has been no comprehensive income or expense other than the profit for the year as shown above (2015: £Nil).

Statement of financial position as at 31 December 2016

	Notes	**2016**	2015	2014
		£	£	£
Assets				
Cash and cash equivalents		**441,910**	381,540	139,300
Trade and other receivables		**-**	-	180,000
Financial investments	6	**1,999,995**	1,999,995	1,999,995
Prepayments and accrued income		**35,111**	35,111	35,111
Total assets		**2,477,016**	2,416,646	2,354,406
Liabilities and equity				
Liabilities				
Trade and other payables	7	**157,721**	97,351	35,111
Accruals, deferred income and other liabilities		**30,000**	30,000	30,000
Current tax liabilities		**30,000**	30,370	32,240
Total liabilities		**217,721**	157,721	97,351
Equity				
Called up share capital	8	**1,999,995**	1,999,995	1,999,995
Retained earnings		**259,300**	258,930	257,060
Total shareholders' equity		**2,259,295**	2,258,925	2,257,055
Total equity and liabilities		**2,477,016**	2,416,646	2,354,406

The notes on pages 12 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 4 July 2017 and were signed on its behalf by:

R F Carver
Director
Company Registration No: 6606400

Statement of cash flows for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit before tax	**289,300**	289,300
Adjustments for:		
- change in operating assets	-	180,000
- tax paid	**(30,370)**	(32,240)
Net cash generated from operating activities	**258,930**	437,060
Cash flows from financing activities		
Proceeds from borrowing	**60,370**	62,240
Dividends paid	**(258,930)**	(257,060)
Net cash used in financing activities	**(198,560)**	(194,820)
Net increase in cash and cash equivalents	**60,370**	242,240
Cash and cash equivalents brought forward	**381,540**	139,300
Cash and cash equivalents carried forward	**441,910**	381,540

The notes on pages 12 to 24 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £	Retained earnings £	Total £
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**

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

The notes on pages 12 to 24 form an integral part of these financial statements.

Equity is wholly attributable to ordinary shareholders.

1 Basis of preparation and significant accounting policies

A Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('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 2016, there were no unendorsed standards effective for the year ended 31 December 2016 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 2016

There were no new standards applied during the year ended 31 December 2016. During 2016, 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 in the 'Annual Improvements to IFRSs 2012-2014' and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Company has not early adopted any of the amendments effective after 31 December 2016, and it expects they will have an immaterial impact, 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. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Company expects that the overall impact of any change will not be significant.

For financial liabilities designated to be measured at fair value, gains or losses relating to changes in the Company's own credit risk are to be included in other comprehensive income.

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.

Transition

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 comparative periods. The Company does not intend to restate comparatives. The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Company is assessing the impact that the impairment requirements will have on the financial statements.

The joint Global Risk and Global Finance IFRS 9 Implementation Programme for HSBC group companies continues to progress with the documentation of Group accounting policy, the development of operating and system target operating models and the development, build and testing of risk modelling methodologies for the calculation of impairment nearing completion. HSBC group intends to perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and for the governance framework to gain experience. The Company intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates, which will be no later than in the Financial Statements 2017. Until reliable estimates of the impact are available, particularly on the interaction with the regulatory capital requirements, further information on the expected impact on the financial position cannot be provided.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. 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 standard should be applied retrospectively, with certain practical expedients available. The Company has assessed the impact of IFRS 15 and expects that the standard will have no significant 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 presentation currency of the financial statements of the Company.

(d) Changes to the presentation of the Financial Statements and Notes on the Financial Statements

The Company has changed its statement of financial position from the current/non-current to the liquidity basis of presentation and also changed the classification of certain items in the statement of financial position and the income statement in order to make the financial statements and notes thereon more reliable and relevant by adopting the presentation format of its immediate parent HSBC Bank plc and other HSBC group entities. For this year of transition, the statement of financial position includes two years of prior year comparatives.

In order to make the financial statements and notes thereon easier to understand, the Company has changed the location and the wording used to describe certain accounting policies within the notes, removed certain immaterial disclosures and changed the order of certain sections.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2016 are as follows:

Note 1B Summary of significant accounting policies : accounting policies have been placed, wherever possible, within the relevant Notes on the financial statements and the changes in the wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.

(e) 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, resulting 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 contains critical estimates and judgements is listed below. It reflects the materiality of the items to which the policies are applied and high degree of judgement and estimation uncertainty involved.

- Provisions against financial investments: refer note 6.

Available for sale financial assets are recognised on the trade date when the Company enters into contractual arrangements to purchase those instruments, and are normally derecognised when either the securities are sold or redeemed. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income until they 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'.

The accounting policy relating to impairments of available-for-sale securities is presented in Note1.

(f) 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.

B Significant accounting policies

(a) 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.

(b) Cash and Cash Equivalents

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

(c) 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.

(d) 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.

(e) Fee and commission income

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

(f) Dividend income

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

(g) Determination of fair value

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.

2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2015:£nil).

3 Remuneration of Directors

No director received any fees or emoluments from the Company during the year (2015:£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 (2015:£1,000). There were no non-audit fees incurred during the year (2015:£nil).

5 Tax

Accounting policy

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.

Tax charged to the income statement

	2016	2015
	£	£
Current tax		
UK Corporation tax		
- for this year	**30,000**	30,370
Total current tax	**30,000**	30,370
Total tax charged to income statement	**30,000**	30,370

The UK corporation tax rate applying to the Company was 20.00% (2015: 20.25%).

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 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. The rate reduction to 17% was enacted during the period in the Finance (No 2) Act 2016.

Tax reconciliation

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

	2016 £	Percentage of overall profit before tax	2015 £	Percentage of overall profit before tax
Profit before tax	289,300		289,300	
Tax at 20.00% (2015: 20.25%)	57,860	20.0%	58,573	20.2%
Non taxable income and gains	(27,860)	(9.6)%	(28,203)	(9.7)%
Total tax charged to income statement	30,000	10.4%	30,370	10.5%

6 Financial investments

Available for sale financial investments include the following:

	2016 £	2015 £
At 1 January	1,999,995	1,999,995
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 statement of financial position at fair value.

The available for sale investment is held at fair value, initially measured at purchase consideration. Subsequent evaluation of fair value incorporates significant inputs which are not based on observable market data (unobservable inputs), such as historical observations, future expectations and any contractual limitations. Based on these observations there has been no material change to the fair value of the asset and therefore no adjustment has been made (2015: £nil).

7 Trade and other payables

	2016 £	2015 £
Amounts owed to other group undertakings	157,721	97,351
Trade and other payables	157,721	97,351

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.

8 Called up share capital

Accounting policy

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.

	2016	2015
	£	£
Issued, allotted and fully paid up		
1,999,995 (2015: 1,999,995) Ordinary shares of £1 each		
As at 1 January and 31 December	**1,999,995**	1,999,995

9 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2016 (2015: £Nil).

10 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 liability by category as defined in IAS 39 and by balance sheet heading:

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**
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**

At 31 December 2015	Available-for-sale investments	Financial assets and liabilities at amortised cost	Total
	£	£	£
Assets			
Cash and cash equivalents	-	381,540	381,540
Financial investments	1,999,995	-	1,999,995
Accrued income	-	35,111	35,111
Total financial assets	1,999,995	416,651	2,416,646
Total assets			2,416,646
Liabilities			
Trade and other payables	-	97,351	97,351
Total financial liabilities	-	97,351	97,351
Total non financial liabilities			60,370
Total liabilities			157,721

11 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.

For all financial instruments, the fair value is equal to the carrying value in the Statement of financial position, except as analysed below. The fair value of finance lease receivables is calculated by discounting future minimum lease receivables using appropriate current interest rates.

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

	Fair values	
	Valuation techniques	
	With significant unobservable inputs Level 3	**Total**
	£	**£**
At 31 December 2016		
Assets		
Financial investments available for sale	**1,999,995**	**1,999,995**

	Fair values	
	Valuation techniques	
	With significant unobservable inputs Level 3	Total
	£	£
At 31 December 2015		
Assets		
Financial investments available for sale	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:

	2016	2015
	£	£
At 1 January and 31 December	**1,999,995**	1,999,995

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

The available for sale investment is held at fair value, initially measured at purchase consideration. Subsequent evaluation of fair value incorporates significant inputs which are not based on observable market data (unobservable inputs), such as historical observations, future expectations and any contractual limitations. Based on these observations there has been no material change to the fair value of the asset and therefore no adjustment has been made (2015: £nil).

12 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 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.

Another group undertaking acts as a treasury function providing an inter-company current account. This funding has no fixed repayment date and therefore is technically repayable on demand.

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

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

	On demand	Total
	£	£
At 31 December 2015		
Trade and other payables	97,351	97,351
	97,351	97,351

c) Market risk management

Market risk is the risk that movements in market risk factors, including the value of the Company's investments, will reduce the Company's income. The Company is not exposed to interest rate risk or foreign exchange risk on its financial assets or financial liabilities.
Appropriate actions to mitigate the impact of such risk, if material are considered as part of the ongoing management of the business.
The Company's investments carry a fixed rate of return and are mainly funded by equity.

13 Related party transactions

Transactions with other related parties

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

	2016		2015	
	Highest balance during the year[1]	**Balance at 31 December**	Highest balance during the year[1]	Balance at 31 December
	£	**£**	£	£
Liabilities				
Trade and other payables	**157,722**	**157,721**	97,351	97,351

1 The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

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 and HSBC Bank plc consolidated financial statements can be obtained from:

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

15 Events after the balance sheet date

There are no significant events after the balance sheet date.