

# **HSBC Asset Finance M.O.G. Holdings (UK) Limited**

**Registration No: 6606400**

**Annual Report and Financial Statements for the year  
ended 31 December 2021**



## **HSBC Asset Finance M.O.G. Holdings (UK) Limited**

# **Annual Report and Financial Statements for the year ended 31 December 2021**

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## **Strategic Report**

### **Principal activities**

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

The Company is a private limited company domiciled and incorporated in the United Kingdom and registered in England and Wales.

The Company is limited by shares.

### **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.

### **Section 172 statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. As part of the company's deliberations and decision making process, the Board also takes into account the (i) likely consequences of any decision in the long term; (ii) the interests of the company's employees; (iii) the need to foster the company's business relationships with suppliers, customers and others; (iv) the impact of the company's operations on the community and the environment; and (v) the desirability of the company maintaining a reputation for high standards of business conduct.

The Board considers its stakeholders to be the people who work for us, bank with us, own us, regulate us and live in the societies we serve. During 2021, the directors gave careful consideration to the factors set out above in discharging their duties under section 172. The Board recognises that building strong relationships with our stakeholders will help deliver the company's strategy in line with its long-term values, and operate the business in a sustainable way.

The Board is committed to effective engagement with its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of the company's engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making. The Board acknowledges however, that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

The majority of decisions made by the Board during the year are deemed to be routine in nature and are taken on a cyclical basis.

### **Performance**

The Company's results for the year and financial position as at 31 December 2021 are as detailed in the income statement and the balance sheet on page 7 and page 8 of these financial statements respectively.

### **Key performance indicators**

As the Company is managed as part of the 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 the actual performance of the Company is carried out on a monthly basis.

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### 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 11 of the financial statements.

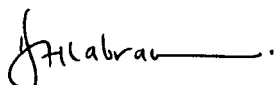
The European Union ('EU') and the UK agreed a Trade and Cooperation Agreement ('TCA') at the end of 2020 following the UK's withdrawal from the EU. The new trading relationship between the UK and the EU, outlined within the TCA, commenced on 1 January 2021 and is taking sometime to settle. Further disputes are expected during 2022 and there is still uncertainty around the ultimate economic effect of the UK leaving the EU. This uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. However, it is considered that there is no significant impact on the Company's operating model, neither operationally nor financially due to the nature of the Company's transactions, its counterparties and available security.

The Covid-19 pandemic has continued to impact the global economy during 2021. Due to the roll-out of vaccines and measures taken by governments and central banks in many countries to protect their economies, there have been positive signs of economic recovery. However, there is still uncertainty remaining in assessing the duration and impact of the Covid-19 outbreak. Renewed outbreaks and new Covid-19 variants could still result in the requirement for future restrictions. Although it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, it is not considered that the Covid-19 outbreak will have a significant impact on its principal risks.

Climate risk developments are managed at HSBC group level across key risk areas, priority regions and business lines. It is not considered that there is any significant risk from climate change to the Company as an individual entity.

The Russian invasion of Ukraine in February 2022 has resulted in the outbreak of war between the two countries. This has resulted in many countries implementing significant sanctions and trade restrictions against Russia in support of Ukraine. This has had repercussions in the global economy creating uncertainty and market volatility. Whilst negotiations are ongoing to seek a resolution, the outcome of the negotiations is unlikely to lead to the resolution of the conflict in the foreseeable future. Consequently, the war is expected to continue for some time into the future with ongoing disruption in UK domestic and global markets. It is not considered that the Russia-Ukraine war will have a significant impact on the principal risks of the Company due to the nature of the Company's transactions.

On behalf of the Board



D H Labram  
Director

26 July 2022

Registered office  
8 Canada Square  
London E14 5HQ  
United Kingdom

## **Report of the Directors**

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
B J O'Byrne		27 September 2021
M R W Hordley		
D H Labram		
J E Seaford	29 June 2022	

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 and remain in place but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

### **Dividends**

The Directors intend to declare an interim dividend of £260,800 in respect of retained earnings from 2021, payable in the year ending 31 December 2022. An interim dividend of £260,800 was paid on the ordinary share capital during the year (2020: £260,800).

### **Significant events since the end of the financial year**

No significant 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, including the Principal risks and uncertainties set out in the Strategic Report, together with future projections of profitability, cash flows and capital resources.

### **Financial risk management**

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks, are set out in Note 11 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 the HSBC Group's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

### **Independent auditors**

PricewaterhouseCoopers LLP ('PwC') are external independent auditors to the Company. PwC has expressed its willingness to continue in office and the Board recommends that PwC be re-appointed as the Company's independent auditors.

## **HSBC Asset Finance M.O.G. Holdings (UK) Limited**

### **Statement of Directors' Responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

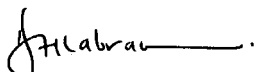
The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' confirmations**

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 26 July 2022 and signed on its behalf by:



D H Labram  
Director

Registered office  
8 Canada Square  
London E14 5HQ  
United Kingdom

## **Independent auditors' report to the members of HSBC Asset Finance M.O.G. Holdings (UK) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2021; income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Reporting on other information**

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### **Strategic report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **HSBC Asset Finance M.O.G. Holdings (UK) Limited**

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- identifying and testing journal entries meeting specific fraud criteria; and
- challenging assumptions made by management in accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Timothy Lawrence (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 July 2022



## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### Financial statements

#### Income statement for the year ended 31 December 2021

	2021	2020
	£	£
Fee and commission income	150,000	150,000
<b>Net fee income</b>	<b>150,000</b>	<b>150,000</b>
Dividend income	139,300	139,300
<b>Profit before tax</b>	<b>289,300</b>	<b>289,300</b>
Tax expense	(28,500)	(28,500)
<b>Profit for the year</b>	<b>260,800</b>	<b>260,800</b>

#### Statement of comprehensive income for the year ended 31 December 2021

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2020: nil).

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

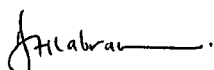
### Balance sheet at 31 December 2021

Registration No: 6606400

	Notes	2021 £	2020 £
<b>Assets</b>			
Cash and cash equivalents		391,280	332,780
Financial investments	8	1,999,995	1,999,995
Prepayments and accrued income		35,111	35,111
<b>Total assets</b>		<b>2,426,386</b>	<b>2,367,886</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade and other payables	9	137,091	78,591
Current tax liabilities		28,500	28,500
<b>Total liabilities</b>		<b>165,591</b>	<b>107,091</b>
<b>Equity</b>			
Called up share capital	10	1,999,995	1,999,995
Retained earnings		260,800	260,800
<b>Total equity</b>		<b>2,260,795</b>	<b>2,260,795</b>
<b>Total liabilities and equity</b>		<b>2,426,386</b>	<b>2,367,886</b>

The accompanying notes on pages 11 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 July 2022 and signed on its behalf by:



D H Labram

Director

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### Statement of cash flows for the year ended 31 December 2021

	2021	2020
	£	£
<b>Cash flows from operating activities</b>		
Profit before tax	289,300	289,300
Adjustments for:		
Change in operating assets	–	180,000
Change in operating liabilities	–	(30,000)
Tax paid	(28,500)	(28,500)
<b>Net cash generated from operating activities</b>	<b>260,800</b>	<b>410,800</b>
<b>Cash flows from financing activities</b>		
Movements in inter-company funding	58,500	33,500
Dividends paid	(260,800)	(260,800)
<b>Net cash used in financing activities</b>	<b>(202,300)</b>	<b>(227,300)</b>
Net increase in cash and cash equivalents	58,500	183,500
Cash and cash equivalents brought forward	332,780	149,280
<b>Cash and cash equivalents carried forward</b>	<b>391,280</b>	<b>332,780</b>

Dividend received was £139,300 (2020: £139,300).

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £	Retained earnings £	Total equity £
At 1 Jan 2021	1,999,995	260,800	2,260,795
Profit for the year	—	260,800	260,800
Total comprehensive income for the year	—	260,800	260,800
Dividends to shareholders	—	(260,800)	(260,800)
At 31 Dec 2021	1,999,995	260,800	2,260,795

	Called up share capital £	Retained earnings £	Total equity £
At 1 Jan 2020	1,999,995	260,800	2,260,795
Profit for the year	—	260,800	260,800
Total comprehensive income for the year	—	260,800	260,800
Dividends to shareholders	—	(260,800)	(260,800)
At 31 Dec 2020	1,999,995	260,800	2,260,795

## **Notes on the financial statements**

### **1 Basis of preparation and significant accounting policies**

#### **1.1 Basis of preparation**

##### **(a) Compliance with International Financial Reporting Standards ('IFRSs')**

The financial statements of the Company comply with UK-adopted international accounting standards and with the requirements of the Companies Act 2006. There were no unendorsed standards effective for the year ended 31 December 2021 affecting these financial statements.

Standards adopted during the year ended December 31, 2021

There were no new accounting standards or interpretations that had a significant effect on the Company in 2021. Accounting policies have been consistently applied.

##### **(b) Future accounting developments**

Minor amendments to IFRSs

The International Accounting Standards Board ('IASB') has not published any minor amendments effective from 1 January 2021 that are applicable to the Company. However, the IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2022 and 1 January 2023. The Company expects they will have an insignificant effect, when adopted, on the financial statements.

New IFRSs

##### *IFRS 17 'Insurance Contracts'*

The IASB has published IFRS 17 'Insurance Contracts' which is effective from 1st January 2023. IFRS 17 has not yet been endorsed in the UK but is not expected to have a significant impact on the financial statements of the Company.

##### **(c) Presentation of information**

The functional currency of the Company is sterling, which is also the presentational currency of the financial statements of the Company.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of financial assets held at fair value through profit and loss.

##### **(d) Critical accounting estimates and judgements**

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based. This could result in materially different estimates and judgements from those reached by management for the purposes of these financial statements.

Management's selection of the Company's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

There are no accounting policies or estimates that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policies applied, which involve a high degree of judgement and estimation.

##### **(e) Going concern**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the Principal risks and uncertainties set out in the Strategic Report, together with future projections of profitability, cash flows and capital resources.

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### 1.2 Summary of significant accounting policies

#### (a) Income and expense

Non-interest income and expense

Fee income is accounted for as follows:

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

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders approve the dividend for unlisted equity securities.

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

#### (b) Valuation of financial instruments

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

#### (c) Financial instruments measured at amortised cost

Financial assets

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include Trade and other receivables and investments relating to preference shares.

Financial assets are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowances.

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 provision of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

#### (d) Financial instruments designated at fair value through profit or loss

Financial assets at fair value through profit or loss are designated as such upon initial recognition. Subsequent changes in fair values are recognised in the income statement in 'Net income from financial instruments managed on a fair value basis'.

#### (e) Impairment of amortised cost financial assets

Expected credit losses ('ECL') are recognised for all financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months or less, where the remaining life is less than 12 months, ('12-month ECL'). In the event of a significant increase in credit risk, 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 considered to be 'stage 1'; financial assets which 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'.

No ECL is considered to be required for financial assets held by the company as amounts are either short term in nature or not considered significant in relation to customer risk ratings.

#### (f) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and on 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 are calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

#### (g) Called up share capital

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

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### (h) Cash and cash equivalents

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

### (i) 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 a treasury function, providing funding for the Company through an inter-company account.

## 2 Employee compensation and benefits

The Company has no employees and hence no staff costs (2020: nil).

## 3 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2020: 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 by HSBC Bank plc amounted to £1,103 (2020: £1,103).

There were no non-audit fees incurred during the year (2020: nil).

## 5 Tax

### Tax expense

	2021 £	2020 £
<b>Current tax</b>		
- For this year	28,500	28,500
<b>Total current tax</b>	<b>28,500</b>	<b>28,500</b>
<b>Year ended 31 Dec</b>	<b>28,500</b>	<b>28,500</b>

The UK corporation tax rate applying to the Company was 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

### Tax reconciliation

	2021 £	(%)	2020 £	(%)
Profit before tax	289,300		289,300	
Tax at 19.00% (2020: 19.00%)	54,967	19.0	54,967	19.0
Non-taxable income and gains	(26,467)	(9.1)	(26,467)	(9.1)
<b>Year ended 31 Dec</b>	<b>28,500</b>	<b>9.9</b>	<b>28,500</b>	<b>9.9</b>

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### 6 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

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

	Fair value through profit and loss	Financial assets and liabilities at amortised cost	Total
At 31 Dec 2021	£	£	£
<b>Assets</b>			
Cash and cash equivalents	—	391,280	391,280
Financial investments	9,995	1,990,000	1,999,995
Prepayments and accrued income	—	35,111	35,111
<b>Total financial assets</b>	<b>9,995</b>	<b>2,416,391</b>	<b>2,426,386</b>
<b>Total non-financial assets</b>			—
<b>Total assets</b>			<b>2,426,386</b>
<b>Liabilities</b>			
Trade and other payables	—	137,091	137,091
<b>Total financial liabilities</b>	<b>—</b>	<b>137,091</b>	<b>137,091</b>
<b>Total non-financial liabilities</b>			<b>28,500</b>
<b>Total liabilities</b>			<b>165,591</b>

	Fair value through profit and loss	Financial assets and liabilities at amortised cost	Total
At 31 Dec 2020	£	£	£
<b>Assets</b>			
Cash and cash equivalents	—	332,780	332,780
Financial investments	9,995	1,990,000	1,999,995
Prepayments and accrued income	—	35,111	35,111
<b>Total financial assets</b>	<b>9,995</b>	<b>2,357,891</b>	<b>2,367,886</b>
<b>Total assets</b>			<b>2,367,886</b>
<b>Liabilities</b>			
Trade and other payables	—	78,591	78,591
<b>Total financial liabilities</b>	<b>—</b>	<b>78,591</b>	<b>78,591</b>
<b>Total non-financial liabilities</b>			<b>28,500</b>
<b>Total liabilities</b>			<b>107,091</b>

In 2018, the Company adopted IFRS 9 which resulted in the reclassification of the investment held in 1,990,000 £1 Cumulative preference shares in Motability Operations Group plc as financial assets measured at amortised cost. The investment in 9,995 £1 ordinary shares has been classified as fair value through profit or loss. Further detail in respect of the classification of investments is disclosed in Note 9.

### 7 Fair value of financial instruments carried at fair value

#### Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- Level 1 - valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- 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.
- Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2021	
	Level 3	Total
	£	£
<b>Recurring fair value measurements at 31 Dec</b>		
<b>Assets</b>		
Financial investments at fair value	9,995	9,995
	2020	
	Level 3	Total
	£	£
<b>Recurring fair value measurement at 31 Dec</b>		
<b>Assets</b>		
Financial investments at fair value	9,995	9,995

The fair value has been assessed based on historical observations, future expectations and the fair value of equivalent holdings reported by other investees.



## 8 Financial investments

### Carrying amount of financial investments

	2021	2020
	£	£
Financial investments measured at:		
- fair value through profit and loss	9,995	9,995
- amortised cost	1,990,000	1,990,000
<b>Year ended 31 Dec</b>	<b>1,999,995</b>	<b>1,999,995</b>

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 Directors consider that the business model for the investment in 1,990,000 7% £1 Cumulative preference shares is to hold to collect for the foreseeable future and hence has been reclassified at amortised cost with effect from 1 January 2018.

Furthermore, following the adoption of IFRS 9 with effect from 1 January 2018, the investment in 9,995 £1 ordinary shares has been classified as fair value through profit or loss.

Financial Investments held at fair value are 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 the fair value of equivalent holdings reported by other investees. Based on these observations there has been no material change to the fair value of the 9,995 £1 Ordinary shares and therefore no gain or loss has been recognised during the year.

## 9 Trade and other payables

	2021	2020
	£	£
Amounts owed to other group undertakings	137,091	78,591
<b>At 31 Dec</b>	<b>137,091</b>	<b>78,591</b>

Amounts owed to other group undertakings have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value due to their short term nature.

## 10 Called up share capital

	2021		2020	
	Number	£	Number	£
<b>Issued, allotted and fully paid up</b>				
Ordinary shares of £1 each	1,999,995	1,999,995	1,999,995	1,999,995
<b>As at 1 Jan and 31 Dec</b>	<b>1,999,995</b>	<b>1,999,995</b>	<b>1,999,995</b>	<b>1,999,995</b>

## 11 Management of financial risk

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.

### Credit risk management

The Company has no significant exposure to credit risk.

### 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 risk arises from mismatches in the timing of cash flows.

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 the Company as described above for risks generally.

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

	On Demand	Total
	£	£
Trade and other payables	137,091	137,091
<b>At 31 Dec 2021</b>	<b>137,091</b>	<b>137,091</b>
Trade and other payables	78,591	78,591
<b>At 31 Dec 2020</b>	<b>78,591</b>	<b>78,591</b>

## HSBC Asset Finance M.O.G. Holdings (UK) Limited

### Market risk management

Market risk is the risk that movements in market factors including interest rates or foreign exchange rates will impact the Company's income. The Company is not exposed to interest rate risk or foreign exchange risk on its financial assets or financial liabilities.

Appropriate actions to mitigate the impact of such risk, if material are considered as part of the ongoing management of the business.

The Company's investments carry a fixed rate of return and are mainly funded by equity.

### 12 Related party transactions

#### Transaction with other related parties

	2021		2020	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	£	£	£	£
<b>Liabilities</b>				
Trade and other payables <sup>1</sup>	137,091	137,091	133,592	78,591

<sup>1</sup> These amounts are payable to another group company, HSBC Asset Finance (UK) Ltd.

### 13 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Bank plc. All companies are registered in England and Wales.

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

Copies of HSBC Holdings plc's and HSBC Bank plc's consolidated financial statements can be obtained from:

HSBC Holdings plc  
8 Canada Square  
London E14 5HQ  
United Kingdom  
www.hsbc.com

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

### 14 Events after the balance sheet date

No significant events affecting the Company have occurred since the end of the financial year.