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

Registration No: 6606400

Annual Report and Financial Statements for the year ended 31 December 2019

HSBC

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Contents

Strategic Report

Principal activities

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

The Company is a private limited company 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. In doing this, section 172 requires a director to have regard, amongst other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As a Group, HSBC 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. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

The Company's principal stakeholder is its parent entity and the principal decision taken by the Company during the year was the declaration of a dividend. In making the decision, the Board took into consideration the profits available for distribution, the dividend policy, the capital position, the long-term interests of the Company and the interests of the Group as a whole.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

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 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 ('EU') with the process of the UK leaving the EU commencing on 29 March 2017. The UK left the EU on 31 January 2020 and entered into a transition period until 31 December 2020, during which negotiations will take place on the future relationship between the UK and the EU. At this stage the ultimate economic effect of the UK leaving the EU is 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 the UK leaving the EU is not expected to have a material effect on the results and net assets of the Company. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of the UK leaving the EU is not expected to translate into a material increase in credit risk for the Company given the nature of the Company's transactions, its counterparties and available security.

In addition to the above, since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The main risk to the Company relates to the valuation of the investments held in Motability Operations Group plc. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the effect of the COVID-19 outbreak is being actively monitored and is not considered to have a significant impact on the principal risks facing the Company.

On behalf of the Board

DHLabram

D H Labram
Director

10 September 2020

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:

Name	Appointed	Resigned
B J O'Byrne		
M R W Hordley	23 September 2019	
D H Labram	23 September 2019	
V L Phelps-Gill		4 March 2019

The Articles of Association of the Company contain a qualifying third-party indemnity provision, which entitles Directors and other officers 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 up to the date of approval of the financial statements but have not been utilised by the Directors. Additionally, 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 2019, payable in the year ending 31 December 2020. An interim dividend of £260,800 was paid on the ordinary share capital during the year (2018: £ £260,430).

Significant events since the end of the financial year

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The main risk to the Company relates to the valuation of the investments held in Motability Operations Group plc. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the effect of the COVID-19 outbreak is being actively monitored and is not considered to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

No other 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 COVID-19 outbreak referred to above, 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 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 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.

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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also 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 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 Directors' Report 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 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.

On behalf of the Board

DHLabram

D H Labram
Director
10 September 2020

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 2019 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.

We have audited the financial statements, included within the *Annual Report and Financial Statements* (the "*Annual Report*"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes 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 of Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's 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 of our opinion.

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

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

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Harry Armour

Harry Armour (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

10 September 2020

Financial statements

Income statement for the year ended 31 December 2019

	Notes	2019 £	2018 £
Fee and commission income		**150,000**	150,000
Net fee income		**150,000**	150,000
Dividend income		**139,300**	139,300
Profit before tax		**289,300**	289,300
Tax expense	5	**(28,500)**	(28,500)
Profit for the year		**260,800**	260,800

Statement of comprehensive income for the year ended 31 December 2019

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2018: nil).

Balance sheet at 31 December 2019
Registration No: 6606400

	Notes	2019 £	2018 £
Assets			
Cash and cash equivalents		**149,280**	380,780
Trade and other receivables	8	**180,000**	180,000
Financial investments	9	**1,999,995**	1,999,995
Prepayments and accrued income		**35,111**	35,111
Total assets		**2,364,386**	2,595,886
Liabilities and equity			
Liabilities			
Trade and other payables	10	**45,091**	276,591
Accruals, deferred income and other liabilities		**30,000**	30,000
Current tax liabilities		**28,500**	28,500
Total liabilities		**103,591**	335,091
Equity			
Called up share capital	11	**1,999,995**	1,999,995
Retained earnings		**260,800**	260,800
Total equity		**2,260,795**	2,260,795
Total liabilities and equity		**2,364,386**	2,595,886

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 10 September 2020 and signed on its behalf by:

DHLabram

D H Labram

Director

Statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit before tax	**289,300**	289,300
Adjustments for:		
Tax paid	**(28,500)**	(28,870)
Net cash generated from operating activities	**260,800**	260,430
Cash flows from financing activities		
Movements in inter-company funding	**(231,500)**	58,870
Dividends paid	**(260,800)**	(260,430)
Net cash used in financing activities	**(492,300)**	(201,560)
Net (decrease)/increase in cash and cash equivalents	**(231,500)**	58,870
Cash and cash equivalents brought forward	**380,780**	321,910
Cash and cash equivalents carried forward	**149,280**	380,780

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2019	**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 2019	**1,999,995**	**260,800**	**2,260,795**

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 Jan 2018	1,999,995	260,430	2,260,425
Profit for the year	–	260,800	260,800
Total comprehensive income for the year	–	260,800	260,800
Dividends to shareholders	–	(260,430)	(260,430)
At 31 Dec 2018	1,999,995	260,800	2,260,795

Notes on the financial statements

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with 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 2019, there were no unendorsed standards effective for the year ended 31 December 2019 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 December 31, 2019

IFRS 16 'Leases'

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases were previously accounted for under IAS 17 'Leases'. Lessees recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting has remained substantially the same as under IAS 17. Adoption has had no effect on the results or net assets of the Company.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB published a number of minor amendments to IFRSs which are effective from 1 January 2020, some of which have been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

There are no new IFRSs published by the IASB which are effective from 1 January 2020 that are expected to have an 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, highlighted as the 'critical accounting estimates and judgements' in section 1.2 to follow, 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 conclusions from those reached by management for the purposes of these financial statements.

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

(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 COVID-19 outbreak, together with future projections of profitability, cash flows and capital resources.

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.

(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 (2018: nil).

3 Directors' emoluments

None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2018: 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 £1,050 (2018: £1,000).

There were no non-audit fees incurred during the year (2018: nil).

5 Tax

Tax expense

	2019	2018
	£	£
Current tax		
- For this year	**28,500**	28,500
Total current tax	**28,500**	28,500
Year ended 31 Dec	**28,500**	28,500

The UK corporation tax rate applying to the Company was 19% (2018: 19%).

A reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation Tax Rate will instead remain at 19%.

Tax reconciliation

	2019		2018	
	£	(%)	£	(%)
Profit before tax	**289,300**		289,300	
Tax at 19.00% (2018: 19.00%)	**54,967**	**19.0**	54,967	19.0
Non-taxable income and gains	**(26,467)**	**(9.1)**	(26,467)	(9.1)
Year ended 31 Dec	**28,500**	**9.9**	28,500	9.9

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 2019	£	£	£
Assets			
Cash and cash equivalents	–	149,280	149,280
Trade and other receivables	–	180,000	180,000
Financial investments	9,995	1,990,000	1,999,995
Prepayments and accrued income	–	35,111	35,111
Total financial assets	9,995	2,354,391	2,364,386
Total non-financial assets			–
Total assets			2,364,386
Liabilities			
Trade and other payables	–	45,091	45,091
Total financial liabilities	–	45,091	45,091
Total non-financial liabilities			58,500
Total liabilities			103,591

At 31 Dec 2018	Fair value through profit and loss £	Financial assets and liabilities at amortised cost £	Total £
Assets			
Cash and cash equivalents	–	380,780	380,780
Trade and other receivables	–	180,000	180,000
Financial investments	9,995	1,990,000	1,999,995
Prepayments and accrued income	–	35,111	35,111
Total financial assets	9,995	2,585,891	2,595,886
Total assets			2,595,886
Liabilities			
Trade and other payables	–	276,591	276,591
Total financial liabilities	–	276,591	276,591
Total non-financial liabilities			58,500
Total liabilities			335,091

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:

(a) 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.

(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 valuation techniques where one or more significant inputs are unobservable.

Financial instruments carried at fair value and bases of valuation

	2019	
	Level 3 £	Total £
Recurring fair value measurements at 31 Dec		
Assets		
Financial investments at fair value	**9,995**	**9,995**

	2018	
	Level 3 £	Total £
Recurring fair value measurement at 31 Dec		
Assets		
Financial investments	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 Trade and other receivables

	2019 £	2018 £
Other receivables	**180,000**	180,000
At 31 Dec	**180,000**	180,000

Other receivables are short term in nature and are considered to be received within a period of one year.

9 Financial investments

Carrying amount of financial investments

	2019 £	2018 £
Financial investments measured at:		
- fair value through profit and loss	**9,995**	9,995
- amortised cost	**1,990,000**	1,990,000
Year ended 31 Dec	**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 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.

10 Trade and other payables

	2019 £	2018 £
Amounts owed to other group undertakings	**45,091**	276,591
At 31 Dec	**45,091**	276,591

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.

11 Called up share capital

	2019 Number	2019 £	2018 Number	2018 £
Issued, allotted and fully paid up				
Ordinary shares of £1 each	**1,999,995**	**1,999,995**	1,999,995	1,999,995
As at 1 January and 31 December	**1,999,995**	**1,999,995**	1,999,995	1,999,995

12 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	**45,091**	**45,091**
At 31 Dec 2019	**45,091**	**45,091**
Trade and other payables	276,591	276,591
At 31 Dec 2018	276,591	276,591

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.

13 Related party transactions

Transaction with other related parties

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

	2019		2018	
	Highest balance during the year	Balance at 31 December	Highest balance during the year	Balance at 31 December
	£	£	£	£
Liabilities				
Trade and other payables	276,591	45,091	276,592	276,591

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.

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

15 Events after the balance sheet date

Since early January 2020, the COVID-19 outbreak has spread across the globe and has been classified by the World Health Organisation as a Pandemic. This is causing ongoing global disruption to business and economic activity, and is resulting in substantial and substantive government and central banks relief actions and support measures in many countries to protect their economies. The main risk to the Company relates to the valuation of the investments held in Motability Operations Group plc. Whilst it cannot be predicted how long the disruption will continue or the full extent of the impact on the Company, the effect of the COVID-19 outbreak is being actively monitored and is not considered to have a significant impact on the principal risks facing the Company.

The COVID-19 outbreak represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of the Company's assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date.

There are no other significant events after the balance sheet date.