

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

Financial Statements
31 December 2011

Registered No. 6606400



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Financial Statements

31 December 2011

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Directors' report for the year ended 31 December 2011

Principal activities

Principal activities

The Company's principal activities 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.

Business review

The business is funded principally 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 financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in note 11 of the financial statements.

Performance

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

UK corporation tax rates are being reduced and details of the changes are set out in Note 5 to the financial statements.

Dividends

An interim dividend of £998,600 (in lieu of a final dividend in respect of the previous financial year) was paid on the ordinary share capital during the year. The Directors intend to declare an interim dividend of £506,835 in respect of 2011, payable in 2012.

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.

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
M J Brookes		9 June 2011
N P Quinn		31 March 2011
M J Russell-Brown		
A T Rigby	9 June 2011	
G P Hewitt	11 August 2011	

On 22 May 2012 R F Carver was appointed as a Director of the Company and A T Rigby 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 year but have not been utilised by the Directors.

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 auditor is 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 auditor is aware of that information. This confirmation is given pursuant to section 418 of the UK 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 KPMG Audit Plc will therefore continue in office.

Directors' report for the year ended 31 December 2011 (continued)



Statement of Directors' responsibilities in respect of the Directors' report and 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.

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 judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

On behalf of the Board

G P Hewitt
Director

Registered Office
8 Canada Square
London
E14 5HQ

Date 23 August 2012

Independent Auditor's Report to the Members of HSBC Asset Finance M.O.G. Holdings (UK) Limited

REPORT

We have audited the financial statements of HSBC Asset Finance M O G Holdings (UK) Limited for the year ended 31 December 2011 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

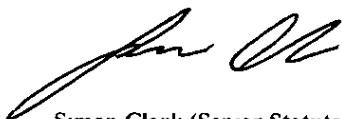
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

23 August 2012

Financial Statements

Income statement for the year ended 31 December 2011

	<i>Notes</i>	2011 £	2010 £
Revenue		500,000	500,000
Finance income	3	139,300	139,300
Profit before tax		639,300	639,300
Tax expense	5	(132,465)	(140,000)
Profit for the year		506,835	499,300

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

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements

Statement of comprehensive income for the year ended 31 December 2011

	2011 £	2010 £
Profit for the year	506,835	499,300
Other comprehensive income/(expense)		
– Fair value gain on available-for-sale investments	604,141	-
– Tax on Other Comprehensive Income	(152,546)	-
Other comprehensive income for the year, net of tax	451,595	-
Total comprehensive income/(expense) for the year	958,430	499,300
Total comprehensive income/(expense) for the year attributable to the shareholders	958,430	499,300

Financial Statements (continued)**Statement of financial position as at 31 December 2011**

	Notes	2011 £	2010 £
ASSETS			
Non-current assets			
Financial investments	6	2,604,136	1,999,995
Current assets			
Cash and cash equivalents held with parent undertakings		619,665	752,165
Receivables	7	600,000	587,500
Accrued income		35,111	174,411
		<u>1,254,776</u>	<u>1,514,076</u>
Total assets		<u>3,858,912</u>	<u>3,514,071</u>
LIABILITIES AND EQUITY			
Current liabilities			
Other liabilities	9	615,476	375,476
Current tax liabilities		132,465	140,000
		<u>747,941</u>	<u>515,476</u>
Non-current liabilities			
Deferred tax liabilities	8	152,546	-
Total liabilities		<u>900,487</u>	<u>515,476</u>
Equity			
Called up share capital	10	1,999,995	1,999,995
Available-for-sale fair value reserve		451,595	-
Retained earnings		506,835	998,600
Total shareholders' equity		<u>2,958,425</u>	<u>2,998,595</u>
Total equity and liabilities		<u>3,858,912</u>	<u>3,514,071</u>

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 23 August 2012 and were signed on its behalf by



G P Hewitt
Director
 Company Registration No 6606400

Financial Statements (continued)**Statement of cash flows for the year ended 31 December 2011**

	2011 £	2010 £
Cash flows from operating activities		
Profit before tax	639,300	639,300
Adjustments for		
– Change in operating assets	126,800	(12,500)
– Change in operating liabilities	12,500	12,500
– Tax paid	(140,000)	(140,000)
– Dividend income	(139,300)	(139,300)
Net cash generated from operating activities	<u>499,300</u>	<u>360,000</u>
Cash flows from investing activities		
Dividends received	<u>139,300</u>	<u>139,300</u>
Net cash from investing activities	<u>139,300</u>	<u>139,300</u>
Cash flows from financing activities		
Received from other group undertakings in respect of other financing activities	227,500	215,000
Dividends paid	(998,600)	-
Net cash (used in)/generated from financing activities	<u>(771,100)</u>	<u>215 000</u>
Net (decrease)/increase in cash and cash equivalents	<u>(132,500)</u>	<u>714,300</u>
Cash and cash equivalents brought forward	<u>752,165</u>	<u>37,865</u>
Cash and cash equivalents carried forward	<u>619,665</u>	<u>752 165</u>

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements

Financial Statements (continued)**Statement of changes in equity for the year ended 31 December 2011**

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total shareholders' equity
	£	£	£	£
2011				
At 1 January 2011	1,999,995	998,600	-	2,998,595
Profit for the year	-	506,835	-	506,835
Other comprehensive income /(expense)				
- Fair value gain on available-for-sale investments	-	-	604,141	604,141
- Tax on Other Comprehensive income	-	-	(152,546)	(152,546)
Total comprehensive income for the year	-	506,835	451,595	958,430
Dividends to shareholders	-	(998,600)	-	(998,600)
At 31 December 2011	1,999,995	506,835	451,595	2,958,425

	Called up share capital	Retained earnings	Available-for-sale fair value reserve	Total shareholders' equity
	£	£	£	£
2010				
At 1 January 2010	1,999,995	499,300	-	2,499,295
Profit for the year	-	499,300	-	499,300
Total comprehensive income for the year	-	499,300	-	499,300
At 31 December 2010	1,999,995	998,600	-	2,998,595

The accounting policies and notes on pages 9 to 14 form an integral part of these financial statements

Shareholders' equity is wholly attributable to equity shareholders

Notes on the Financial Statements

1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

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 2011, there were no unendorsed standards effective for the year ended 31 December 2011 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the Company's financial statements for the year ended 31 December 2011 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 IFRS Interpretations Committee ('IFRIC') and its predecessor body.

During the year, the Company adopted a number of standards, interpretations and amendments thereto which had an insignificant effect on the financial statements.

(b) Future accounting developments

At 31 December 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2011. None of these are expected to have a significant effect on the results or net assets of the Company when adopted.

No other 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 in these financial statements, except where stated otherwise.

(c) General information

HSBC Asset Finance M O G Holdings (UK) Limited is a company domiciled and incorporated in England and Wales.

2 Summary of significant accounting policies

(a) Fee income

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

(b) Income tax

Income tax comprises current and deferred tax and is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted or substantively enacted, by the end of the reporting period.

Notes on the Financial Statements (continued)

Deferred tax relating to fair value re-measurements of available-for-sale investments which are charged or credited directly to other comprehensive income, is also credited or charged to other comprehensive income and is subsequently recognised in the income statement when the deferred fair value gain or loss is recognised in the income statement

(c) Dividend income

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

(d) Financial assets and liabilities**(i) Loans and receivables**

Loans and receivables include loans and receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans 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 losses.

(ii) 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.

(iii) Financial liabilities

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.

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

(e) 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.

(f) Share capital

Shares are 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 proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

(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

Notes on the Financial Statements (continued)

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

(h) 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, 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

3 Finance income

Finance income comprises dividend income from investments in preference shares

4 Profit for the year

Any services required including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation (2010 £Nil)

The Company has no employees and hence no staff costs (2010 £Nil). The Directors made no charge for their services (2010 £Nil)

5 Tax expense

	2011 £	2010 £
Current tax		
UK Corporation tax		
– on current year profit	132,465	140,000
Tax expense	132,465	140,000

The UK corporation tax rate applying to the Company was 26.5 per cent (2010 28 per cent)

The following table reconciles the tax expense

	2011 £	Percentage of overall profit before tax %	2010 £	Percentage of overall profit before tax %
Taxation at UK corporation tax rate of 26.5% (2010 28%)	169,370	26.5%	179,004	28.0%
Non taxable income	(36,905)	(5.8)%	(39,004)	(6.1)%
Overall tax expense	132,465	20.7%	140,000	21.9%

The UK Government announced that the main rate of Corporation tax for the year beginning 1 April 2011 will reduce from 28% to 26% to be followed by further reductions to reach 22% for the year beginning 1 April 2014. This results in a weighted average rate of 26.5% for 2011 (2010 28%)

Notes on the Financial Statements (continued)**6 Financial investments**

Available-for-sale investments	2011 £	2010 £
At 1 January	1,999,995	1,999,995
Revaluation through other comprehensive income	604,141	-
At 31 December	<u>2,604,136</u>	<u>1,999,995</u>

The Company holds an investment in 1,990,000 7% £1 Cumulative preference shares and 9,995 ordinary shares at par, in Motability Operations Group plc representing a 19.99% interest. The investment is available for sale and stated in the statement of financial position at fair value.

7 Receivables

	2011 £	2010 £
Other debtors	600,000	587,500
	<u>600,000</u>	<u>587,500</u>

8 Deferred tax liabilities

Available -for-sale investments	2011 £	2010 £
At 1 January	-	-
Other comprehensive income – available-for-sale investments	152,546	-
At 31 December	<u>152,546</u>	<u>-</u>

On 27 July 2010, the Government enacted a reduction in the UK corporation tax rate to 27% with effect from 1 April 2011. The effect of this rate change was reflected in the financial statements for the year ending 31 December 2010 as the rate change was substantively enacted in that period.

During the year the Government substantively enacted further reductions in the UK corporation tax rate to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012.

In the financial statements for the year ending 31 December 2011, deferred tax has been calculated at the corporation tax rates applicable to the financial years in which it is expected that the assets will be realised or the liabilities settled, being 25.25% for the year ending 31 December 2012 and 25% thereafter.

On 21 March 2012 the Government announced its intention to further reduce the UK corporation tax rate to 22% by 1 April 2014. On 26 March 2012 the Government substantively enacted a reduction in the UK corporation tax rate to 24% with effect from 1 April 2012 and then on 3 July 2012 the Government substantively enacted a reduction in the UK corporation tax rate to 23% with effect from 1 April 2013. If these rate changes had been substantively enacted on or before the end of the reporting period and remained in place for the foreseeable future, it would have the effect of further reducing the deferred tax liability at that date by £4,531.

As at 31 December 2011 the full anticipated effect of the announced further 1% rate reduction has not been quantified although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

Notes on the Financial Statements (continued)**9 Other liabilities**

	2011 £	2010 £
Related parties Amounts owed to parent undertakings	515,476	287,976
Value added tax	100,000	87,500
	<u>615,476</u>	<u>375,476</u>

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.

10 Share capital

	2011 £	2010 £
Alotted, called up and fully paid		
1,999,995 Ordinary shares of £1 each	1,999,995	1,999,995

11 Risk Management

The Company has exposure to the following types of risk arising from its use of financial instruments: liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note. The Company's risk management policies are consistent with the HSBC Group's risk management policies.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from group undertakings.

The Business manages liquidity risk for this entity as described above for risks generally.

Another group undertaking provides an inter-company current account. This is reflected in the Statement of financial position as amounts owed to other group undertakings. This funding has no fixed repayment date and therefore is technically repayable on demand.

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the end of the reporting period.

	Carrying value £	Contractual cash flows £	On demand £
31 December 2011			
Amounts owed to other group undertakings	515,476	515,476	515,476
	<u>515,476</u>	<u>515,476</u>	<u>515,476</u>
31 December 2010			
Amounts owed to other group undertakings	287,976	287,976	287,976
	<u>287,976</u>	<u>287,976</u>	<u>287,976</u>

Notes on the Financial Statements (continued)

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.

12 Related-party transactions

The Company has a related party relationship with its parent, with other group undertakings and with its directors.

Particulars of transactions, arrangements and agreements involving third parties are disclosed elsewhere within the financial statements.

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

13 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.

14 Contingent liabilities

There were no contingent liabilities at 31 December 2011 (2010: £Nil).

15 Subsequent events

There are no subsequent events requiring disclosure in the financial statements.