**BNP PUK HOLDING LIMITED**

**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**REGISTERED OFFICE**
**10 HAREWOOD AVENUE**
**LONDON**
**NW1 6AA**

**REGISTERED NUMBER: 2028843**

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**BNP PUK HOLDING LIMITED**

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

### Principal activities

The Company's principal activity is that of a holding company for a number of BNP Paribas group subsidiaries and investments.

### Review of the business

As shown in the Company's income statement, profit for the year was £1.6 million (2017: £15 million).

Total shareholders' funds for the year ended 31 December 2018 were £45.5 million (2017: £275.8 million).

During the year the Company paid a £15 million dividend to BNP Paribas, the ultimate parent undertaking (2017: £27.6 million).

On 21 December, the Company reduced its share capital by £217 million. Refer to note 16.

The wholly owned subsidiaries of the Company, BNP Paribas E & B Limited, Fidex Limited, BNP Paribas Investments No. 1 Limited and BNP Paribas Investments No. 2 Limited, were dissolved in 2018.

### Business development and performance

The Company continued to act as a holding company for a number of BNP Paribas group subsidiaries and investments.

### Principal risks 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 will continue to seek opportunities to invest in equity holdings for the BNP Paribas group in the UK.

### Future developments

The Company will continue to act as a holding company for a number of BNP Paribas group subsidiaries and other investments.

On behalf of the Board

STEPHEN MIDDLETON

Director

22 May 2019

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

The Directors present their report and the audited financial statements of BNP PUK Holding Limited for the year ended 31 December 2018.

The Company is a wholly-owned subsidiary of BNP Paribas, the ultimate parent undertaking. The Company is incorporated in the United Kingdom and registered in England and Wales, and has its principal place of business in the United Kingdom.

**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 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 policy 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**

During the year, the Directors declared and paid an interim dividend on ordinary shares of £15 million (2017: £27.6 million).

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

**Capital structure**

Details of the issued share capital, together with details of the movements in the Company's issued share capital are shown in note 16. The Company has one class of ordinary shares which carry one vote per share and have no right to dividends other than those recommended by the Directors, and unlimited right to share in the surplus remaining on a winding up.

**Charitable and political donations**

No donations were made during the year (2017: £: nil).

**Directors**

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

Helen Louise Fletcher D'Arjuzon
Francois Draveny
Stephen Martin Middleton
Christopher Mark Penney
Kara Lemont Sportelli (Chairperson)

**Directors' third party indemnity provisions**

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 financial assets at fair value through comprehensive income, financial assets at fair value through profit and loss, financial assets at fair value through profit or loss and cash and cash equivalents 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 Directors are 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

S. Middle

STEPHEN MIDDLETON

Director

22 May 2019

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

The Directors are responsible for preparing the Strategic report, Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 PUK HOLDING LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PUK HOLDING LIMITED

### Report on the audit of the financial statements

#### Opinion

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

*Independence*

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

#### Conclusions relating to going concern

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.

#### 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PUK HOLDING LIMITED

*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. 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.

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

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018<br>£'000 | 2017*<br>£'000 |
|---|---|---|---|
| Income from investments in subsidiaries | 3 | **18** | 40 |
| Impairment write back / (loss) on investments in subsidiaries | 11 | **1,293** | (835) |
| (Loss) / gain on financial assets at fair value through profit or loss | 12,20 | **(1,001)** | 14,677 |
| Other income | 4 | **126** | 376 |
| Other (loss) / gain | | **(32)** | 94 |
| **Net investment income** | | **404** | 14,352 |
| Interest income | 5 | **1,590** | 901 |
| Interest expense | 6 | **(52)** | (114) |
| **Net interest income** | | **1,538** | 787 |
| Administrative expenses | 7 | **(38)** | (27) |
| **Operating profit** | | **1,904** | 15,112 |
| **Profit before taxation** | 8 | **1,904** | 15,112 |
| Taxation | 9 | **(268)** | (117) |
| **Profit for the year** | | **1,636** | 14,995 |

*Following the adoption of IFRS 9 the prior year includes a revised presentation based on the reclassification of 'gain on disposal of available-for-sale investments' (£14.94 million) and 'impairment on available-for-sale investments' (£0.26 million) to '(Loss) / gain on financial assets at fair value through profit or loss'.

The results for both years are wholly derived from continuing operations.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018<br>£'000 | 2017*<br>£'000 |
|---|---|---|---|
| **Profit for the year** | | **1,636** | 14,995 |
| **Other comprehensive income / (loss)** | | | |
| **Items that may be reclassified into profit or loss:** | | | |
| Transferred to income statement on disposal of financial assets at fair value through profit or loss | 12,20 | - | (11,498) |
| Tax on items transferred to income statement | | - | 2,184 |
| **Items that will not be reclassified into profit or loss:** | | | |
| Revaluation on financial assets at fair value through other comprehensive income | 12,20 | **86** | 4,272 |
| Tax on revaluation on financial assets at fair value through other comprehensive income | | **(16)** | (812) |
| **Items reclassified into profit or loss:** | | | |
| Revaluation on financial assets at fair value through profit or loss | 20 | - | (268) |
| Tax on revaluation on financial assets at fair value through profit or loss | 20 | - | 22 |
| **Total other comprehensive income / (loss)** | | **70** | (6,100) |
| **Total comprehensive income attributable to equity shareholders** | | **1,706** | 8,895 |

*Following the adoption of IFRS 9 the prior year includes a revised presentation due to the reclassification of the following:

(1) 'Transferred to income statement on disposal of available-for-sale investments' (£11 million) to 'transferred to income statement on disposal of financial assets at fair value through profit or loss'.

(2) 'Revaluation on available-for-sale investments' (£4 million) to 'revaluation on financial assets at fair value through other comprehensive income' and 'revaluation on financial assets at fair value through profit or loss'.

## BALANCE SHEET AS AT 31 DECEMBER 2018

| | Notes | 31 December 2018 | 31 December 2017* |
|---|---|---|---|
| | | £'000 | £'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 11 | **4,496** | 3,608 |
| Financial assets at fair value through other comprehensive income | 12,20 | **7,183** | 7,097 |
| Financial assets at fair value through profit or loss | 12,20 | **6,402** | 7,245 |
| **TOTAL NON-CURRENT ASSETS** | | **18,081** | 17,950 |
| **Current assets** | | | |
| Other receivables | 13 | **215** | 4,042 |
| Financial assets at amortised cost | 14,20 | **37,600** | 50,000 |
| Cash and cash equivalents | 15 | **165** | 216,497 |
| **TOTAL CURRENT ASSETS** | | **37,980** | 270,539 |
| **TOTAL ASSETS** | | **56,061** | 288,489 |
| **EQUITY** | | | |
| Share capital | 16 | **40,000** | 257,053 |
| Fair value through other comprehensive income reserves | 20 | **3,530** | 3,780 |
| Retained earnings | 20 | **1,956** | 14,995 |
| **TOTAL EQUITY** | | **45,486** | 275,828 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 17 | **1,212** | 1,271 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,212** | 1,271 |
| **Current liabilities** | | | |
| Borrowings | 18 | **8,833** | 11,215 |
| Other payables | 19 | **530** | 175 |
| **TOTAL CURRENT LIABILITIES** | | **9,363** | 11,390 |
| **TOTAL LIABILITIES** | | **10,575** | 12,661 |
| **TOTAL EQUITY AND LIABILITIES** | | **56,061** | 288,489 |

*Following the adoption of IFRS 9 the prior year includes a revised presentation due to the reclassification of 'available-for-sale investments' (£14.3 million) to 'financial assets at fair value through other comprehensive income' or 'financial assets at fair value through profit or loss', 'available-for-sale reserves' (£3.8 million) to 'fair value through other comprehensive income reserves' and 'loans and receivables' (£50 million) to 'financial assets at amortised cost'. Refer to note 20.

The financial statements on pages 8 to 34 were approved by the Board of Directors on 22 May 2019 and were signed on its behalf and authorised for issue by:

Director

CHRISTOPHER PENNEY

BNP PUK HOLDING LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share Capital £'000 | Fair value through other comprehensive income reserves £'000 | Retained earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|
| At 1 January 2017 | 257,053 | 9,880 | 27,633 | 294,566 |
| Dividend paid | - | - | (27,633) | (27,633) |
| Profit for the year | - | - | 14,995 | 14,995 |
| Other comprehensive profit / (loss): | | | | |
| -Transferred to income statement on disposal of financial asset at fair value through profit or loss | - | (11,498) | - | (11,498) |
| - Tax on items transferred to income statement | - | 2,184 | - | 2,184 |
| - Revaluation on financial assets at fair value through other comprehensive income (Note 12,20) | - | 4,272 | - | 4,272 |
| - Tax on revaluation on financial assets at fair value through other comprehensive income (Note 17) | - | (812) | - | (812) |
| - Revaluation on financial assets at fair value through profit or loss | - | (268) | - | (268) |
| - Tax on revaluation on financial assets at fair value through profit or loss (Note 17) | - | 22 | - | 22 |
| **At 31 December 2017** | **257,053** | **3,780** | **14,995** | **275,828** |
| Change in accounting policy (IFRS 9) | - | **(320)** | **320** | - |
| **At 1 January 2018** | **257,053** | **3,460** | **15,315** | **275,828** |
| Capital reduction | **(217,053)** | - | - | **(217,053)** |
| Dividend paid | - | - | **(14,995)** | **(14,995)** |
| Profit for the year | - | - | **1,636** | **1,636** |
| Other comprehensive profit / ( loss): | | | | |
| - Revaluation on financial assets at fair value through other comprehensive income (Note 12,20) | - | **86** | - | **86** |
| Tax on revaluation on financial assets at fair value through other comprehensive income (Note 17) | - | **(16)** | - | **(16)** |
| **At 31 December 2018** | **40,000** | **3,530** | **1,956** | **45,486** |

Following the adoption of IFRS 9 the prior year includes a revised presentation due the reclassification of 'available-for-sale reserves' to 'fair value through other comprehensive income reserves' or 'retained earnings'. The reclassification to retained earnings represents the revaluation on financial assets at fair value through profit or loss less deferred tax. Refer to note 20.

BNP PUK HOLDING LIMITED

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

| | Notes | 2018 £'000 | 2017* £'000 |
|---|---|---|---|
| **Profit before taxation** | | **1,904** | 15,112 |
| Adjustments for: | | | |
| — Income from investments in subsidiaries | 3 | **(18)** | (40) |
| — Interest income | 5 | **(1,590)** | (901) |
| — Interest expense | 6 | **52** | 114 |
| — Impairment (write back) / loss on investments in subsidiaries | 11 | **(1,293)** | 835 |
| — Loss / (gain) on financial assets at fair value through profit or loss (1) | 12,20 | **1,001** | (14,677) |
| — Other income | 4 | **(126)** | (376) |
| — Foreign exchange losses | | **218** | 107 |
| **Changes in working capital:** | | | |
| —Increase / (decrease) in other payables | | **10** | (71) |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **158** | 103 |
| Interest received | | **1,546** | 764 |
| Interest paid | | **(51)** | (118) |
| Tax received / (paid) | | **3,901** | (1,442) |
| **Net cash flows generated from / (used in) operating activities** | | **5,554** | (693) |
| **Cash flows from investing activities** | | | |
| Financial assets at amortised cost (2) | 14,20 | **12,400** | (50,000) |
| Income from investments in subsidiaries | | **18** | 40 |
| Disposal of financial assets at fair value through profit or loss (3) | 12,20 | **-** | 24,014 |
| Dividend income from financial assets at fair value through other comprehensive income (4) | | **126** | 91 |
| Dividend income from financial assets at fair value through profit or loss (5) | | **-** | 267 |
| Acquisitions of financial assets at fair value through profit or loss (6) | 12,20 | **-** | (3,859) |
| Dividend paid | 10 | **(14,995)** | (27,632) |
| **Net cash flows used in investing activities** | | **(2,451)** | **(57,079)** |
| **Cash flows from financing activities** | | | |
| Return of capital | | **(217,053)** | - |
| Net repayment of borrowings | 18 | **(1,287)** | (5,600) |
| **Net cash flows used in financing activities** | | **(218,340)** | (5,600) |
| **Net decrease in cash and cash equivalents** | | **(215,237)** | (63,372) |
| Cash and cash equivalents as at 1 January | | **214,937** | 278,309 |
| **Cash and cash equivalents at 31 December** | | **(300)** | 214,937 |

| | | | |
|---|---|---|---|
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents | 15 | **165** | 216,497 |
| Overdrafts | 18 | **(465)** | (1,560) |
| **Cash and cash equivalents at 31 December** | | **(300)** | 214,937 |

*Following the adoption of IFRS 9 the prior year includes a revised presentation due to the reclassification and the re-labelling of the following:

(1) 'Gain on disposal of available-for-sale investments' and 'impairment on available-for-sale investments to 'Loss / (gain) on financial assets at fair value through profit or loss'.

(2) 'Loans and receivables' to 'financial assets at amortised cost'.

(3) 'Disposal of available-for-sale investments' to 'disposal of financial assets at fair value through profit or loss'.

(4) 'Dividend income from available-for-sale investments' to 'dividend income from financial assets at fair value through comprehensive income'.

(5) 'Dividend income from available-for-sale investments' to 'dividend income from financial assets at fair value through profit or loss'.

(6) 'Acquisition of available-for-sale investments' to 'acquisition of financial assets at fair value through profit or loss'.

## 1. Accounting policies

The principal activity of the Company is to act as a holding company for a number of BNP Paribas group subsidiaries and other investments. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year 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 at fair value through other comprehensive income ('FVOCI') and financial assets at fair value through profit or loss ('FVPL') and liabilities 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 standard and interpretations applies for the first time to financial reporting periods commencing on or after 1 January 2018 and has been adopted by the Company:

- IFRS 9 Financial Instruments

The impact on adoption has been disclosed in note 20.

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.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company.

These separate financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IAS 27, "Consolidated and separate financial statements", from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, BNP Paribas which is a company incorporated in France. Copies of the group financial statements can be obtained from BNP Paribas, 16 boulevard des Italiens, 75009 Paris, France.

### Going concern and liquidity

At the date of approving the financial statements the Directors have 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. This is discussed in the Directors' report on page 4 under the heading of 'Going concern and liquidity'.

**1. Accounting policies (continued)**

**(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 fair value of financial instruments (note 12).

**(c) Revenue recognition**

(i) *Dividend income*

Dividend income arises on a) investments in subsidiaries, and is disclosed in the income statement as 'income from investments in subsidiaries' when the Company's right to receive a dividend is established, and b) financial assets at FVOCI or financial assets at FVPL, and is disclosed in the income statement as 'other income' when the Company's right to receive a dividend is established.

ii) *Interest income and expense*

Interest income arises from cash and cash equivalents and financial assets at amortised cost. Interest expense arises from borrowings. Interest income and expense are 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, which is the Company's functional, and presentation currency and the currency in which the majority of the Company's revenue streams, assets, liabilities and funding is denominated.

(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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation on non-monetary items in respect of which gains and losses are recognised directly in the statement of comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the statement of comprehensive income.

**(e) Investments in subsidiaries**

Investments in subsidiaries are equity investments, accounted for at cost less any impairment.

**(f) Impairment of investments in subsidiaries**

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

The carrying values of the investments in subsidiaries 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, with any subsequent reversal also recognised in the income statement.

**1. Accounting policies (continued)**

**(g) Financial assets**

**Initial recognition**

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified at FVPL, which are initially measured at fair value.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company classifies its financial assets in the following categories: 'financial assets at amortised cost', 'financial assets at FVOCI' and 'financial assets at FVPL'. Management determines the classification of its financial assets based on the business model objective and the characteristics of the contractual cash flows.

*i) Financial assets at amortised cost*

Financial assets at amortised cost are financial assets that have fixed or determinable payments. Financial assets at amortised cost are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. On 1 January 2018 IFRS 9 was adopted and 'loans and receivables' were reclassified to 'financial assets at amortised cost'.

The carrying value of financial instruments that are not measured at fair value does not materially differ from their fair value unless otherwise stated in the financial statements.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*ii) Financial assets at FVOCI and financial assets at FVPL*

These financial assets are equity instruments with an option to elect to report changes in fair value through other comprehensive income reserves or through profit or loss. On 1 January 2018 IFRS 9 was adopted and 'available-for-sale investments' were reclassified to 'financial assets at FVOCI' or 'financial assets at FVPL'.

**Measurement**

*Financial assets at FVOCI and financial assets at FVPL.*

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

Level 1 - Financial instruments with quoted market prices: This level comprises financial instruments with quoted prices in an active market that can be used directly.

Level 2 - Financial instruments measured using valuation techniques based on observable inputs: This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily available on the market or, instruments measured using valuation techniques based on observable inputs.

Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs: This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations not based either on observable transaction prices for the identical instrument at the measurement date or observable market data available at the same date. An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs.

1. **Accounting policies (continued)**

**(g) Financial assets (continued)**

**The valuation techniques for financial assets**

The fair value of investments in listed equity instruments is based on the quoted share price.

Investments valued using valuation techniques or pricing models primarily consist of unquoted equities. These assets are valued using models that use both observable and unobservable data. The observable inputs to the models include but are not limited to assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

**Derecognition**

Gains or losses arising from changes in the fair value of FVOCI financial assets, net of taxation, are recognised in equity.

When FVOCI assets are sold, impaired or derecognised, the accumulated fair value adjustments recognised in equity are transferred to retained earnings and not recycled in the income statement.

When FVPL assets are sold, impaired or derecognised, the fair value adjustments are recognised in the income statement.

Dividend income from financial assets at FVOCI and financial assets at FVPL is recognised in the income statement within 'other income' when the Company's right to receive the dividend is established.

**(h) Impairment of financial assets**

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, settlement balances, deposits paid for securities borrowed, 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 dated and the loss allowance is measured for an amount equal to the lifetime expected credit loss.

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 is 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 ECLs are probability-weighted scenarios in view of past events, current conditions and reasonable and supportable economic forecasts. Credit loss is measured as the present value of all the cash shortfalls representing the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the entity is expected to receive. ECLs are discounted at the effective interest rate of the financial asset.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective rate.

**1. Accounting policies (continued)**

**(i) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, intra-group balances repayable on demand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(j) Share capital**

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.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

**(k) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

**(l) Dividend distribution**

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.

**(m) Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Amounts to be recovered are classified as 'Group Relief' which represents the amount to the benefit arising from taxable losses of the Company.

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 or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively 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.

**(n) Other financial assets and liabilities**

The Company classifies its other financial assets as receivables. Receivables are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

The Company classifies its other financial liabilities as payables. Payables are initially recognised at fair value, and 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 (foreign exchange risk, cash flow interest rate risk and price 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. The exposures and risk management techniques have not changed significantly from the prior year.

**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 arises from other receivables, financial assets at amortised cost, and cash and cash equivalents. These assets represent exposures to other Group undertakings. The Directors continue to monitor these exposures.

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

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| | **£'000** | £'000 |
| Other receivables | **215** | 4,042 |
| Financial assets at amortised cost | **37,600** | 50,000 |
| Cash and cash equivalents | **165** | 216,497 |
| | **37,980** | 270,539 |

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2018 and 2017. The Company does not hold collateral against these exposures. The exposures set out above are based on the carrying amounts as reported in the balance sheet. There were no receivables which were past due or impaired.

On adoption of IFRS 9, 'loans and receivables' were reclassified to 'financial assets at amortised cost'. Refer to note 20.

**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.

Prudent liquidity risk management is achieved by maintaining sufficient cash and readily realisable marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. 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.

| | Up to 3 months | 3 – 6 months | 6 – 12 months | 1 – 5 years | Over 5 years | **Total** |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **As at 31 December 2018** | | | | | | |
| Financial liabilities | | | | | | |
| Overdrafts | **465** | **-** | **-** | **-** | **-** | **465** |
| Borrowings | **2,428** | **3,902** | **2,038** | **-** | **-** | **8,368** |
| Other payables | **40** | **-** | **146** | **344** | **-** | **530** |
| | **2,933** | **3,902** | **2,184** | **344** | **-** | **9,363** |
| As at 31 December 2017 | | | | | | |
| Financial liabilities | | | | | | |
| Overdrafts | 1,560 | - | - | - | - | 1,560 |
| Borrowings | 405 | 7,327 | 1,923 | - | - | 9,655 |
| Other payables | 29 | - | - | 146 | - | 175 |
| | 1,994 | 7,327 | 1,923 | 146 | - | 11,390 |

**c) Market risk**

The Company takes on exposure 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, currency, and equity 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 interest rates, credit spreads, foreign exchange rates and equity prices.

*(i) Foreign exchange risk*
The Company undertakes certain transactions denominated in foreign currencies. The Company is as a result exposed to foreign exchange risk on its assets and liabilities as they are not all denominated in its functional currency of Sterling. This risk is transferred to BNP Paribas, the ultimate parent undertaking on a monthly basis.

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

**c) Market risk (continued)**

*(ii) Interest rate risk*
The Company is exposed to cash flow interest rate risk as the Company borrows and lends funds at floating interest rates. The Company's floating rate interest-bearing assets exceed its floating rate interest-bearing liabilities.

The sensitivity analyses 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, with the exception of financial assets at FVOCI and financial assets at FVPL;
- the stipulated change took place at the beginning of the financial year and held constant throughout the year;
- instruments that reprice within a period of six months are considered variable while those that reprice after six months are considered fixed; and
- a reasonably conservative rate change.

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

If interest rates had been 100 basis points higher (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 £378,000 (2017: increase by £2,164,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate assets which exceed its floating rate liabilities; and
- there would be no impact on FVOCI reserves as no FVOCI interest rate sensitive instruments are held by the Company.

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

*(iii) Price risk*
The Company is exposed to equity price risk arising from equity investments. Equity investments are held for strategic purposes.

*Equity price risk sensitivity*
The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. 10% is considered to be a reasonably possible change in equity prices.

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 years.

If the inputs to the valuation model had been 10% lower, while all other variables were held constant:

- Profit for the year ended 31 December 2018 would decrease by £61,000 (2017: £Nil), as a result of the changes in assets at FVPL. Prior to IFRS 9 these investments were impaired and recognised in retained earnings.

- FVOCI reserves would decrease by £436,000 (2017: decrease by £467,000), entirely as a result of the changes in financial assets at FVOCI. Refer to note 20.

### 3. Income from investments in subsidiaries

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Dividend income from investments in subsidiaries | **18** | 40 |

Dividend income during the year was received from Paribas Premier Leasing Limited of £18,000.

Dividend income in 2017 was received from BNP Paribas Synergy Limited of £10,000, BNP Paribas E & B Limited of £19,000 and BNP Paribas CMG Limited of £11,000.

### 4. Other income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Other income | **126** | 376 |
| | **126** | 376 |

The Company received a dividend of £0.1 million (2017: £0.4 million) in respect of financial assets at FVOCI.

### 5. Interest income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Interest income on cash and cash equivalents | **11** | 14 |
| Interest income on financial assets at amortised cost | **1,579** | 887 |
| | **1,590** | 901 |

Interest income on financial assets at amortised cost arises on fixed term loans held with BNP Paribas, the ultimate parent undertaking. The average balance was £234.2 million at an average rate of 0.67% (2017: £259 million at 0.33%).

**6. Interest expense**

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Interest expense on amounts due to ultimate parent undertaking | | |
| — on fixed term borrowings | **(51)** | (106) |
| — on bank overdrafts | **(1)** | (8) |
| | **(52)** | (114) |

Interest expense relates to term borrowings from BNP Paribas, the ultimate parent undertaking to fund investments in financial assets at FVPL.

Interest expense on bank overdrafts arises on overdrawn balances with BNP Paribas, the ultimate parent undertaking.

**7. Administrative expenses**

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Bank levy | **(2)** | - |
| Custody fees | **(2)** | (2) |
| Legal fees | **(9)** | - |
| Audit fee | **(25)** | (25) |
| | **(38)** | (27) |

Auditors' remuneration in respect of audit fees is £24,700 (2017: £24,849). There are no fees relating to other services provided by the Company's auditors.

**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 £'000 | 2017 £'000 |
|---|---|---|
| Current tax charge | | |
| Continuing operations | (343) | (146) |
| Prior year adjustment | - | 29 |
| Deferred tax charge on financial assets at fair value through profit or loss | 75 | - |
| **Tax charge** | **(268)** | (117) |

### (b) Tax on items (charged) / credited at fair value through other comprehensive income reserves or income statement in 2018

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Deferred tax credit on financial assets at fair value through other comprehensive income | (16) | (812) |
| Deferred tax charge on financial assets at fair value through profit or loss | - | 2,236 |
| **Deferred tax (charge) / credit** | **(16)** | 1,424 |

### (c) Factors affecting tax charge for the year

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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | **1,904** | 15,112 |
| Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2017: 19.25%) | **(362)** | (2,909) |
| Tax effects of: | | |
| — UK dividend income | **27** | 80 |
| — Bank levy | - | - |
| — Impairments not deductible/taxable | **246** | (212) |
| — Gain on disposal of financial assets at fair value through profit or loss | - | 2,877 |
| — Expenses not deductible | **(2)** | - |
| — Foreign exchange gain on financial assets at fair value through profit or loss | - | 18 |
| — Valuation of deferred tax asset | **(177)** | - |
| — Prior year adjustments | - | 29 |
| **Tax charge for the year** | **(268)** | (117) |

**10. Dividend paid**

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Dividend paid | (14,995) | (27,632) |
| | (14,995) | (27,632) |

On 25 May 2018, the Company paid £15 million dividend to BNP Paribas, the ultimate parent undertaking (2017:£27.6 million).

**11. Investments in subsidiaries**

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| **Cost at 1 January** | 638,865 | 638,808 |
| Disposals | (627,986) | - |
| Adjustment | - | (1,000) |
| Foreign exchange revaluation | - | 1,057 |
| **Cost at 31 December** | 10,879 | 638,865 |
| Impairment provision at 1 January | (635,257) | (634,378) |
| Impairment | 628,874 | (879) |
| **Impairment provision at 31 December** | (6,383) | (635,257) |
| **Recoverable amount at 31 December** | 4,496 | 3,608 |

During the year, the following subsidiaries of the Company were dissolved: BNP Paribas E & B Limited, Fidex Limited, BNP Paribas Investments No. 1 Limited and BNP Paribas Investments No. 2 Limited.

**11. Investments in subsidiaries (continued)**

| | 31 December 2018<br>£'000 | 31 December 2017<br>£'000 |
|---|---|---|
| **Impairment provision at 1 January** | **(635,257)** | (634,378) |
| *Impairment writeback:* | | |
| Camomile Ulster Investments (UK) Limited | - | (157) |
| BNP Paribas Net Limited | **1,293** | 348 |
| BNP Paribas Investments No. 1 Limited | **249,975** | - |
| BNP Paribas Investments No. 2 Limited | **349,990** | - |
| BNP Paribas CMG Limited | - | (11) |
| BNP Paribas E & B Limited | **56** | (18) |
| Paribas Premier Leasing Limited | - | 3 |
| Fidex Limited | **27,560** | (1,044) |
| **Impairment provision at 31 December** | **(6,383)** | (635,257) |

All investments in subsidiary undertakings are equity in nature.

**a) Impairment review**

The Company released £1,293,000 impairment in BNP Paribas Net Limited following an increase in the net asset value of the investment.

The Company released £249,975,000 impairment in BNP Paribas Investments No. 1 Limited as the subsidiary was dissolved on 8 June 2018.

The Company released £349,990,000 impairment in BNP Paribas Investments No. 2 Limited as the subsidiary was dissolved on 8 June 2018.

The Company released £56,000 impairment in BNP Paribas E & B Limited as the subsidiary was dissolved on 17 April 2018.

The Company released £27,560,000 (EUR31,019,000) impairment in Fidex Limited as the subsidiary was dissolved on 8 June 2018.

**11. Investments in subsidiaries (continued)**

**b) Subsidiary undertakings of the Company**

The direct subsidiary undertakings of the Company at 31 December 2018 were:

| Subsidiary undertakings | Principal activity | Type of share | Percentage Holding |
|---|---|---|---|
| BNP Paribas Synergy Limited | Investment company | Ordinary £1 | 100% |
| Camomile Ulster Investments (UK) Limited | Investment company | Ordinary £1 | 100% |
| BNP Paribas Net Limited | International telecommunication services | Ordinary £1 | 100% |
| BNP Paribas CMG Limited | Issuing covered warrants and other derivative products | Ordinary £1 | 100% |
| Paribas Premier Leasing Limited | Leasing | Ordinary £1 | 100% |

The registered address of each subsidiary undertaking is 10 Harewood Avenue, London, NW1 6AA.

All subsidiary undertakings, with the exception of Camomile Ulster Investments (UK) Limited, are incorporated in the United Kingdom. Camomile Ulster Investments (UK) Limited is incorporated in the Cayman Islands with an establishment registered in the United Kingdom.

**12. Fair value measurement**

| | Level 3<br>£'000 |
|---|---|
| **Cost as at 31 December 2017** | **2,825** |
| **Cost as at 31 December 2018** | **2,825** |
| Revaluation transferred to equity as at 31 December 2017 | 4,272 |
| Revaluation | 86 |
| **Revaluation transferred to equity as at 31 December 2018** | **4,358** |
| **Fair value at 31 December 2018** | **7,183** |
| Cost as at 1 January 2017 | 2,718 |
| FX Revaluation | 107 |
| **Cost as at 31 December 2017** | 2,825 |
| Revaluation transferred to equity as at 1 January 2017 | - |
| Revaluation transferred to equity | 4,272 |
| Revaluation transferred to equity as at 31 December 2017 | 4,272 |
| **Fair value at 31 December 2017** | **7,097** |

On 1 January 2018, IFRS 9 was adopted which resulted in the investments reported as 'available-for-sale' under IAS 39 being classified as 'financial assets at FVOCI' or 'financial assets at FVPL'. Refer note 20.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Financial assets at FVOCI**

Financial assets at FVOCI comprise of an equity investment, was held in the previous year, and which the Company has irrevocably elected at initial recognition to recognise in this category. On disposal of this equity investment, any related balance within the fair value through other comprehensive income reserve is moved to retained earnings.

Refer to note 20 for explanations regarding the change in accounting policy and the reclassification of certain investments from 'available-for-sale' to 'financial assets at FVOCI' following the adoption of IFRS 9 on 1 January 2018.

**12. Fair value measurement (continued)**

**Financial assets at FVPL**

| | Level 1 | Level 3 | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost as at 31 December 2017** | **1,067** | **5,783** | **6,850** |
| Change in accounting policy: (*Impairments*) | 1,589 | 5,445 | 7,034 |
| **Cost as at 1 January 2018** | **2,656** | **11,228** | **13,884** |
| FX Revaluation | - | **486** | **486** |
| **Cost as at 31 December 2018** | **2,656** | **11,714** | **14,370** |
| **Revaluation transferred to profit or loss as at 31 December 2017** | **395** | - | **395** |
| Change in accounting policy: (*Impairments*) | (1,589) | (5,445) | (7,034) |
| **Revaluation transferred to profit or loss as at 1 January 2018** | **(1,194)** | **(5,445)** | **(6,640)** |
| Revaluation transferred to profit or loss | (1,001) | (328) | (1,329) |
| **Revaluation transferred to profit or loss as at 31 December 2018** | **(2,195)** | **(5,773)** | **(7,969)** |
| **Financial assets at fair value through profit or loss 31 December 2018** | **461** | **5,941** | **6,402** |
| Cost as at 1 January 2017 | 5,268 | 7,271 | 12,539 |
| Additions | - | 3,822 | 3,822 |
| Disposals | (3,830) | (4,632) | (8,462) |
| Provisions | - | (267) | (267) |
| FX Revaluation | (371) | (411) | (782) |
| Cost as at 31 December 2017 | **1,067** | **5,783** | **6,850** |
| Revaluation of financial assets at fair value through profit or loss as at 1 January 2017 | 11,350 | 812 | 12,162 |
| Revaluation of financial assets at fair value through profit or loss | (269) | - | (269) |
| Revaluation transferred to income statement on disposal of financial asset at fair value through profit or loss | (10,686) | (812) | (11,498) |
| Revaluation of financial assets at fair value through profit or loss as at 31 December 2017 | **395** | - | **395** |
| **Fair value at 31 December 2017** | **1,462** | **5,783** | **7,245** |

Financial assets at FVPL comprise of the following:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.
  - These investments were classified as available-for-sale in 2017. All of these investments were also held in the previous year.
  - Refer to note 20 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVOCI following the adoption of IFRS 9 on 1 January 2018.

**Level 1 and Level 3**

Level 1 includes a listed equity investment.

Level 3 includes three investments comprising one investment valued using a discounted cash flow model and two investments valued based on the recent external transaction price.

Following the adoption of IFRS 9, impairments previously recognised within the cost of investment have been reclassified to 'revaluation of financial assets at FVPL'.

**13. Other receivables**

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Accrued interest receivable | **185** | 141 |
| Other receivables | **30** | - |
| Group relief | **-** | 3,901 |
| | **215** | 4,042 |

Accrued interest receivable relates to interest earned on the £37.6 million (2017: £250 million) loans to BNP Paribas, the ultimate parent undertaking, at an interest rate of 0.77% (2017: 0.48%). Other receivables relates to a withholding tax refund due.

**14. Financial assets at amortised cost**

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Term loan | **37,600** | 50,000 |
| | **37,600** | 50,000 |

The term loan of £37.6 million is with BNP Paribas, the ultimate parent undertaking, at a rate of 0.77%. The term loan matured in March 2019. On adoption of IFRS 9, 'loans and receivables' are reclassified to 'financial assets at amortised cost'. Refer to note 20.

**15. Cash and cash equivalents**

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Current account | **165** | 16,497 |
| Term loan | **-** | 200,000 |
| | **165** | 216,497 |

All cash and cash equivalents are held with BNP Paribas, the ultimate parent undertaking. Current account balances are interest bearing, repayable on demand and denominated in Sterling.

**16. Share capital**

| | Number of shares | **31 December 2018 £'000** | 31 December 2017 £'000 |
|---|---|---|---|
| Allotted, called up fully paid: | | | |
| Ordinary shares of £1 each (2017: 257,052,547) | 40,000,000 | **40,000** | **257,053** |

On 21 December 2018, the Company repaid £217 million share capital to BNP Paribas, the ultimate parent undertaking.

The ordinary shares of £1 each in issue are non-redeemable, carry one vote per share and have no right to dividends other than those recommended by the Directors, and unlimited right to share in the surplus remaining on a winding up.

**17. Deferred tax**

| | **31 December 2018 Temporary difference on acquisition £'000** | **31 December 2018 FVOCI and MFVPL assets £'000** | **31 December 2018 Total £'000** |
|---|---|---|---|
| Opening balance at 1 January | **384** | **887** | **1,271** |
| Deferred tax credit on financial assets at fair value through other comprehensive income | **(384)** | **400** | **16** |
| Deferred tax charge on financial assets at fair value through profit or loss | **-** | **(75)** | **(75)** |
| **At 31 December 2018** | **-** | **1,212** | **1,212** |

| | 31 December 2017 Temporary difference on acquisition £'000 | 31 December 2017 FVOCI and FVPL assets £'000 | 31 December 2017 Total £'000 |
|---|---|---|---|
| Opening balance at 1 January | 414 | 2,281 | 2,695 |
| Deferred tax credit on financial assets at fair value through other comprehensive income | - | 812 | 812 |
| Deferred tax charge on financial assets at fair value through profit or loss | - | (2,206) | (2,206) |
| Deferred tax on acquisition | (30) | - | (30) |
| At 31 December 2017 | 384 | 887 | 1,271 |

The deferred tax liability is in respect of financial assets at FVOCI and financial assets at FVPL. In 2017 these assets were classified as available-for-sale investments and the associated revaluation was recognised in available-for-sale reserves. Refer to note 20.

## 18. Borrowings

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| **Current liabilities** | | |
| Bank overdrafts: | | |
| — due to ultimate parent undertaking | **465** | 1,560 |
| Short term borrowings: | | |
| — due to ultimate parent undertaking | **8,368** | 9,250 |
| — due to fellow subsidiary undertaking | **-** | 405 |
| Total borrowings | **8,833** | 11,215 |

Bank overdrafts are due to BNP Paribas, the ultimate parent undertaking, are interest bearing, repayable on demand and denominated in Euros.

Short term borrowings include £8.4 million (2017: £9.3 million) Euro and US Dollar denominated borrowings at a floating rate to hedge the foreign exchange risk arising from the Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

## 19. Other payables

| | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|
| Accrued interest payable | **5** | 4 |
| Tax payable | **490** | 146 |
| Sundry creditors | **35** | 25 |
| | **530** | 175 |

Accrued interest payable is due to BNP Paribas, the ultimate parent undertaking, on £2 million (2017: £9.3 million) short term borrowings at a floating rate of 3.125% (2017: 2.062%).

Tax payable relates to 2018 and 2017 and sundry creditors relates to audit fees and legal fees.

## 20. Change in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments.

### Impact on the financial statements

IFRS 9 was adopted without restating comparative information. The reclassifications are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

### Balance Sheet

| | 31 December 2017 £'000 | **IFRS 9 £'000** | **1 January 2018 £'000** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Available-for-sale investments | 14,342 | **(14,342)** | **-** |
| Financial assets at fair value through other comprehensive income | - | **7,097** | **7,097** |
| Financial assets at fair value through profit or loss | - | **7,245** | **7,245** |
| **Current assets** | | | |
| Loan and receivables | 50,000 | **(50,000)** | **-** |
| Financial assets at amortised cost | - | **50,000** | **50,000** |
| **EQUITY** | | | |
| Share capital | 257,053 | **-** | **257,053** |
| Available-for-sale reserves | 3,780 | **(3,780)** | **-** |
| Fair value through other comprehensive income reserves | - | **3,460** | **3,460** |
| Retained earnings | 14,995 | **320** | **15,315** |

### Statement of changes in equity

| | **Share Capital £'000** | **FVOCI Reserves £'000** | **Available-for-sale Reserves £'000** | **Retained earnings £'000** | **Total Equity £'000** |
|---|---|---|---|---|---|
| At 1 January 2017 | 257,053 | - | 9,880 | 27,633 | 294,566 |
| **At 31 December 2017** | **257,053** | **-** | **3,780** | **14,995** | **275,828** |
| Available-for-sale reserves to FVOCI reserves | - | 3,460 | (3,460) | - | - |
| Available-for-sale reserves to retained earnings | - | - | (320) | 320 | - |
| **At 1 January 2018** | **257,053** | **3,460** | **-** | **15,315** | **275,828** |

**20. Change in accounting policies (continued)**

*(i) Classification and measurement*

The Company's management has assessed which business models apply to the financial assets held by the Company as at 1 January 2018 and has classified its financial instruments into the appropriate IFRS 9 categories. The resulting effect is to reclassify 'loans and receivables' to 'financial assets at amortised cost', and 'available-for-sale investments' to 'financial assets at FVOCI' or 'financial assets at FVPL'. There is no impact on the carrying value of the assets.

a) Reclassification from available-for-sale investments to financial assets at FVOCI

Certain investments were reclassified from available for sale to financial assets at FVOCI, as the company's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, unlisted investments with a fair value of £7.1 million were reclassified from available-for-sale investments to financial assets at FVOCI and fair value gains of £3.5 million were reclassified from the available-for-sale reserves to FVOCI reserves on 1 January 2018

b) Reclassification from available-for-sale investments to financial assets at FVPL.

Certain investments were reclassified from available-for-sale to financial assets at FVPL (£7.2 million as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of £0.3 million were transferred from the available-for-sale reserves to retained earnings on 1 January 2018.

## 21. Related party transactions

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

| Nature of income | Related party | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Income from investments in subsidiaries | Fellow subsidiary undertaking | **18** | 40 |
| Interest income | Ultimate parent undertaking | **1,590** | 901 |
| Interest expense | Ultimate parent undertaking | **(52)** | (114) |
| Dividend paid | Ultimate parent undertaking | **(14,995)** | (27,632) |

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

| Nature of balance | Related party | 31 December 2018 £'000 | 31 December 2017 £'000 |
|---|---|---|---|
| Accrued interest receivable | Ultimate parent undertaking | **185** | 141 |
| Group relief | Ultimate parent undertaking | **-** | 3,901 |
| Financial assets at amortised cost | Ultimate parent undertaking | **37,600** | 50,000 |
| Cash and cash equivalents | Ultimate parent undertaking | **165** | 216,497 |
| Borrowings | Ultimate parent undertaking | **(8,833)** | (10,810) |
| Borrowings | Fellow subsidiary undertaking | **-** | (405) |
| Accrued interest payable | Fellow subsidiary undertaking | **(5)** | (4) |

All related party transactions have been concluded at arm's length.

## 22. Capital management

The Company categorises capital as total shareholders' equity, and as at 31 December 2018, the value was £45.5 million (2017: £275.8 million).

The Directors manage this by monitoring capital levels and where appropriate pay dividends to the parent undertaking.

## 23. Ultimate parent undertaking and controlling party

The immediate and 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.