

**BNP PARIBAS NET LIMITED**

**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

REGISTERED OFFICE  
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LONDON  
NW1 6AA

REGISTERED NUMBER: **1557788**



**BNP PARIBAS NET LIMITED**

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## **BNP PARIBAS NET LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their Strategic report of BNP Paribas Net Limited (the "Company") for the year ended 31 December 2018.

#### **Principal activities**

The principal activity of the Company is the provision of telecommunication services to BNP Paribas group undertakings.

#### **Review of the business**

As shown in the Company's income statement, profit for the year was £1.3 million (2017: £0.3 million).

Total equity as at 31 December 2018 was £3 million (2017: £1.7 million).

No interim dividend was paid during the year (2017: £ nil).

#### **Business development and performance**

The provision of telecommunication services to BNP Paribas group companies continues to be the core business.

#### **Principal risk and uncertainties**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk.

Refer to note 2 for more details on financial risk management.

#### **Strategic aims**

The Company aims to provide sustainable returns to its immediate parent undertaking, BNP PUK Holding Limited.


#### **Future developments**

The Company will continue to provide telecommunication services to the BNP Paribas group while the Directors actively manage the Company and consider suitable future business opportunities. The Company's plans for 2019 are to continue to improve client service, organic expansion to support the expansion of BNP Paribas, the ultimate parent undertaking, and to reduce telecom carrier costs and the number of suppliers.

The Company expects to incur higher capital expenditure on investments in the next four years to support improved client service offering, the funding of which may require new financing.

A study was undertaken by the company to assess the impact of Brexit on the future domicile of the Company, its operations and contractual obligations to its clients. The impact of Brexit is not expected to have a significant impact on the Company in the foreseeable future.

On behalf of the Board

  
Director  
23 May 2019

KETAN SHAH

## **BNP PARIBAS NET LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

The Company is a wholly owned subsidiary undertaking of BNP PUK Holding Limited. The ultimate parent undertaking is BNP Paribas, a company incorporated in France. The Company is incorporated in the United Kingdom and registered in England and Wales.

#### **Future developments**

Refer to note under the Strategic report on page 2.

#### **Overview of risk management**

The Directors are responsible for identifying risks to which the Company is exposed and for implementing a risk management programme. Financial risk is considered to have the highest potential for a loss event and is explained in further detail below.

#### **Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Refer to note 2 for more details on financial risk management.

#### **Dividends**

The Company did not pay an interim dividend during the year (2017: £ nil).

The Directors do not recommend the payment of a final dividend (2017: £ nil).

#### **Charitable and political donations**

During the year, there were no charitable or political contributions made by the Company (2017: £ nil).

#### **Directors**

The Directors holding office during the year, and to the date of this report were as follows:

Bruno Fennebresque	(Resigned 15 May 2019)
Rakesh Gupta	
Hadi Monceau	(Chairperson)
Erica Moon	(Appointed 4 January 2019)
Ketan Jayantilal Shah	
Marc-Michel Stack	

**BNP PARIBAS NET LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

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**Directors' third party indemnity provisions**

BNP Paribas, the ultimate parent undertaking, has put in place qualifying third party indemnity provisions in the form of a Directors and Officers' insurance policy, for the benefit of the Company's Directors, effective throughout the year, and which remain in force at the date of this report.

**Going concern and liquidity**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company has adequate financial resources in the form of cash and cash equivalents, and trade and other receivables, which more than cover any payables under which it is currently obligated.

**Independent Auditors and disclosure of information to auditors**

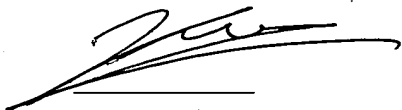
PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006.

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the Board



Director  
23 May 2019

CETAN SHAH

**BNP PARIBAS NET LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED  
31 DECEMBER 2018**

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The Directors are responsible for preparing the Strategic report, Directors' report and the 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 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.

## **BNP PARIBAS NET LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS NET LIMITED**

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

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##### **Opinion**

In our opinion, BNP Paribas Net Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, 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.

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##### **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.

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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters. 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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##### **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 Directors' Report, 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.

## **BNP PARIBAS NET LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS NET LIMITED (continued)**

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#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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 Directors' Report.

#### **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 set out on page 5, 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](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.

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#### **Other required reporting**


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##### **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.

  
Iwan Griffiths (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 May 2019



**BNP PARIBAS NET LIMITED****INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 £'000	2017 £'000
Revenue	3	17,587	15,464
Cost of sales	4	(15,620)	(13,848)
<b>Gross Profit</b>		<b>1,967</b>	<b>1,616</b>
Other expenses	5	(41)	(23)
<b>Operating profit</b>		<b>1,926</b>	<b>1,593</b>
Interest income	6	34	39
Interest expense	7	(35)	(26)
Impairment write back / (charge) on trade receivables		56	(627)
<b>Profit before taxation</b>	8	<b>1,981</b>	<b>979</b>
Taxation	9	(689)	(638)
<b>Profit for the year</b>		<b>1,292</b>	<b>341</b>

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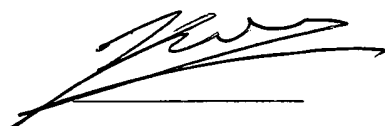
The profit for both years is wholly derived from continuing operations.

There was no other comprehensive income for the year ended 31 December 2018 or the prior year.

## BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax asset	10	279	268
Property, plant and equipment	11	1,970	1,753
<b>Total non-current assets</b>		<b>2,249</b>	<b>2,021</b>
<b>Current assets</b>			
Trade and other receivables	12	8,646	6,408
Cash and cash equivalents	13	1,411	424
<b>Total current assets</b>		<b>10,057</b>	<b>6,832</b>
<b>TOTAL ASSETS</b>		<b>12,306</b>	<b>8,853</b>
<b>EQUITY</b>			
Share capital	15	500	500
Retained earnings		2,456	1,164
<b>TOTAL EQUITY</b>		<b>2,956</b>	<b>1,664</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	6,397	5,798
Borrowings	13	2,953	1,391
<b>Total current liabilities</b>		<b>9,350</b>	<b>7,189</b>
<b>TOTAL LIABILITIES</b>		<b>9,350</b>	<b>7,189</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,306</b>	<b>8,853</b>

The financial statements on pages 8 to 25 were approved by the Board of Directors on 23 May 2019 and were signed on its behalf and authorised for issue by:



Director

KETAN SHAH

**BNP PARIBAS NET LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
Opening balance 1 January 2017	500	823	1,323
Profit for the year	-	341	341
<b>At 31 December 2017</b>	<b>500</b>	<b>1,164</b>	<b>1,664</b>
Opening balance 1 January 2018	<b>500</b>	<b>1,164</b>	<b>1,664</b>
Profit for the year	-	1,292	1,292
<b>At 31 December 2018</b>	<b>500</b>	<b>2,456</b>	<b>2,956</b>

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**BNP PARIBAS NET LIMITED**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>1,981</b>	<b>979</b>
Adjustments for:			
— interest income	6	(34)	(39)
— interest expense	7	35	26
— depreciation	11	812	573
— foreign exchange loss / (gain)		23	(5)
— impairment (write back) / charge for trade receivables		(56)	627
<b>Changes in working capital:</b>			
Changes in working capital excluding interest and taxation:			
— increase in trade and other receivables excluding allowances for doubtful debts		(1,986)	(1,706)
— increase in trade and other payables		171	728
<b>Cash flows generated from operating activities</b>		<b>946</b>	<b>1,183</b>
Interest received		19	39
Interest paid		-	(33)
Irrecoverable withholding tax		(254)	(376)
Tax paid		(154)	(321)
<b>Net cash flows generated from operating activities</b>		<b>557</b>	<b>492</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	11	(1,029)	(1,602)
<b>Net cash flows used in investing activities</b>		<b>(1,029)</b>	<b>(1,602)</b>
<b>Net cash flows used in operating and investing activities</b>		<b>(472)</b>	<b>(1,110)</b>
<b>Net decrease in cash and cash equivalents</b>			
		(472)	(1,110)
<b>Cash and cash equivalents at 1 January</b>		<b>(967)</b>	<b>26</b>
— Foreign exchange (loss) / gain on cash and deposits held in foreign currency		(103)	117
<b>Cash and cash equivalents at 31 December</b>	13	<b>(1,542)</b>	<b>(967)</b>
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents		1,411	424
Borrowings		(2,953)	(1,391)
<b>Net cash and cash equivalents at 31 December</b>	13	<b>(1,542)</b>	<b>(967)</b>

## **BNP PARIBAS NET LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the period presented, unless otherwise stated.

##### **a) Basis of preparation**

These financial statements have been prepared in accordance with United Kingdom law and International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS IC interpretations. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(b).

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018 and have been adopted by the Company:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The impact on adoption has been disclosed in note 18.

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. None of these are expected to have a significant effect on the financial statements of the Company.

##### **Going concern and liquidity**

As noted in the Directors’ report, the Directors have at the date of approving the financial statements a reasonable expectation that the Company will continue to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### **b) Critical accounting estimates and judgements**

The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as the impairment of trade receivables.

##### **c) Revenue recognition**

###### *(i) Revenue*

Revenue arises from telecommunication service, invoiced to BNP Paribas group undertakings. Revenue is recognised based on when the performance obligations agreed as part of the customer contract are satisfied. The performance obligation is the provision of uninterrupted telecommunication services. The performance obligations are satisfied over time and the Company recognises revenue from the contract over the period of service.

**BNP PARIBAS NET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. Accounting policies (continued)**

**c) Revenue recognition (continued)**

*(ii) Interest income*

Interest income arises from cash and cash equivalents and is recognised in the income statement using the effective interest rate method.

*(iii) Interest expense*

Interest expense arises from borrowings and is recognised in the income statement, using the effective interest rate method.

**d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sterling, being the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**e) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment. Telecommunications equipment is depreciated on a straight-line basis over four years.

**f) Impairment of property, plant and equipment**

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of fair value less cost to sell or value in use.

The carrying values of property, plant and equipment are written down by the amount of any impairment, and this loss is recognised in the income statement in the year in which it occurs.

**g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held with banks, other short term highly liquid investments with original maturities of three months or less.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**h) Share capital, capital contribution, debt instruments and dividend distributions**

Ordinary shares and capital contributions that evidence a residual interest in the assets of the Company after deducting all of its liabilities are classified as equity instruments.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

## BNP PARIBAS NET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### **I. Accounting policies (continued)**

##### **i) Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered), using tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that foreseeable future taxable profits will be available against which the temporary differences can be utilised.

##### **j) Financial assets**

All financial assets are initially recognised at fair value, plus transaction costs.

The Company classifies its financial assets as 'financial assets at amortised cost'. Management determines the classification of its financial instruments upon initial recognition – such classification being dependent on the purpose for which the financial instruments were acquired.

**The classification includes:**

##### *Financial assets at amortised cost*

Financial assets at amortised cost are financial assets that have fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost, including trade and other receivables, are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment.

##### **k) Impairment of financial assets**

##### *Financial assets at amortised cost*

Impairment calculation on the Company's financial assets under IFRS 9 moved from an incurred loss model to an expected credit loss ("ECL") model. The ECL impairment model applies to financial assets at amortised cost which include trade receivables, term deposits, and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either:

- 12-month ECLs: these are ECLs that result from the expected default events within 12 months after the reporting date; and
- Lifetime ECLs non-impaired assets: these are ECLs that result from all possible default events over the expected life of the financial instrument.
- Lifetime ECLs credit-impaired financial assets: these are assets that have objective evidence of impairment at the reporting date and the loss allowance is measured as an amount equal to the lifetime expected credit loss.

## BNP PARIBAS NET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1. Accounting policies (continued)

##### k) Impairment of financial assets (continued)

When determining whether the credit risk on a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information available. This includes both quantitative and qualitative information, and the analysis is based on the Company's historical experience and informed credit assessment including forward looking information.

##### *Measurement of expected credit loss*

The Company applies the simplified approach to determining the impairment for trade receivables with maturity shorter than 12 months. The simplified model consists in accounting for a loss allowance corresponding to the lifetime expected credit losses since initial recognition, and at each reporting date. The Company uses a provision matrix as a practical expedient to calculate the impairment loss. The definition of default is aligned to the Basel regulatory default definition, with a rebuttable presumption that the default occurs no later than 90 days past due.

##### l) Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are initially recognised at fair value, net transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest rate method.

#### 2. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

##### a) Credit risk

The Company takes on exposure to credit risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk exposures arise on trade and other receivables and cash and cash equivalents.

These assets represent exposures to other group undertakings.

##### *Maximum exposure to credit risk before collateral held or credit enhancements*

	2018	2017
	£'000	£'000
Trade and other receivables	8,646	6,408
Cash and cash equivalents	1,411	424
	<b>10,057</b>	<b>6,832</b>

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2018 and 2017. The exposures set out above are based on the carrying amounts as reported in the balance sheet. No collateral is held against these exposures.



**BNP PARIBAS NET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Financial risk management (continued)**

**a) Credit risk (continued)**

*Financial assets past due but not impaired*

There were £1.6 million of financial assets that were past due but not impaired (2017: £1.6 million). This exposure is to BNP Paribas group undertakings. The ageing analysis of these trade receivables is as follows:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
3 to 6 Months	<b>763</b>	1,197
6 to 12 Months	<b>806</b>	403
Over 12 Months	<b>12</b>	44
	<b>1,581</b>	1,644

**BNP PARIBAS NET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Financial risk management (continued)**

**b) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Company is exposed to liquidity risk on its trade and other payables and borrowings.

Prudent liquidity risk management is achieved by maintaining sufficient cash and trade and other receivables. In the event the company requires short-term liquidity, it is able to obtain the necessary funding from BNP Paribas, ultimate parent undertaking.

The table below presents the cash flows payable by the Company by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2018	Up to 3 Months	3 to 6 Months	6 to 12 Months	1- 5 Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>					
Borrowings	2,953	-	-	-	2,953
Trade payables	5,753	-	-	-	5,753
Interest payable	-	-	39	-	39
Other payables	605	-	-	-	605
<b>Total Liabilities</b>	<b>9,311</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>9,350</b>
Restated*					
At 31 December 2017	Up to 3 Months	3 to 6 Months	6 to 12 Months	1- 5 Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>					
Borrowings	1,391	-	-	-	1,391
Trade payables	5,401	-	-	-	5,401
Interest payable	-	-	3	-	3
Other payables	394	-	-	-	394
<b>Total Liabilities</b>	<b>7,186</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>7,189</b>

\*The 2017 liquidity risk has been restated to include £366k corporation tax payable in 'other payables'.

## BNP PARIBAS NET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Financial risk management (continued)

##### e) Market risk

The Company's activities expose it to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates and interest rates.

##### *(i) Foreign exchange risk*

The Company incurs costs and earns revenues in foreign currencies. As a result, the Company is exposed to foreign exchange risk, however this is mitigated by matching of its currency assets and liabilities. Any residual position is transferred to BNP Paribas, the ultimate parent undertaking on a monthly basis.

##### *(ii) Interest rate risk*

The Company is exposed to cash flow interest rate risk on its floating rate cash and cash equivalents and borrowings. It is the opinion of the Directors that the cash flow interest rate risk arising on financial instruments is insufficient to require hedging.

##### ***Interest rate risk sensitivity***

The sensitivity analysis below have been determined based on the following assumptions:

- the exposure to interest rates is on all financial instruments held at the balance sheet date;
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting year;
- instruments that reprice within a period of six months are considered variable while those that reprice after six months are considered fixed;
- a reasonably conservative rate change.

The sensitivity analysis shown below is representative of the risks inherent in the Company's financial instruments. The methods and assumptions used to prepare the sensitivity analysis are consistent for both reporting years.

If interest rates had been 100 (2017: 100) basis points higher and all other variables were held constant, the Company's profit for the year ended 31 December 2018 would increase by £15,422 (2017: increase by £9,670). This is attributable to the Company's exposure to interest rates on its floating rate assets and liabilities.

A 100 basis point decrease in interest rates would have an inverse effect on profit or loss and equity.

#### 3. Revenue

Revenue comprises monies received and receivable in relation to telecommunication services provided to BNP Paribas group undertakings.

**BNP PARIBAS NET LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****4. Cost of Sales**

	2018 £'000	*Restated 2017 £'000
Consultancy fees	(408)	(217)
Telecommunication costs	(11,115)	(10,847)
Expenses charged by BNP Paribas	(3,014)	(1,787)
Depreciation	(812)	(573)
Other costs	(271)	(424)
	<b>(15,620)</b>	<b>(13,848)</b>

\*In 2017, 'telecommunication costs' were stated as 'operating lease rentals'. Refer to note 17.

**5. Other expenses**

	2018 £'000	2017 £'000
Foreign exchange (loss) / gain	(23)	5
Audit fees	(18)	(28)
	<b>(41)</b>	<b>(23)</b>

Auditors' remuneration comprises of audit fees for 2018 of £19,789 (2017: £20,000). There are no fees relating to other services provided by the Company's auditors.

**6. Interest income**

	2018 £'000	2017 £'000
Interest income	34	39

Interest income is earned on cash and cash equivalents at an average annual interest rate of 0.15% (2017: 0.1%).

**7. Interest expense**

	2018 £'000	2017 £'000
Interest expense	(35)	(26)

Interest expense is charged on borrowings with BNP Paribas, the ultimate parent undertaking, at an average annual rate of 0.15% (2017: 0.1%).

## BNP PARIBAS NET LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 8. Profit before taxation

The following costs have not been included in arriving at profit before taxation:

##### a) Services provided by the ultimate parent undertaking

As a wholly owned subsidiary of the BNP Paribas Group, the Company is provided with management, support and infrastructure services by BNP Paribas, the ultimate parent undertaking. It is not possible to make an accurate apportionment of the costs attributed to providing these services. Accordingly no recharge is made to the Company in respect of these services.

##### b) Directors' emoluments

The Directors provide services to the Company, BNP Paribas, the ultimate parent undertaking and a number of fellow subsidiary undertakings. The emoluments of all Directors in the current and prior year are paid by BNP Paribas, the ultimate parent undertaking. The ultimate parent undertaking makes no recharge to the Company as it is not possible to make an accurate apportionment of Directors' emoluments in respect of each of the subsidiaries.

##### c) Number of employees

The Company had no employees during the year to 31 December 2018 (2017: none).

#### 9. Taxation

##### (a) Analysis of tax charge in the year

	2018	2017
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on profits for the year	(344)	(213)
Foreign tax	(329)	(376)
Adjustments in respect of prior years	(27)	(26)
<b>Tax charge</b>	<b>(700)</b>	<b>(615)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	11	(23)
<b>Deferred tax credit / (charge)</b>	<b>11</b>	<b>(23)</b>
<b>Total tax charge for the year</b>	<b>(689)</b>	<b>(638)</b>

**BNP PARIBAS NET LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****9. Taxation (continued)****(b) Factors affecting tax charge for the year**

The tax assessed for the year is higher (2017: higher) than the profit on ordinary activities before taxation multiplied by the rate of corporation tax in the UK of 19% (2017: 19.25%).

The charge for the year can be reconciled as follows:

	2018	2017
	£'000	£'000
Profit before taxation	1,981	979
Profit before tax multiplied by corporation tax in the UK of 19% (2017: 19.25%)	(376)	(188)
<i>Effects of:</i>		
Foreign tax	(293)	(303)
Prior year adjustments	(27)	(26)
Impairment write back / (provision) not deductible	7	(121)
Tax charge for the current year	(689)	(638)

**10. Deferred tax asset**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2017: 19%).

	2018	2017
	£'000	£'000
Opening balance at 1 January	268	291
Profit and loss credit / (charge)	11	(23)
At 31 December	279	268

A deferred tax asset has been recognised in respect of temporary differences on accelerated book depreciation because it is probable that this tax asset will be recovered. The Company has no liability in respect of deferred tax.

**BNP PARIBAS NET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Property, plant and equipment**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 January	4,580	2,993
Additions	1,029	1,602
Writedown	(286)	(15)
<b>At 31 December</b>	<b>5,323</b>	<b>4,580</b>
<b>Accumulated Depreciation</b>		
At 1 January	2,827	2,269
Charge for the year	812	573
Writedown	(286)	(15)
<b>At 31 December</b>	<b>3,353</b>	<b>2,827</b>
<b>Net book value at 31 December</b>	<b>1,970</b>	<b>1,753</b>
<b>Net book value at 1 January</b>	<b>1,753</b>	<b>724</b>

**12. Trade and other receivables**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables net of impairment provision	8,368	6,281
Input VAT receivable	12	52
Accrued income	20	5
Prepayments	246	70
	<b>8,646</b>	<b>6,408</b>

The fair value of trade and other receivables approximates to the carrying amount.

The trade receivables balance includes an impairment provision of £590,727 (2017: £626,914)

**BNP PARIBAS NET LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****13. Cash and cash equivalents and borrowings**

	<b>31 December 2018</b>	31 December 2017
	<b>£'000</b>	£'000
Cash and cash equivalents	1,411	424
Borrowings	(2,953)	(1,391)
	<b>(1,542)</b>	<b>(967)</b>

Cash and cash equivalents represent current accounts and intercompany balances held with BNP Paribas, the ultimate parent undertaking. Borrowings represent amounts due to BNP Paribas, the ultimate parent undertaking. All balances are repayable on demand.

The fair value of cash and cash equivalents and borrowings approximates to the carrying amount.

**14. Trade and other payables**

	<b>31 December 2018</b>	31 December 2017
	<b>£'000</b>	£'000
Trade payables	5,753	5,401
Interest payable	39	3
Corporation tax payable	585	366
Other payables	20	28
	<b>6,397</b>	<b>5,798</b>

The fair value of trade and other payables approximates to the carrying amount.

**15. Share capital**

	<b>No of shares</b>	<b>31 December 2018</b>	31 December 2017
		<b>£'000</b>	£'000
Allotted, called up and fully paid ordinary shares of £1 each	500,000 (2017: 500,000)	500	500

The Company has in issue only one class of equity share, which is non-redeemable, carries one vote per share and has no right to dividends other than those recommended by the Directors, and an unlimited right to share in the surplus remaining on a winding up.



**BNP PARIBAS NET LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018****16. Related party transaction**

The transactions undertaken with related parties during the year gave rise to the following income statement items:

<b>Nature of income</b>	<b>Related party</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Revenue	Fellow subsidiary undertaking	17,587	15,464
Interest income	Ultimate parent undertaking	34	39
Interest expense	Ultimate parent undertaking	(35)	(26)
Central expenses recharged by BNP Paribas	Ultimate parent undertaking	(3,014)	(1,787)

In respect of related party transactions, the outstanding balances were as follows:

<b>Nature of balance</b>	<b>Related party</b>	<b>31 December 2018 £'000</b>	<b>31 December 2017 £'000</b>
Cash and cash equivalents	Ultimate parent undertaking	1,411	424
Borrowings	Ultimate parent undertaking	(2,953)	(1,391)
Trade receivables	Fellow subsidiary undertaking	8,368	6,281
Interest payable	Ultimate parent undertaking	(39)	(3)
Accrued income	Ultimate parent undertaking	20	5

**17. Restatement of prior year**

In prior years, it was considered that the Company was a lessee in the telecommunication contracts entered into with suppliers, and disclosed its obligations as operating lease rentals, within the scope of IAS 17 'Leases'. As part of a review undertaken of the implementation of a new accounting standard IFRS 16 'Leases', effective from 1 January 2019, the Company concluded that it is not a lessee in the telecommunication contracts entered into with suppliers, and IFRS 16 does not apply to these contracts. The impact on the financial statements is a change in the disclosure of the associated costs from 'operating lease rentals' to 'telecommunication costs' in note 4.

**18. Change in accounting policies**

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments, provides revised guidance on the classification and measurement of financial assets, introduces a new expected credit loss model for calculating impairment and incorporates final general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and was adopted without restating comparative information. There are no adjustments required to the opening balance sheet on 1 January 2018 for the adoption of IFRS 9.

IFRS 15 Revenue from contracts with customers effective for annual periods beginning on or after 1 January 2018 replaces IAS 18 which covers contracts for good and services and IAS 11 which covers construction contracts. A new five-step process must be applied before revenue can be recognised. The impact assessment of IFRS 15 revenue recognition principles was completed and it was determined that there is no change to the Company's existing revenue recognition policy. There are no adjustments required on the adoption of IFRS 15.

**BNP PARIBAS NET LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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**19. Capital management**

The Company defines capital as total equity. As at 31 December 2018, the value was £3 million (2017: £1.7 million).

The Directors monitor capital levels and where appropriate pay dividends to, or request a capital injection from, the immediate parent undertaking.

**20. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking is BNP PUK Holding Limited.

The ultimate parent undertaking and controlling party is BNP Paribas, a company incorporated in France. BNP Paribas is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018.

The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France.