

Company Registration No. 430987

BNP PARIBAS FINANCE LIMITED
(Formerly known as BNP PARIBAS FINANCE PLC)

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

31 December 2014



BNP PARIBAS FINANCE LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY INFORMATION

Registered address: 10 Harewood Avenue
London
NW1 6AA

Directors: V Menon
C Penney
F Regnier

Secretary: K A Schrod

Independent Auditors: PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

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BNP PARIBAS FINANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their Strategic report of BNP Paribas Finance Limited ('the Company'), formerly known as BNP Paribas Finance PLC.

The Company is a wholly-owned subsidiary undertaking of BNP Paribas U.K. Holdings Limited. The ultimate parent undertaking is BNP Paribas, a company incorporated in France.

A fair view of the business

As shown in the Company's income statement on page 8, the profit after tax for the year amounted to £0.2 million (2013: profit of £0.3 million).

The shareholders' funds for the year ended 31 December 2014 were £32.6 million (2013: £32.4 million).

On 17 December 2014 the Directors authorised the re-registration of the Company from BNP Paribas Finance PLC to BNP Paribas Finance Limited as part of the process of rationalisation of the BNP Paribas Group structure.

The Directors do not recommend the payment of a dividend for the current year (2013: nil).

Post balance sheet event

On 30 June 2015 the Directors resolved to reduce the issued share capital of the Company by £31 million to £1 million and to cancel and extinguish the liability of 31 million shares.

Principal risks and uncertainties

The Company's activities potentially 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. All risks are managed centrally by BNP Paribas, the ultimate parent undertaking. Refer to Note 2 for more details on financial risk management.

Key performance indicators

The Directors of the Company believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The relevant key performance indicators of the business of BNP Paribas Group ("Group" relates to BNP Paribas, the ultimate parent, and other BNP Paribas group undertakings), which includes the Company, are discussed in the 2014 Annual Financial Report of BNP Paribas, the ultimate parent undertaking, which does not form part of this report.

Future developments

It is the Directors' belief that no significant developments are likely and that the Company will continue to provide financing to its customers.

By Order of the Board



.....
Secretary/Director

F. RENIER

22 September 2015

BNP PARIBAS FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report and the audited financial statements of BNP Paribas Finance Limited for the year ended 31 December 2014.

The Company is incorporated in Great Britain and registered in England and Wales and has its principal place of business in the United Kingdom.

Principal activities

The principal activity of the Company is to provide financing to its customers.

Going concern and liquidity

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

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.

On 30 June 2015 the Company has reduced its issued share capital from £32 million to £1 million, in line with the planned reduction in levels of activity in the Company. Refer to Note 13 for details of the capital reduction.

Charitable and political donations

There were no charitable and political donations made during the year (2013: nil).

Directors

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

V Menon	
J R Unwin	(Resigned with effect from 16 December 2014)
P Gennart	(Resigned with effect from 29 May 2015)
C Penney	
F Regnier	(Appointed with effect from 30 June 2015)

BNP PARIBAS FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

Directors' indemnity

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.

Disclosure of information to auditors


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.

Registered Office
10 Harewood Avenue
London
NW1 6AA

By Order of the Board


.....
Secretary/Director
FRENIER
22 September 2015

BNP PARIBAS FINANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 International Financial Reporting Standards (IFRSs) 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.

BNP PARIBAS FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS FINANCE LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by BNP Paribas Finance Limited, comprise:

- the balance sheet as at 31 December 2014;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flow for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BNP PARIBAS FINANCE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS FINANCE LIMITED
(CONTINUED)**

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



Philip Tew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

22 September 2015

BNP PARIBAS FINANCE LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
Net interest income	3	188	155
Other income	4	27	240
Other expenses	5	(3)	(20)
Gain on disposal of available-for-sale investment		-	2
Profit before taxation	6	212	377
Taxation	7	(51)	(97)
Profit for the year		161	280

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

BNP PARIBAS FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

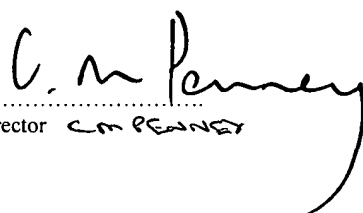
	Note	2014 £'000	2013 £'000
Profit for the year		161	280
Other Comprehensive Income:			
Items that may be reclassified into profit or loss			
- Transferred to income statement on disposal of available-for-sale investments		-	(2)
Total Other Comprehensive Income		-	(2)
Total Comprehensive income attributable to equity shareholders		161	278

BNP PARIBAS FINANCE LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2014

Company Registration No. 430987

	Note	31 December 2014 £'000	31 December 2013 £'000
ASSETS			
Non-Current assets			
Investments in subsidiaries	8	-	-
Deferred tax asset	9	59	75
Non-Current assets		59	75
Current assets			
Loans and receivables	10	2,915	2,768
Other receivables	11	1	1
Cash and cash equivalents	12	32,585	32,411
Current assets		35,501	35,180
TOTAL ASSETS		35,560	35,255
EQUITY			
Share capital	13	32,000	32,000
Retained reserves		597	436
Total Equity		32,597	32,436
Current liabilities			
Overdrafts	12	3	3
Borrowings	14	2,853	2,743
Corporation tax payable	15	106	72
Other payables	16	1	-
Current liabilities		2,963	2,818
TOTAL LIABILITIES		2,963	2,818
TOTAL EQUITY AND LIABILITIES		35,560	35,255

The financial statements on pages 8 to 28 were approved by the Board of Directors on 22 September 2015 and were signed on its behalf by:


 Director C. M. PENNEY

BNP PARIBAS FINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Ordinary shares	Available- for-sale reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2013	32,000	2	156	32,158
Profit for the year	-	-	280	280
Other comprehensive income:	-	-	-	-
- Transferred to income statement on disposal of available-for-sale investments	-	(2)	-	(2)
At 31 December 2013	32,000	-	436	32,436
Balance at 1 January 2014	32,000	-	436	32,436
Profit for the year	-	-	161	161
Other comprehensive income	-	-	-	-
At 31 December 2014	32,000	-	597	32,597

BNP PARIBAS FINANCE LIMITED

**STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	31 December 2014 £'000	31 December 2013 £'000
Cash flows from operating activities			
Profit before taxation		212	377
Adjustments for:			
— net interest income		(188)	(155)
— unrealised foreign exchange (gain)/loss on available-for-sale assets		-	(111)
Cash flows generated from operating activities		24	111
Changes in working capital:			
— (decrease) / increase in payables		-	(2,589)
Cash used in operations			
Cash generated from/(used in) operations		24	(2,478)
Interest received		187	162
Taxation received / (paid)		-	12
Net cash flows generated from / (used in) operating activities		211	(2,304)
Cash flows from investing activities			
Disposal of available-for-sale financial assets		-	1,817
(Increase) in loans and receivables		(147)	(39)
Increase in borrowings		110	34
Net cash flows generated from/(used in) investing activities		(37)	1,812
Net (decrease)/increase in cash and cash equivalents		174	(492)
Cash and cash equivalents at 1 January		32,408	32,900
Net cash and cash equivalents at 31 December	12	32,582	32,408
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	12	32,585	32,411
Overdrafts	12	(3)	(3)
Net cash and cash equivalents at 31 December	12	32,582	32,408

BNP PARIBAS FINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

The principal activity of the Company is to provide financing to its customers.

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 IFRIC 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 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 b.

As of 1 January 2014, the Company has applied IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities", adopted on 29 December 2012 by the European Union. These changes did not have a material effect on the Company's financial statements.

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

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

Going concern and liquidity

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 3 under the heading of 'Going concern and liquidity'.

b) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. 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.

c) Interest income and expense

Interest income arises from cash and cash equivalents, loans and receivables, and from interest earning available-for-sale investments. Interest expense arises from financing activities. Interest income and expense are recognised in the income statement using the effective interest rate method. The effective interest rate method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's initial net carrying amount.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting policies (*continued*)

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.

(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 of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

e) Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment. Dividends receivable from subsidiaries are recognised in the income statement when the Company's right to receive payment is established. 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 the ultimate parent undertaking, BNP Paribas.

f) Impairment of investments in subsidiaries and associates

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

The carrying values of investments in subsidiaries and associates are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it arises.

g) Financial instruments

The Company classifies its financial instruments in the following categories: loans and receivables and payables. 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.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate method.

Where a loan is doubtful no interest receivable is accrued and for the respective collateral received, no interest expense is accrued.

(ii) *Payables*

Payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting policies (*continued*)

h) Non-current and Current Assets/Liabilities

All financial assets and liabilities which have a maturity date less than one year from the balance sheet date are classified as 'current', and as 'non-current' if they have a maturity date greater than one year from the balance sheet date.

i) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income as a percentage of sales;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deteriorations of borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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 interest rate.

j) Cash and cash equivalents

Cash and cash equivalents include 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 reported within borrowings in current liabilities on the balance sheet.

k) 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.

l) 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 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 after the balance sheet date.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. Accounting policies (*continued*)

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 substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor the 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) Dividend distribution

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

BNP PARIBAS FINANCE LIMITED**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****2. Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme 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 to the Company by failing to discharge an obligation. Credit exposures arise principally on cash and cash equivalents and loans and receivables. Further credit risk arises on other receivables.

Credit risk is monitored and managed by the risk management function of BNP Paribas, the ultimate parent undertaking.

Maximum exposure to credit risk before collateral held or credit enhancements

	31 December 2014	31 December 2013
	£'000	£'000
Credit risk exposures relating to on-balance sheet assets as follows:		
Loans and receivables	2,915	2,768
Cash and cash equivalents	32,585	32,411
Other receivables	1	1
Credit risk exposures relating to off-balance sheet assets are as follows:		
Guarantee issued	90	118
	35,591	35,298

Collateral received

The Company holds a total of £2.9 million collateral in respect of the loans and receivables, included within borrowings. The collateral held is provided by BNP Paribas, the ultimate parent undertaking.

The counterparty risk of collateral received is monitored and managed by the risk management function of BNP Paribas, the ultimate parent undertaking.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. Financial risk management (*continued*)

a) Credit risk (*continued*)

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2014 and 2013, without taking into account collateral held or other credit enhancements attached. The exposures set out above are based on the carrying amounts reported in the balance sheet.

(i) Credit enhancements

The Company has received credit enhancements in the form of cash and cash equivalents and collateral.

(ii) Credit quality of financial assets past due but not impaired

The table below presents an analysis of the credit quality of loans and receivables.

	2014	2013
	£'000	£'000
Collateralised against borrowings	2,853	2,743
31 December 2014	2,853	2,743

(iii) Financial assets past due but not impaired

There were £2.8 million of financial assets that were past due but were fully collateralised (2013: £2.7 million). No financial assets have been renegotiated that would otherwise be impaired (2013: £nil). The Company holds no collateral against financial assets that are impaired (2013: £nil).

No impairments have been provided against the financial assets as these exposures have been fully collateralised.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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. In addition, the Company's liquidity is ensured by BNP Paribas, the ultimate parent undertaking.

Liquidity risk is monitored by the risk management function of BNP Paribas, the ultimate parent undertaking. In terms of the Group's policy, liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios. 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	3 – 6 Months	6 – 12 Months	1 – 5 Years	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 December 2014					
Financial liabilities					
Overdrafts	3	-	-	-	3
Borrowings	1,653	-	1,200	-	2,853
Corporation tax payable	106	-	-	-	106
Other payables	1	-	-	-	1
	1,763	-	1,200	-	2,963
As at 31 December 2013					
Financial liabilities					
Overdrafts	3	-	-	-	3
Borrowings	1,543	-	1,200	-	2,743
Corporation tax payable	72	-	-	-	72
Other payables	-	-	-	-	-
	1,618	-	1,200	-	2,818

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. Financial risk management (continued)

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Up to 3 Months	3 – 6 Months	6 – 12 Months	1 – 5 Years	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 December 2014					
Financial assets					
Loans and receivables	1,715	-	1,200	-	2,915
Other receivables	1	-	-	-	1
Cash and cash equivalents	32,585	-	-	-	32,585
	34,301	-	1,200	-	35,501
As at 31 December 2013					
Financial assets					
Loans and receivables	1,568	-	1,200	-	2,768
Other receivables	1	-	-	-	1
Cash and cash equivalents	32,411	-	-	-	32,411
	33,980	-	1,200	-	35,180

c) Market risk

The Company takes on exposure to market risks, 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 risks arise from open positions in interest rate, and foreign currency, both 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 and foreign exchange rates.

(i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. This risk is transferred to BNP Paribas, the ultimate parent undertaking on a monthly basis. At 31 December 2014 and 31 December 2013, the Company had no material exposure to foreign currency risk, hence no sensitivity analysis has been provided.

BNP PARIBAS FINANCE LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. Financial risk management (*continued*)

c) Market risk (*continued*)

(ii) *Interest rate risk management*

The Company is exposed to interest rate risk as the Company's loans and receivables and borrowings are at both fixed and floating interest rates.

Interest rate risk is monitored centrally by the risk management function of BNP Paribas, the ultimate parent undertaking.

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 stipulated change took place at the beginning of the financial year and held constant throughout the reporting period;
- instruments that are re-priced within a period of six months are considered variable while those that are re-priced after six months are considered fixed; and
- a reasonable possible rate change is based on implied volatility rates observed in the market.

Based on the implied volatility rates observed, above, a 100 (2013: 100) basis point increase or decrease in the year is considered a reasonable possible change in interest rates.

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

If interest rates had been 100 basis points higher and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2014 would increase by £325,850 (2013: £324,110). This is mainly attributable to the Company's exposure to interest rates on its floating rate assets which exceed its floating rate liabilities.

A 100 basis point decrease in interest rates would have an inverse effect on profit or loss and equity. The Company's sensitivity to interest rates has remained constant during the current period.

3. Net interest income

	2014	2013
	£'000	£'000
Net interest income on cash and cash equivalents	188	137
Interest income on available-for-sale financial assets	-	18
	188	155

Net interest income on cash and cash equivalents amounting to £187,535 (2013:£137,573) arose principally on GBP accounts held with BNP Paribas, the ultimate parent undertaking.

BNP PARIBAS FINANCE LIMITED**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****4. Other income**

	2014 £'000	2013 £'000
Foreign exchange gain	-	206
Other income	27	34
	27	240

5. Other expenses

	2014 £'000	2013 £'000
Retrocession fees	-	(20)
Foreign exchange loss	(3)	-
	(3)	(20)

6. Profit before taxation

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

a) Services provided by the Company's auditor

Services provided by the Company's auditor consisted of the statutory audit, at a cost of £7,807 (2013: £12,000) which will be borne BNP Paribas, the ultimate parent undertaking. There are no fees relating to other services provided by the Company's auditor.

b) Number of employees

The Company had no employees during the year to 31 December 2014 (2013: none).

c) Directors

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, and 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.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7. Taxation

	2014	2013
	£'000	£'000
Analysis of tax (charge) in year		
Current tax		
UK Corporation tax on profits for the year	(35)	(71)
	(35)	(71)
Deferred tax		
Origination and reversal of timing differences	(13)	(19)
Impact of change in tax rate	(3)	(7)
Total tax (charge) on profit on ordinary activities	(51)	(97)

b) Factors affecting tax (charge) for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%).
The (charge) for the year can be reconciled as follows:-

	2014	2013
	£'000	£'000
Profit before taxation	212	377
Profit before tax multiplied by corporation tax in the UK 21.5% (2013: 23.25%)	(46)	(88)
Effects of:		
- Capital allowances in excess of depreciation	13	19
- Deferred taxation	(16)	(26)
- IFRS adjustments	(2)	(2)
Tax (charge) for the current year	(51)	(97)

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. Investments in subsidiaries

	31 December 2014	31 December 2013
	£	£
Subsidiary undertakings:		
Comptonia Nominees Limited	100	100
Abyard Nominess Limited	100	100
	200	200

In the opinion of the Directors the aggregate value of the Company's investments in subsidiary undertakings (including amounts owed by subsidiary undertakings) is not less than amount at which they are stated in the accounts. The subsidiaries are 100% undertakings of the Company which are currently dormant. They are incorporated in England and Wales and have continuous reporting period from 1 January to 31 December.

9. Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 21%) for the year.

	2014	2013
	£'000	£'000
	Accelerated Tax Adjustment	Accelerated Tax Adjustment
Opening balance at 1 January	75	100
Profit and loss (charge)	(16)	(25)
At 31 December	59	75

The breakdown of the deferred tax liability is shown below:

	31 December 2014	31 December 2013
	£'000	£'000
Accelerated tax depreciation	59	75
	59	75

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. Loans and receivables

	31 December 2014	31 December 2013
	£'000	£'000
Loans to customers	2,915	2,768
Less: provision for impairment of receivables	-	-
	2,915	2,768
Final maturity of loans and receivables:		
- within one year or less	2,915	2,768
	2,915	2,768

The fair value of loans and receivables to customers is not materially different from the carrying value.

11. Other receivables

	31 December 2014	31 December 2013
	£'000	£'000
Interest receivable from ultimate parent undertaking	1	1
	1	1

12. Cash and cash equivalents and overdrafts

	31 December 2014	31 December 2013
	£'000	£'000
Cash and cash equivalents	32,585	32,411
Overdrafts	(3)	(3)
Net cash and cash equivalents and overdrafts	32,582	32,408

All cash and cash equivalents and overdrafts are held with BNP Paribas, the ultimate parent undertaking.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. Called up share capital

	No of shares 000's	31 December 2014 £'000	31 December 2013 £'000
Authorised ordinary shares of £1 each	40,000	40,000	40,000
Allotted, called up and fully paid ordinary shares of £1 each	32,000	32,000	32,000

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

On 30 June 2015 the Directors resolved to reduce the issued share capital of the Company by £31 million to £1 million and to cancel and extinguish the liability of 31 million shares. The reduction in issued share capital was effective on 13 July 2015.

14. Borrowings

Borrowings are denominated in GBP and are non-interest bearing.

	31 December 2014 £'000	31 December 2013 £'000
Borrowings		
- amounts payable to fellow subsidiary	2,853	2,743
	2,853	2,743

The borrowings are held as collateral against loans and receivables as shown in note 10.

15. Corporation tax payable

	31 December 2014 £'000	31 December 2013 £'000
Corporation tax payable	106	72
	106	72

BNP PARIBAS FINANCE LIMITED**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****16. Other payables**

	31 December 2014	31 December 2013
	£'000	£'000
Interest due to ultimate parent undertaking	1	-
	1	-

17. Related party transactions

The following transactions were carried out with related parties:

(i) Interest income

Interest income earned from BNP Paribas, the ultimate parent undertaking, amounted to £188k (2013: £137k) in respect of cash and cash equivalents.

In respect of these transactions, the outstanding balances receivable / (payable) were as follows:

	Related party	31 December 2014	31 December 2013
		£'000	£'000
Cash and cash equivalents	Ultimate parent undertaking	32,585	32,411
Overdrafts	Ultimate parent undertaking	(3)	(3)
Interest receivable	Ultimate parent undertaking	1	1
Other borrowings	Fellow Subsidiary	(2,853)	(2,743)

Costs including key management compensation, audit fees, and services provided by support functions of BNP Paribas, the ultimate parent undertaking, e.g. finance, legal and secretarial services, that are incidental to the Company's operations, were borne by BNP Paribas, the ultimate parent undertaking, and no recharge was made to the Company.

18. Capital management

The Company categorises capital as Shareholders' equity and as at 31 December 2014, the value was £32,597,004 (2013: £32,436,146). Any changes to this total between prior year and current year are as a result of changes in the Company's income statement.

The Directors manage this by monitoring capital levels and where appropriate pay dividends to the parent undertaking. Additionally, as and when necessary, the Directors will inject new capital by requesting funding from the ultimate parent undertaking.

BNP PARIBAS FINANCE LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. Post balance sheet event

On 30 June 2015 the Directors resolved to reduce the issued share capital of the Company by £31 million to £1 million and to cancel and extinguish the liability of 31 million shares. The reduction in issued share capital was effective on 13 July 2015.

20. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is BNP Paribas U.K. Holdings Limited.

The ultimate parent undertaking and controlling party is BNP Paribas, a company incorporated in France.

BNP Paribas is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France.