

HAREWOOD HOLDINGS LIMITED

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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REGISTERED NUMBER: 05936392



HAREWOOD HOLDINGS LIMITED

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HAREWOOD HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic report of Harewood Holdings Limited (the "Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is that of a holding company for a subsidiary of the BNP Paribas Group ("Group" relates to BNP Paribas, the ultimate parent undertaking, and other BNP Paribas group undertakings).

Review of the business

As shown in the Company's income statement, profit for the year was £3.9 million (2016: £25.4 million).

Total shareholders' funds for the year ended 31 December 2017 was £217.5 million (2016: £213.6 million).

Business development and performance

The Company continues to act as a holding company. In September 2017, under the terms of a Sale and Purchase agreement with BNP Paribas, the ultimate parent undertaking, the Company's sole subsidiary undertaking, ceased its principal activity.

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 aims to provide sustainable returns to its immediate parent undertaking.

Future developments

Following the cessation of the principal activity of the Company's wholly owned subsidiary undertaking, and the cancellation of its Financial Conduct Authority ("FCA") authorisation, the directors of the subsidiary undertaking plan to place the company into liquidation in the foreseeable future.

On behalf of the board



S. MADLETON

Director
11 May 2018

HAREWOOD HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

The Company is a wholly-owned subsidiary of BNP Paribas, the ultimate parent undertaking, 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

During the year, no dividend was paid on ordinary shares (2016: £ nil). The Directors do not recommend the payment of a final dividend (2016: £ nil).

Charitable and political donations

There were no charitable or political contributions made during the year (2016: £ nil).

Post balance sheet review

In January 2018, the Company's subsidiary, BNP Paribas UK Limited, applied to the Financial Conduct Authority ("FCA") to cancel its authorisation. The application was approved with effect from 7 March 2018.

Directors

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

Stephen Martin Middleton
Christopher Mark Penney
Donald Paul Reynolds

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 short term funding from its parent BNPP, which is available to cover any liabilities which fall due in the ordinary course of business.

HAREWOOD HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

 S. MIDDLETON

Director
11 May 2018

HAREWOOD HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2017

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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

HAREWOOD HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAREWOOD HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Harewood Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 for the year ended 31 December 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of cash flows, the statement of changes in equity for the year 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

We have nothing to report in respect of the following matters in relation to which 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.

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

Reporting on other information

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

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

With respect to the Strategic Report and 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.

HAREWOOD HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAREWOOD HOLDINGS LIMITED (continued)

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 2017 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.

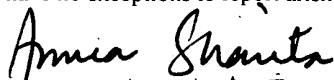
Other required reporting

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.



Amena Shaista (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 May 2018

HAREWOOD HOLDINGS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Interest income	3	1	7
Interest expense	4	(1,860)	(2,000)
Impairment writeback on investment in subsidiary	5	5,392	26,912
Administrative expenses	6	(12)	68
Profit before taxation	7	3,521	24,987
Taxation	8	360	401
Profit for the year		3,881	25,388

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

There was no other comprehensive income for the year ended 31 December 2017 or the prior year.

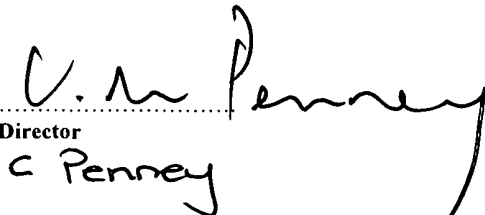
HAREWOOD HOLDINGS LIMITED

Company Registration no. 05936392

BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
ASSETS			
Non-current assets			
Investment in subsidiary	9	286,976	281,584
Total non-current assets		286,976	281,584
Current assets			
Group relief	10	761	881
Cash and cash equivalents	11	-	1,302
Total current assets		761	2,183
TOTAL ASSETS		287,737	283,767
EQUITY			
Share capital	12	136,800	136,800
Share premium	12	13,200	13,200
Retained earnings		67,505	63,624
TOTAL EQUITY		217,505	213,624
LIABILITIES			
Non-current liabilities			
Borrowings	13	70,000	70,000
Total non-current liabilities		70,000	70,000
Current liabilities			
Overdrafts	14	204	-
Other payables	15	28	143
Total current liabilities		232	143
TOTAL LIABILITIES		70,232	70,143
TOTAL EQUITY AND LIABILITIES		287,737	283,767

The financial statements on pages 8 to 22 were approved by the Board of Directors on 11 May 2018 and were signed on its behalf and authorised for issue by:


 Director
 C Penney

HAREWOOD HOLDINGS LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	136,800	13,200	38,236	188,236
Profit for the year	-	-	25,388	25,388
At 31 December 2016	136,800	13,200	63,624	213,624
At 1 January 2017	136,800	13,200	63,624	213,624
Profit for the year	-	-	3,881	3,881
At 31 December 2017	136,800	13,200	67,505	217,505

HAREWOOD HOLDINGS LIMITED**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before taxation for the year		3,521	24,987
Adjustments for:			
— interest income		(1)	(7)
— interest expense		1,860	2,000
— administrative fees		12	(68)
— impairment writeback on investment in subsidiary		(5,392)	(26,912)
Cash flows used in operating activities		-	-
Interest received		1	7
Interest paid		(1,854)	(1,995)
Other payables		(133)	(215)
Group relief received		480	514
Net cash flows used in operating activities		(1,506)	(1,689)
Net decrease in cash and cash equivalents		(1,506)	(1,689)
Cash and cash equivalents at 1 January		1,302	2,991
Cash and cash equivalents at 31 December	11 & 14	(204)	1,302
Reconciliation of cash and cash equivalents			
Overdraft		(204)	-
Cash and cash equivalents		-	1,302
Cash and cash equivalents at 31 December	11 & 14	(204)	1,302

The above illustrates the indirect method of reporting cash flows from operating activities.

HAREWOOD HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

The principal activity of the Company is that of a holding company. 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 and the prior year, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom law and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee interpretations. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and 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).

There are no new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2017, that have material effect on the financial statements as at 31 December 2017.

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 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.

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. The Company has assessed the impact of this standard and does not expect it to have a significant effect on the financial statements of 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

As noted in the Directors’ report, 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.

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 impairment of investments in subsidiaries. Refer to note 1 (f) for more details.

HAREWOOD HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

c) Foreign currency

(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 within other income.

d) Interest income and expense

Interest income arises from cash and cash equivalents. Interest expense arises on borrowings and overdrafts. Interest income and expense are recognised in the income statement, using the effective interest rate method.

e) Investment in subsidiary

The investment in subsidiary is an equity investment, accounted for at cost less any impairment.

f) Impairment of investment in subsidiary

At each balance sheet date, or more frequently where events or changes in circumstances dictate, the investment in the subsidiary is assessed for indications of impairment. If indications of impairment are evident, this investment will be subject to an impairment review. The impairment review for this equity investment comprises a comparison of the carrying amount of the asset with its recoverable amount: higher of fair value less cost to sell or value in use.

The carrying value of the investment in the subsidiary is written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

The writeback of impairments of previously impaired investments in subsidiaries are recognised as gains in the income statement in the year in which they occur.

g) 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.

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. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

h) 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, intercompany balances repayable on demand and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

i) Share capital, capital contribution and debt instruments

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.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently reported at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term 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 by at least 12 months from the balance sheet date.

k) 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 of the benefit arising from taxable losses of the Company.

2. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (cash flow interest rate risk). 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 the counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk arises on other receivables and cash and cash equivalents. These assets represent a significant concentration of credit exposure to other Group undertakings. The Directors continue to monitor these exposures.

Maximum exposure to credit risk

	2017	2016
	£'000	£'000
Group relief (note 10)	761	881
Cash and cash equivalents (note 11)	-	1,302
	761	2,183

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2017 and 2016. The Company does not hold collateral or other credit enhancements 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.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 the availability of funding through an adequate amount of committed credit facilities.

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

	Up to 3 months £'000	3 - 6 months £'000	6 - 12 months £'000	1 - 5 years £'000	Over 5 years £'000	Total £'000
At 31 December 2017						
Financial Liabilities						
Other payables	(28)	-	-	-	-	(28)
Overdrafts	(204)	-	-	-	-	(204)
Borrowings	-	-	-	-	(70,000)	(70,000)
Total Liabilities	(232)	-	-	-	(70,000)	(70,232)
At 31 December 2016						
Financial Liabilities						
Other payables	(143)	-	-	-	-	(143)
Borrowings	-	-	-	-	(70,000)	(70,000)
Total Liabilities	(143)	-	-	-	(70,000)	(70,143)

c) Market risk

The Company's activities potentially 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 linked investments 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 and foreign exchange rates.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Financial risk management (continued)

c) Market risk (continued)

(i) Interest rate risk

The Company is exposed to cash flow interest rate risk from its floating rate borrowings, overdraft and cash and cash equivalents. It is the opinion of the Directors that the cash flow interest rate risk arising from these investments is insufficient to require hedging.

Interest rate risk sensitivity

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

- the exposure to interest rates is on all financial instruments held at the balance sheet date;
- the exposure to interest rates is on non trading balances which is inclusive of cash borrowings held at the balance sheet date;
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting period;
- 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 non-trading balances. The methods and assumptions used to prepare the sensitivity analysis are consistent for both reporting periods.

If interest rates had been 100 basis points higher (2016: 100 basis points higher) and all other variables were held constant, the Company's profits for the year ended 31 December 2017 would decrease by £0.7 million (2016: £0.7 million). This is attributable to the Company's exposure to interest rates on its floating rate borrowings.

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

3. Interest income

	2017	2016
	£'000	£'000
Interest income	1	7

Interest income represents interest earned on a current account held with BNP Paribas, the ultimate parent undertaking at an average annual interest rate of 0.19% (2016: 0.36%).

4. Interest expense

	2017	2016
	£'000	£'000
Interest expense	(1,860)	(2,000)

Interest expense is charged on £70 million subordinated loan from BNP Paribas, the ultimate parent undertaking, at an average annual rate of 2.66% (2016: 2.86%).

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Impairment write back on investment in subsidiary

	2017	2016
	£'000	£'000
Impairment writeback on investment in subsidiary	5,392	26,912

The 2017 impairment review resulted in a write back of £5.4 million (2016: £26.9 million) on the investment in the Company's wholly-owned subsidiary, BNP Paribas UK Limited.

6. Administrative expenses

	2017	2016
	£'000	£'000
Bank levy	-	79
Audit fees	(12)	(11)
	(12)	68

Auditors' remuneration in respect of audit fees is £12,219 (2016: £10,814). There are no fees relating to other services provided by the Company's auditors.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. 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 (2016: none).

8. Taxation

a) Analysis of tax credit in year

	2017	2016
	£'000	£'000
Current tax credit		
UK corporation tax on profits for the year	360	401
Total tax credit on profit on ordinary activities	360	401

b) Factors affecting tax credit for the year

The tax assessed for the year is lower (2016: lower) than profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The credit for the year can be reconciled as follows:

	2017	2016
	£'000	£'000
Profit before taxation	3,521	24,987
Current tax at 19.25% (2016: 20.00%)	(678)	(4,997)
Tax effects of:		
-Bank levy	-	16
-Impairment writeback not taxable	1,038	5,382
Tax credit for the year	360	401

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Investment in subsidiary

	31 December 2017 £'000	31 December 2006 £'000
Shares in subsidiary undertakings:		
Cost at 1 January	286,976	286,976
Cost at 31 December	286,976	286,976
Impairment provision at 1 January	(5,392)	(32,304)
Impairment writeback on investment in subsidiary	5,392	26,912
Impairment provision at 31 December	-	(5,392)
Recoverable amount at 31 December	286,976	281,584

The investment in the subsidiary undertaking is of an equity nature. The fair value has not been disclosed as the equity instrument does not have a quoted market price in an active market.

The 2017 impairment review resulted in a writeback to the income statement of £5.4 million (2016: £26.9 million).

Subsidiary undertaking of the Company

The direct subsidiary undertaking of the Company at 31 December 2017 and 31 December 2016 was:

Subsidiary Undertaking	Country of incorporation	Principal activity	Type of share	Percentage Holding
BNP Paribas UK Limited	United Kingdom	Underwriter and trader of debt securities	Ordinary £1	100%

The directors of BNP Paribas UK Limited have decided to place the Company into liquidation within the foreseeable future. Refer to the Future Developments section of the Strategic Report for further details.

BNP Paribas UK Limited has its registered office at 10 Harewood Avenue, London, NW1 6AA, United Kingdom.

10. Group relief

	31 December 2017 £'000	31 December 2016 £'000
Group relief	761	881

Group Relief represents the amount of the benefit arising from taxable losses of the Company.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	-	1,302

12. Share capital and share premium

	No. of shares	31 December 2017 £'000	31 December 2016 £'000
Allotted, called up and fully paid: Ordinary shares of £1 each	136,800,000 (2016: 136,800,000)	£136,800	£136,800
Equity Share Premium: Ordinary shares of £1 each		13,200	13,200

The Company has in issue only one class of equity shares, 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.

13. Borrowings

	31 December 2017 £'000	31 December 2016 £'000
Subordinated loan	70,000	70,000

The Company has borrowings of £70 million from BNP Paribas, the ultimate parent undertaking, maturing on 31 December 2023, at an interest rate of three month Sterling LIBOR plus 232bps.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Overdrafts

	31 December 2017 £'000	31 December 2016 £'000
Overdrafts	204	-

The overdraft facility with BNP Paribas, the ultimate parent undertaking, is interest bearing at a rate of 0.33%.

15. Other payables

	31 December 2017 £'000	31 December 2016 £'000
Bank levy payable	-	122
Accrued interest payable	16	10
Audit fees payable	12	11
	28	143

16. Capital management

The Company categorises the following as its capital resources:

Capital resources	31 December 2017 £'000	31 December 2016 £'000
Share capital	136,800	136,800
Share premium	13,200	13,200
Retained earnings	67,505	63,624
Subordinated loan	70,000	70,000
Total Capital resources	287,505	283,624

The Company categorises total equity and the subordinated loan from BNP Paribas, the ultimate parent undertaking as capital. As at 31 December 2017, the value was £ 287.5 million (2016: £283.6 million)

The Directors manage this by monitoring capital levels, and where appropriate pay dividends to the immediate parent undertaking. Additionally, as and when necessary, the Directors will request a capital injection from the immediate parent undertaking.

HAREWOOD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Related party transactions

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

Nature of income	Related party	2017 £'000	2016 £'000
Interest income	Ultimate parent undertaking	1	7
Interest expense	Ultimate parent undertaking	(1,860)	(2,000)

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

Nature of balance	Related party	31 December 2017 £'000	31 December 2016 £'000
Group relief	Ultimate parent undertaking	761	881
Cash and cash equivalents	Ultimate parent undertaking	-	1,302
Overdrafts	Ultimate parent undertaking	(204)	-
Other payables	Ultimate parent undertaking	(16)	(10)
Borrowings	Ultimate parent undertaking	(70,000)	(70,000)

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

18. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is BNP Paribas.

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 2017.

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