

Company Registration Number: 01091883

**Creation Financial Services Limited**

**Annual Report and Financial Statements  
for the year ended 31 December 2016**



# **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

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# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Strategic Report

The directors have pleasure in presenting their strategic report for the year ended 31 December 2016.

### Principal activities

The principal activities of Creation Financial Services Limited (the "Company") are that of a finance company offering store and credit card services. In addition it acts as an intermediate holding company and provides management services and financing to other UK group companies. These group companies are its subsidiary, Creation Consumer Finance Limited, and Sygma Banque UK up until July 2015.

### Business review

Economic recovery in 2016 has led to improved market confidence and a fall in unemployment rates. We have seen a rise in the demand for credit as the economy improves. The Company has seen higher sales in the year following the Intragroup acquisition of the trade and assets of Sygma Banque UK branch; however, profitability has fallen due to increased Intragroup funding costs associated with the acquisition.

Negligible new store card recruitment activities and changes in consumer spending habits over the years have seen further deterioration in store card transaction volumes and store card profitability has fallen compared to previous years. On the contrary, the launch of new credit card programmes in the year has led to increased credit card volumes and credit card profitability therefore compensating the store card deterioration.

Robust risk and operational strategies have improved the quality of loans written in the year and have kept customer defaults within forecast levels.

Following on from acquisition of the trade and assets of Sygma Banque UK branch, the Company continues to explore new areas of business and develop new products to sustain the profitable platform already achieved.

Key Performance Indicator	2016	2015	Comments
Cost income ratio excluding interest expense and Cost of risk	30.4%	39.8%	Lower cost income ratio in 2016 is a result of the dividend received from the direct subsidiary of the Company in the year. The Company continues to invest and develop the business since it became part of the BNP Paribas Personal Finance business in the UK.
Post tax return on assets	3.4%	0.2%	
Total assets	£1,752m	£1,456m	Asset growth is due mainly to loans made to support the organic growth of the direct subsidiary of the Company that specialises in fixed term funding.

The results for the year are set out in the statement of comprehensive income on page 10. Total assets amounted to £1,751,795,000 (2015: £1,455,785,000) including £1,175,115,000 (2015: £972,309,000) related to amounts owed by group undertaking.

### Results and dividend

The profit for the financial year, after taxation, amounted to £59,765,000 (2015: £2,530,000). The directors have paid a dividend of £50,852,090 for the year (2015: £nil).

### Future developments

The Company will continue to work closely with its retail partners to develop new product offerings and services to address opportunities in the consumer credit market.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Strategic report (continued)

### Principal risks and uncertainties

Changes in legislation or regulatory interpretation applying to companies in the financial services industry may adversely affect the Company's product range and, consequently reported results and financing requirements. The legal and compliance team have regular meetings to keep up to date with these changes and share regular reports with the directors.

#### *Conduct risk*

During the current financial year, the Company has changed the formats of the statement of comprehensive income and the statement of financial position to a banking format which is more relevant to the business activity that is performed. This should better reflect the results of the Company for the users of the financial statements. Comparative figures have been restated according to the new format.

At 31 December 2016 the Company holds a Payment Protection Insurance (PPI) provision of £865,000 (2015: £888,000).

#### *Cyber risk*

The Company faces operational risks which may result in financial loss, disruption or damages to the reputation of the Group. These include the availability, resilience and security of the Company's core IT systems and the potential for failings in customer processes. The Company continually reviews IT system architecture to ensure that systems are resilient and that the confidentiality, integrity and availability of critical systems and information assets are protected against cyber-attacks.

The Company continues to invest in electronic information systems to protect customer, employee and other information and to effectively manage the evolving risks associated with the loss of data, confidentiality, integrity and availability of this information.

Appropriate security is applied to protect all customers, employees and other data. Measures taken to reduce the risks include staff education, data encryption and the deployment of specialist software.

### Financial Risk Management

The Company's operations expose it to a variety of financial risks, but in particular credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by managing and monitoring the exposure.

#### *Credit risk*

The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Significant changes in the economy, or the health of a particular retail sector that represents a concentration of the Company's portfolio, could result in losses that are different to those provided at the statement of financial position date. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by the supplier. Management carefully manages its exposure to credit risk and this is monitored by the risk department who work closely with the finance department. In addition, the Company continues to implement policies to ensure appropriate credit checks are carried out on potential customers.

#### *Interest rate risk*

The Company has both interest bearing assets and interest bearing liabilities therefore financial risks associated with interest rate fluctuations are effectively mitigated. Interest payable includes loans based on LIBOR adjusted for risk factors whilst funding costs are primarily based on rates linked to LIBOR. The Company reviews the rates on a regular basis with BNP Paribas SA group treasury to ensure that interest rate exposure is managed effectively.

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

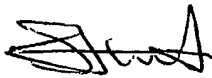
**Strategic report** (continued)

**Financial Risk Management** (continued)

### *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the continued support of the ultimate parent company, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Signed by order of the board



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**S A R Hunt**

Chief executive officer

Approved by the Board on 26 September 2017

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

### 1. Business activities

The principal activities of Creation Financial Services Limited ('Company') are that of a finance company offering store and credit card services. In addition it acts as an intermediate holding company and provides management services and financing to Creation Consumer Finance Limited. The Company forms part of the business to business brand of BNP Paribas Personal Finance activity, formerly known as Laser UK as the business to business brand was changed in the current financial year.

### 2. Subsidiary companies

The BNP Paribas Personal Finance activity in the UK constitutes Creation Financial Services Limited (registration number: 01091883) and its subsidiary, Creation Consumer Finance Limited (registration number: NI032565).

### 3. General review of operations

The results for the year ended 31 December 2016 are described in the accompanying financial statements and overview of financial risk management notes are disclosed in note 27 and discussed in the strategic report.

### 4. Regulation

The Financial Conduct Authority (FCA) took over regulation of consumer credit from the Office of Fair Trading (OFT) on 1 April 2014. The authority has significant powers, including the power to regulate conduct related to the marketing of financial products. It is able to specify minimum standards and to place requirements on products. Interim permission to operate the Company's trading activities under the FCA was obtained in the prior year with applications for Variation of Permission lodged with FCA on 16 July 2015. Whilst the directors are confident permissions will be obtained during 2017, failure to do so would materially impact the Company's activities.

### 5. Employment Policy

The Company continues to monitor its recruitment policy to ensure it provides equal opportunities and fair treatment in all aspects of employment and does not tolerate any form of harassment whether by or against any employee. There are opportunities for staff to work part-time, flexible hours and to work from home. The Company provides a comprehensive training programme involving internal and external courses.

#### *Employee involvement*

During the year, the Company has continued to maintain close consultation with employees or their representatives on matters likely to affect their interests through the company-wide employee survey and "straight to the top" initiatives. By means of monthly team meetings and staff publications, the Company endeavours to keep employees informed about the progress and financial performance of their Company.

#### *Diversity*

It is the policy of the Company to ensure that the talents and resources of employees are utilised to the full and that no job applicant or employee receives less favourable treatment on the grounds of gender, marital status, social class, colour, race, ethnic origin, creed or disability or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Close attention is always given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work Legislation.

#### *Disability*

The recruitment, career development and training opportunities for disabled employees are reviewed regularly to ensure they comply with statutory requirements. The Company:

- has ensured that there is full disabled access to its offices and its facilities;
- considers all applicants for vacancies on merit; where necessary, special arrangements are made for interviewing disabled applicants;
- makes reasonable adjustments for disabled employees and for staff who return to work after lengthy absence. This includes the provision of special equipment; and
- makes changes as required by legislation and best practice.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Directors' report (continued)

### 6. Change in financial statements

During the current financial year, the Company has changed the formats of the Statement of Comprehensive Income and the Statement of Financial Position to a banking format which is more relevant to the business activity that is performed. This should better reflect the results of the Company for the users of the financial statements. Comparative figures have been restated according to the new format.

### 7. Securitisation transaction

During the current financial year Creation Consumer Finance Limited, a wholly owned subsidiary, entered into agreements which resulted in it selling a portion of the loan receivables as part of a securitisation transaction. The closing date for the transaction was completed on the 16th March 2017, after the date of the reporting period but before the financial statements were authorised for issue.

### 8. Going concern

The directors consider that the Company has adequate resources to continue in business for the foreseeable future, and accordingly, the financial statements have been prepared on a going concern basis.

### 9. Event after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial period that may materially affect the amounts and disclosure of these financial statements.

### 10. Distribution to shareholder

A distribution to shareholder amounting to £30.9 million was declared after the date of the reporting period but before the financial statements were authorised for issue (2015: £50.7m).

### 11. Directors

The directors in office at the date of this report are:

#### *Executive directors*

B Cavalier

B C Y Dilly

J J Snyman (Appointed 31 March 2017)

J S Uppal

S A R Hunt

T Deakin (Resigned on 12 May 2016)

X Antiglo (Appointed on 1 April 2016)

### 12. Company secretary

The company secretary at the date of this report is D Carson.

### 13. Registered office

#### *Registered office address*

Chadwick House  
Blenheim Court  
Solihull  
B91 2AA

### 14. Holding company

The immediate holding company of Creation Financial Services Limited is BNP Paribas Personal Finance SA. The ultimate shareholder is BNP Paribas Société Anonyme, incorporated in France and listed on the Paris stock exchange.

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

### **Directors' report (continued)**

#### **15 Directors' Indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and also at the date of approval of the financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

#### **16. Auditors**

The independent auditing firm Mazars LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board, has audited the financial statements. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. Mazars LLP's audit report is presented on page 8 to 9.

Mazars LLP has expressed its willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as Auditor 28 days after these accounts are sent to the shareholders, unless the shareholders exercise their rights under the Companies Act 2006 to prevent their re-appointment.



# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Directors' responsibility statement

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

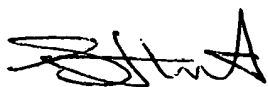
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

## Statement of Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed by order of the board



S A R Hunt

Chief executive officer

Approved by the Board on 26 September 2017

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

### **Independent auditor's report**

#### **Independent auditors' report to the members of Creation Financial Services Limited**

We have audited the financial statements of Creation Financial Services Limited for the year ended 31 December 2016 which comprises of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

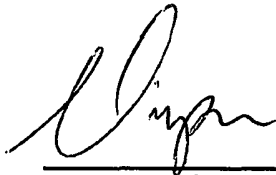
### **Independent auditor's report (continued)**

#### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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**Greg Simpson (Senior Statutory Auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD  
27 September 2017

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Statement of comprehensive income

	Note	2016 £'000	2015 £'000
Interest income	3	93,222	90,368
Interest expense		(49,932)	(46,189)
<b>Net interest income</b>		<b>43,290</b>	<b>44,179</b>
Other income	4	74,460	24,459
Transaction and commission expense		(4,460)	(2,383)
<b>Net trading income</b>		<b>113,290</b>	<b>66,255</b>
Operating costs		(46,536)	(43,291)
Cost of risk	5	(4,313)	(18,520)
<b>Profit before taxation</b>	6	<b>62,441</b>	<b>4,444</b>
Taxation	9	(2,676)	(1,914)
<b>Profit for the financial year</b>		<b>59,765</b>	<b>2,530</b>
Other comprehensive income, net of taxation		-	-
<b>Total comprehensive income for the year</b>		<b>59,765</b>	<b>2,530</b>

The notes on pages 13 to 30 form part of these financial statements

# Creation Financial Services Limited

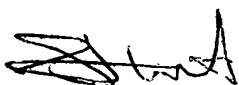
Company Registration Number: 01091883

Annual Report and Financial Statements for the year ended 31 December 2016

## Statement of financial position as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
Cash and cash equivalents	10	93,645	28,889
Card receivables	11	386,358	360,132
Amount owing from group companies	12	1,175,115	972,309
Other receivables	13	9,881	8,975
Inventory	14	152	95
Property and equipment	15	1,174	707
Intangible assets	16	3,743	2,872
Deferred taxation	17	254	333
Investments in subsidiaries	18	81,473	81,473
<b>Total assets</b>		<b>1,751,795</b>	<b>1,455,785</b>
<b>Equity</b>			
Share capital	19	59,703	59,703
Accumulated profit		20,273	11,160
<b>Total equity</b>		<b>79,976</b>	<b>70,863</b>
<b>Liabilities</b>			
Funding	20	1,598,551	1,320,318
Trade and other payables	21	22,099	18,989
Provisions for liabilities	22	891	908
Taxation		1,368	798
Amount owed to group companies	12	48,910	43,909
<b>Total liabilities</b>		<b>1,671,819</b>	<b>1,384,922</b>
<b>Total equity and liabilities</b>		<b>1,751,795</b>	<b>1,455,785</b>

These financial statements were approved by the board of directors and authorised for issue on 26 September 2017 and are signed on its behalf by:



**S A R Hunt**  
Chief executive officer

The notes on pages 13 to 30 form part of these financial statements

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Statement of changes in equity

	Share capital	Accumulated profit	Total equity attributable to shareholders
	£'000	£'000	£'000
<b>Balance at 1 January 2015</b>	59,703	8,630	68,333
Total comprehensive income for the year	-	2,530	2,530
Profit for the year	-	2,530	2,530
Other comprehensive income, net of taxation:	-	-	-
<b>Balance at 31 December 2015</b>	59,703	11,160	70,863
<b>Balance at 1 January 2016</b>	59,703	11,160	70,863
Total comprehensive income for the year	-	59,765	59,765
Profit for the year	-	59,765	59,765
Other comprehensive income, net of taxation:	-	-	-
Transactions with shareholders	-	(50,652)	(50,652)
Dividend paid in the year	-	(50,652)	(50,652)
<b>Balance at 31 December 2016</b>	59,703	20,273	79,976

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements

### 1. Accounting policies

The Company is a finance company offering store and credit card services. Company registration number: 01091883. In addition it acts as an intermediate holding company and provides management services and financing to Creation Consumer Finance Limited, a wholly owned subsidiary.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

During the current financial year, the Company has changed the presentational format of its statement of comprehensive income and statement of financial position to the banking format. The banking format is more relevant to the business and users of the financial statements.

The preparation of financial statements in conformity with FRS 101 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 below in Section 1.4.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101 as they are provided in the financial statements of BNP Paribas SA (note 25):

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - i. Paragraph 79 (a)(iv) of IAS 1;
  - ii. Paragraph 73(e) of IAS 1 Property and equipment;
  - iii. Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - i. 10(d) (statement of cash flows);
  - ii. 10 (f) (a statement of financial position as at the beginning of the preceding year when an entity applies and accounting policy retrospectively or makes a retrospective restatement in its financial statements, or when it reclassifies items in its financial statements);
  - iii. 16 (statement of compliance with all IFRS);
  - iv. 38A (requirement for minimum of two primary statements, including cash flow statements);
  - v. 38B-D (additional comparative information);
  - vi. 40A – D (requirements for a third statement of financial position); and
  - vii. 111 (cash flow statements information)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

#### 1.2 Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings, including those which are provided from its parent company BNP Paribas Personal Finance SA as required. Notwithstanding the net current liabilities and having considered the current economic conditions and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the company's borrowings is given in notes 12 and 20.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.3 Consolidation

The financial statements contain information about Creation Consumer Finance Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BNP Paribas Personal Finance SA, a company incorporated in France.

#### 1.4 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Impairment of card receivables

At each reporting date the Company assesses, as a result of one or more events occurring after the initial recognition and prior to the reporting date, whether there is objective evidence that the debtor is impaired. Provision is calculated on the basis of the rate of expected final loss established from statistical analysis of the debtor population. In determining the provision, consideration is given to the performance at individual product level, and where relevant, customer level, using recent trends and empirical evidence to assess the expected future collections. These rates are applied to all past due balances outstanding in order to calculate the provision for irrecoverable debts. Debtor balances with forbearance arrangements are being provided at a rate derived from statistical modelling, based on historical data.

The criteria the Company uses to determine if there is objective evidence of impairment include:

- Delinquency in contractual payments or principal and/or interest;
- Indications that the customer or group of borrowers is experiencing financial difficulty;
- Instruction of debt collection agencies to recover amounts owed;
- Entering arrangements to reduce the burden on the customer;
- Initiation of bankruptcy or Individual Voluntary Arrangement (IVAs); and
- Obtaining charging orders against other assets of the customer.

Where there is objective evidence of impairment, impairment is provided through an allowance account based on the difference between the expected future cash flows discounted at the original expected effective interest rate and the carrying value of the balance held. Where there is no objective evidence of impairment the asset is included in a portfolio of financial assets with similar credit risk characteristics and collectively assessed for impairment. Book segmentation considers the number of missed payments and other factors which may indicate difficulty in the customer repaying contractual payments.

Historical loss experience is updated to take into account current observable data and the effect of current market conditions that did not exist in the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating the future cash flows are regularly reviewed by the Company and BNP Paribas SA group to minimise differences between actual and estimated losses.

##### (b) Provisions

The Company exercises judgement in measuring and recognising provisions related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by a retail partner.

Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.



## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 1. Accounting policies (continued)

##### 1.5 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Computer software - 20% - 33%

Assets in course of construction represent computer software where the asset is being developed in house. These assets are not amortised until they are fully commissioned and brought into use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date.

##### 1.6 Property and equipment

###### (a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "operating costs" in the statement of comprehensive income.

###### (b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

##### 1.7 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Fixtures and fittings - 10% - 20%

Computer equipment - 20% - 33%

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

### **Notes to the financial statements (continued)**

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

##### **1.7 Depreciation (continued)**

Assets in course of construction represent computer equipment which were acquired as part of project development. These assets are not depreciated until they are fully commissioned and brought into use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

##### **1.8 Impairment of non-financial instrument assets**

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying value of tangible, intangible fixed assets or investments may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows. Impairment is assessed by comparing the carrying value of the asset to the higher of net present value of future cash flows derived from the underlying assets or their recoverable amount.

##### **1.9 Investments in subsidiaries**

The investments in subsidiaries are all stated at cost less allowance for impairment.

##### **1.10 Inventory**

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

##### **1.11 Cash and cash equivalent**

Cash at bank and in hand includes cash in hand, deposits with bank and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

##### **1.12 Operating lease agreements**

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

##### **1.13 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that has been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.14 Financial Instruments

The Company classifies all its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

The Company classifies financial liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

##### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's principal loans and receivables are card receivables which are included in total assets.

Card receivables are recognised when the funds are advanced to customers and are measured at fair value, which is the cash consideration to originate the loan balance and related fees. Card receivables are subsequently measured at amortised cost using the effective interest method, less any provision for bad debts. Financial assets are derecognised when the rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred. Interest on loan balances is included in the statement of comprehensive income and is reported within interest income. Any impairment is reported as a deduction from the carrying value of the receivable and recognised in the statement of comprehensive income within cost of risk.

##### (b) Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### (c) Intercompany borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

##### (d) Financial liabilities

All financial liabilities are classified as other financial liabilities under IAS 39 'Financial Instruments'.

#### 1.15 Impairment provision

The Company regularly reviews its receivables to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.15 Impairment provision (continued)

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### 1.16 Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling', (£), which is also the Company's functional currency.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction or the rate of exchange of a related foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date or the exchange rate of a related foreign exchange contract where appropriate. The resulting gain or loss is dealt with in the statement of comprehensive income.

#### 1.17 Pension costs

Pension costs charged in arriving at profit for the year reflecting the contributions payable to the BNP Paribas SA group of companies' defined contribution pension scheme.

#### 1.18 Dividends

Dividends are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date, and the related withholding taxation thereon, are accordingly not recognised as liabilities at the reporting date.

#### 1.19 Interest income

Revenue comprises interest income. Interest is recognised on a time-proportion basis taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the Company.

##### *Store card and credit card services*

Store card and credit card services include interest, commissions and fees applied to cardholder accounts or charged to merchants net of acquisition commissions payable to retail partners.

##### *Interest from loans to UK group undertakings*

The Company is an intermediate holding company which borrows from its parent, BNP Paribas Personal Finance SA, and lends this onto its subsidiary, Creation Consumer Finance Limited. Net trading income represents interest and other fees applied to loans to these fellow UK group companies at cost. The financing arrangements mirror those the Company has with its parent and therefore are recognised using the effective interest method.

All interest income is derived from operations in the United Kingdom.

#### 1.20 Interest expense

Interest expense comprises interest which has been incurred on borrowings. All borrowing costs are recognised in the statement of comprehensive income.

#### 1.21 Other income

##### *Management services income from subsidiary*

Management services are provided to Creation Consumer Finance Limited, a wholly owned subsidiary, at cost where recharges are based on the activity levels of the subsidiary company.

##### *Dividend income from subsidiary*

Dividend income is recognised when the right to receive income is established. Dividends are presented in net trading income.

## **Creation Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2016

### **Notes to the financial statements (continued)**

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

##### **1.21 Other Income (continued)**

###### ***Other Income***

Other income comprises commissions income and fee income. Commission income is recognised when the related transaction on which the commission is earned has concluded. Fee income is recognised in the statement of comprehensive income when due.

##### **1.22 Transaction and commission expense**

Transaction and commission expense mainly relates to bank fees and fees paid to merchants, which are expensed as the services are received.

##### **1.23 Cost of risk**

Cost of risk includes movements in allowance for impairment of card receivables due from customers and net amounts written off. This caption also includes impairment losses recorded with respect to expenses relating to fraud and disputes inherent to consumer credit business.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements (continued)

### 2. New standards and Interpretations

#### 2.1 Standards and Interpretations not yet effective

There are standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are applicable to the Company and may have an impact on future financial statements:

##### *IFRS 9 Financial Instruments*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected loss" model. The final version of IFRS 9 was issued in July 2014 and applies to an annual reporting period beginning on or after 1 January 2018 with retrospective application.

The Company, with the assistance of the ultimate shareholder, is currently doing an impact analysis for the company.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2017.

The impact on the financial statements for the Company is not considered to be material.

##### *IFRS 16 Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The impact on the financial statements for the Company is not considered to be material.

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

	2016 £'000	2015 £'000
<b>3. Interest Income</b>		
Store and credit card services	55,198	49,859
Interest from loans to UK group undertakings	38,024	40,509
	<u>93,222</u>	<u>90,368</u>
<b>4. Other Income</b>		
Dividend Income from subsidiary	50,652	-
Management services income from subsidiary	15,184	17,949
Other income	8,624	6,510
	<u>74,460</u>	<u>24,459</u>

Management income from subsidiary represents staff costs recharged at cost to Creation Consumer Finance Limited based on activity levels related to each company.

In the current financial year, a dividend of £50,652,090 (2015: £nil) was received from Creation Consumer Finance Limited, a wholly owned subsidiary of the Company.

	2016 £'000	2015 £'000
<b>5. Cost of risk</b>		
Movement in allowance for impairment	(56,012)	6,231
Recoveries on loans and receivables previously written off	(19,014)	(995)
Bad debt and other write offs	79,339	13,284
	<u>4,313</u>	<u>18,520</u>

### 6. Profit before tax

Included within profit before tax are the following items:

Depreciation of property and equipment	420	482
Amortisation of intangible assets	1,047	1,039
Aggregate payroll costs:		
- Wages and salaries	22,448	21,307
- Social security costs	2,169	2,101
- Other pension costs	893	1,062
Operating lease charges:		
- Premises costs	1,215	1,167
- Other	250	134
Auditors' remuneration:		
- Audit of financial statements (excluding VAT)	61	49
- Non-audit services	-	-

### 7. Particulars of employees

The average monthly number of staff (including executive directors) employed by the Company during the financial year amounted to:

	2016 No	2015 No
Operations/administration	<u>688</u>	<u>726</u>

The aggregate payroll costs of the above are disclosed in note 6.

All employees relating to the BNP Paribas Personal Finance in the UK activity are contracted with Creation Financial Services Limited.

The services provided by the employee cover Creation Financial Services Limited and Creation Consumer Finance Limited, a wholly owned subsidiary of the Company. Staff costs are recharged to Creation Consumer Finance Limited based on activity levels. In the current financial period a total of £15,184,000 (2015: £17,949,000).

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 8. Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2016 £'000	2015 £'000
Remuneration receivable	686	789
Pension contributions to money purchase schemes	50	57
	<b>736</b>	<b>846</b>

Remuneration of highest paid director:

Total remuneration (excluding pension contributions)	328	370
Pension contributions to money purchase schemes	28	28
	<b>356</b>	<b>398</b>

The number of directors who accrued benefits under company pension scheme was as follows:

	2016 No	2015 No
Money purchase scheme	2	3

All the directors are employed and remunerated by Creation Financial Services Limited. There were no credits due from directors or advances given to directors during the financial year.

During the year the 2016 the BNP Paribas Share Incentive Plan (SIP) was made available to company employees. This approved UK SIP provides employees with the opportunity to purchase shares at market rate. One director (2015: two directors) purchased 49 (2015: 2,000) shares. The highest paid director individually purchased 49 (2015: 1,000) shares.

#### 9. Taxation

a) Analysis of charge in the year	2016 £'000	2015 £'000
Current tax:		
UK corporation tax based on the results for the year	2,596	1813
Adjustment in respect of prior years	-	114
	<b>2,596</b>	<b>1,927</b>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	83	(51)
Rate change	(3)	38
Adjustment in respect of prior years	-	-
	<b>80</b>	<b>(13)</b>
Total deferred tax		
Tax on profit on ordinary activities	<b>2,676</b>	<b>1,914</b>

#### b) Reconciliation of taxation expense

	2016	2015
Standard taxation rate	20.00%	20.00%
Non-deductible expense	0.56%	20.25%
Non-taxable dividend income	(16.27%)	-
Other	-	2.57%
Effective tax rate	<b>4.29%</b>	<b>42.82%</b>



## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 9 Taxation (continued)

##### c) Factors that may affect future tax charges

The UK Corporation tax rate for the current year remains the same as prior year. The main Corporation tax rate reduces to 19% from 1 April 2017 and to 17% from 1 April 2020. As this change has not been substantively enacted at the reporting date its effect has not been included in these financial statements.

	2016 £'000	2015 £'000
<b>10. Cash and cash equivalents</b>		
Bank balances	93,641	28,885
Cash on hand	4	4
	<b>93,645</b>	<b>28,889</b>
<b>11. Card receivables</b>		
	2016 £'000	2015 £'000
Due within one year	441,265	469,712
Due after more than one year	23,267	24,606
	<b>464,532</b>	<b>494,318</b>
Gross card receivables		
Less: allowance for impaired card receivables	(78,174)	(134,186)
	<b>386,358</b>	<b>360,132</b>
Net card receivables		

The carrying amounts of the Company's card receivables are denominated in GBP.

The Company's management of, and exposure to, market and credit risk is disclosed in note 27.

The ageing of net card receivables as at the reporting date was as follows:

	2016 £'000	2015 £'000
<b>Analysis of overdue</b>		
Not past due	372,269	336,358
Past due demand to one month	1,466	1,411
Past due one to two months	234	300
Past due two to three months	282	253
Past due more than three months	12,107	21,810
	<b>386,358</b>	<b>360,132</b>

A collective provision has been made for losses which are based on incurred events such as missed payments. This is calculated through applying a probability of default to a calculated loss given default, split between temporary and final arrears stages. The impairment provision represents the difference between the contractual carrying amount of the receivable and the estimated recoverable value, calculated through discounting the estimated future cash flows at the original expected effective interest rate.

The movement in the allowance for impairment in respect of card and loan receivables during the year was as follows:

	2016 £'000	2015 £'000
Balance at beginning of the year	134,186	47,156
Allowance for impairment raised	4,938	17,806
Transfer from fellow group undertakings	-	80,799
Release of net impairment on loans written off	(80,950)	(11,575)
Balance at end of year	<b>78,174</b>	<b>134,186</b>
As percentage of gross card and loan receivable book	<b>16.83%</b>	<b>27.15%</b>

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 12. Related parties

	2016	2015
<i>Immediate shareholder</i>		
BNP Paribas Personal Finance SA	100%	100%

	2016 £'000	2015 £'000
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#### *Cash deposited with group company*

BNP Paribas London Branch	60,000	-
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Cash receivable from group company was unsecured and payable on demand.

#### *Amounts owing from group company*

Creation Consumer Finance Limited	1,175,115	972,460
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Amounts owing from group company was unsecured, interest free and payable within 30 days.

#### *Amounts owing to group company*

Creation Consumer Finance Limited	48,547	43,707
BNP Paribas Personal Finance SA	383	202
	48,910	43,909

#### *Funding owing to group company*

Funding as disclosed in note 20 includes funding owing to the following group company:

BNP Paribas Personal Finance SA	728,193	1,320,318
BNP Paribas London Branch	870,358	-
	1,598,551	1,320,318

#### *Related party transactions*

##### *Transactions with BNP Paribas Personal Finance SA*

Interest expense	40,535	1,302
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##### *Transactions with Creation Consumer Finance Limited*

Dividend income	50,652	-
Interest income	38,024	40,509
Management service income	15,184	14,012
	103,860	54,521

##### *Transactions with Laser Coffinoga SA*

Commitment fees	199	322
Interest expense	4,752	44,285
Management service income	-	3,937
	4,951	48,544

##### *Transactions with BNP Paribas London Branch*

Interest expense	4,257	-
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#### *Interest of directors in contracts*

No directors directly or indirectly hold any shares in Creation Consumer Finance Limited.

#### *Loans to directors*

No loans have been made to directors.

#### 13. Other receivables

	2016 £'000	2015 £'000
Other receivables	8,076	6,812
Prepayments	1,805	2,163
	9,881	8,975

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

	2016 £'000	2015 £'000
14. Inventory		
Cards and printed materials	152	95

### 15. Property and Equipment

	2016			2015		
	Cost £'000	Accumulated depreciation £'000	Carrying value £'000	Cost £'000	Accumulated depreciation £'000	Carrying value £'000
Computer hardware	3,632	(3,909)	(277)	1,437	(904)	533
Furniture and fittings	2,309	(2,082)	227	986	(812)	174
Assets in course of construction	470	-	470	-	-	-
	6,411	(5,991)	420	2,423	(1,716)	707

#### Reconciliation of carrying amounts:

	Carrying amount at beginning of year	Additions	Disposals/ transfers	Depreciation	Carrying amount at end of year
	£'000	£'000	£'000	£'000	£'000
31 December 2016					
Computer hardware	533	(466)	-	(344)	(277)
Furniture and fittings	174	129	-	(76)	227
Assets in course of construction	-	470	-	-	470
	707	133	-	(420)	420
31 December 2015					
Computer hardware	614	227	(1,521)	1,213	533
Furniture and fittings	258	90	(321)	147	174
Assets in course of construction	47	-	(47)	-	-
	919	317	(1,889)	1,360	707

### 16. Intangible assets

	2016			2015		
	Cost £'000	Accumulated amortisation £'000	Carrying value £'000	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Computer software	19,090	(16,861)	2,229	12,283	(10,508)	1,775
Asset under construction	1,514	-	1,514	1,097	-	1,097
	20,604	(16,861)	3,743	13,380	(10,508)	2,872

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 16. Intangible assets (continued)

##### Reconciliation of carrying amounts:

	Carrying amount at beginning of year	Additions/ transfers	Disposals	Amortisation	Carrying amount at end of year
31 December 2016	£'000	£'000	£'000	£'000	£'000
Computer software	1,775	1,501	-	(1,047)	2,229
Asset under construction	1,097	417	-	-	1,514
	<b>2,872</b>	<b>1,918</b>	<b>-</b>	<b>(1,047)</b>	<b>3,743</b>
31 December 2015					
Computer software	1,282	1,532	(958)	(81)	1,775
Asset under construction	308	789	-	-	1,097
	<b>1,590</b>	<b>2,321</b>	<b>(958)</b>	<b>(81)</b>	<b>2,872</b>

Of the computer software net book amount, £381,000 (2015: £193,000) of computer software was internally generated made up of £720,000 (2015: 393,000) cost and £339,000 (2015: £200,000) accumulated amortisation. Internally generated computer software additions in the year amounted to £327,000 (2015: £47,000).

	2016 £'000	2015 £'000
<b>17. Deferred taxation</b>		
The provision for deferred tax consists of the following deferred tax assets:		
Deferred tax assets due within 12 months	-	-
Deferred tax assets due after more than 12 months	254	333
Balance at end of period	<b>254</b>	<b>333</b>
The balance at the end of period comprises temporary differences relating to:		
- Excess of depreciation over taxation allowances	263	287
- Excess of other timing differences	(9)	46
	<b>254</b>	<b>333</b>

	2016 £'000	2015 £'000
<b>18. Investments in subsidiaries</b>		
Investment at Cost	<b>81,473</b>	<b>81,473</b>
Investment at Carrying Value	<b>81,473</b>	<b>81,473</b>

The carrying value of the investments is supported by the underlying assets of the subsidiaries.

The Company holds the whole of the issued ordinary share capital of Creation Consumer Finance Limited, a company incorporated in the United Kingdom. The principal activity of the Company is the provision of fixed term unsecured consumer credit facilities.

	2016 £'000	2015 £'000
<b>19. Share capital</b>		
Allotted and fully paid		
59,702,640 (2015: 59,702,640) Ordinary shares of £1 each	<b>59,703</b>	<b>59,703</b>

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

	2016 £'000	2015 £'000
<b>20. Funding</b>		
<i>By maturity</i>		
Demand to one month	52,828	140,705
One to three months	250,881	204,035
Three months to one year	496,803	508,192
More than a year	798,039	467,386
	<b>1,598,551</b>	<b>1,320,318</b>

Funding is denominated in GBP and EUR, owing to group companies, refer to note 12 for counterparties. Amounts owing are unsecured and bears interest at variable rates.

	2016 £'000	2015 £'000
<b>21. Trade and other payables</b>		
Trade creditors	10,127	10,501
Other creditors	1,076	656
VAT	52	-
Accruals and deferred income	10,844	7,832
	<b>22,099</b>	<b>18,989</b>

### 22. Provisions for liabilities and charges

	PPI £'000	Other £'000	Total £'000
Balance at beginning of year	888	20	908
Amounts charged to statement of comprehensive income	487	6	473
Amounts utilised	(490)	-	(490)
Balance at end of year	<b>865</b>	<b>26</b>	<b>891</b>

#### Payment protection insurance

Whilst the volume of reactive PPI complaints has continued to fall, the expected impact of the proposals contained within the Financial Conduct Authority's (FCA) consultation paper regarding a potential time bar (CP15/39: Rules and guidance on payment protection insurance complaints) has led to a provision for PPI costs of £865,000 (2015: £888,000).

The provision is expected to be materially fully utilised by 31 December 2019.

### 23. Operating leases and commitments

#### Operating leases

At 31 December the Company had the following future minimum lease payments under non-cancellable operating leases on land and buildings are as follows:

	2016			2015		
	Land and buildings £'000	Other items £'000	Total £'000	Land and buildings £'000	Other items £'000	Total £'000
Operating leases which expire:						
No later than 1 year	1,215	214	1,429	1,167	58	1,225
Between 2 and 5 years	4,976	300	5,276	812	16	828
Greater than 5 years	865	-	865	-	-	-
	<b>7,056</b>	<b>514</b>	<b>7,570</b>	<b>1,979</b>	<b>74</b>	<b>2,053</b>

Other items represent motor vehicles held on operating leases.

#### Capital commitments

There were no capital commitments at the statement of financial position date (2015: £nil) for tangible or intangible assets.

## Creation Financial Services Limited

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### Notes to the financial statements (continued)

#### 24. Pensions

The Company is a member of a defined contribution scheme, the assets of which are held in trustee administered funds. The scheme was open to certain employees of the BNP Paribas SA group of companies and further particulars are set out in the annual report of that company.

The total pension cost for the Company was £893,000 (2015: £917,000). There were no outstanding or prepaid contributions at the year end (2015: £nil).

#### 25. Parent undertaking and controlling party

The immediate parent company and controlling party is BNP Paribas Personal Finance SA, a company incorporated in France. The largest undertaking of which the Company is a member, and for which group financial statements are prepared, is BNP Paribas SA, a company incorporated in France. Group financial statements for this company are prepared and are available to the public from 16 Boulevard des Italiens, 75009 Paris, France.

The smallest undertaking of which the Company was a member until 31 August 2015, and for which group financial statements are prepared, was LaSer Cofinoga SA. Group financial statements for this company were prepared and are available to the public from 18 Rue de Londres, 75009 Paris, France. From 1 September 2015, the smallest undertaking of which the Company is a member, and for which group financial statements are prepared, is BNP Paribas Personal Finance SA, a company incorporated in France. Group financial statements for this company are prepared and are available to the public from 1 Boulevard Haussmann, 75318 Paris, France.

The ultimate parent and controlling party is BNP Paribas SA who own 100% of the LaSer Cofinoga SA group following the acquisition of the remaining 50% of the group from Galeries Lafayette Group SA in July 2014. LaSer Cofinoga SA was merged into BNP Paribas Personal Finance SA on 1 September 2015.

#### 26. Subsequent Events

During the current financial year the company's wholly owned subsidiary company, Creation Consumer Finance Limited, entered into agreements which resulted in it selling a portion of the loan receivables as part of a securitisation transaction. The closing date for the transaction was completed, on the 16th March 2017, after the date of the reporting period but before the financial statements were authorised for issue.

## Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

### Notes to the financial statements (continued)

#### 27. Risk management

##### *Finance risk factors*

The Company has exposure to risks from its use of financial instruments. This note presents information about the group's exposure to these risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Company's business model focuses primarily on providing unsecured credit risk whilst trying to minimise or avoid all other risk types. The Company views risks as an inherent part of running a successful business. Risks are not only mitigated but are also analysed and investigated for opportunities. Successful risk management therefore entails understanding which risks can enhance shareholder value and which risks are incidental and potentially value destroying.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### *(a) Credit risk*

The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due.

Credit risk arises from cash and deposits held with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. Significant changes in the economy, or the health of a particular retail sector that represents a concentration of the Company's portfolio, could result in losses that are different to those provided at the statement of financial position date. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by the supplier. The maximum exposure to credit risk is best represented by the carrying value of financial instrument reflecting the nature of cash balances and the unsecured nature of loan receivables, intergroup balances and other receivables. No collateral or credit enhancements are held as security.

Management carefully manages its exposure to credit risk, and this is monitored by the risk department who work closely with the finance department. In addition, the Company continues to implement policies to ensure appropriate credit checks are carried out on potential customers. The utilisation of credit limits is regularly monitored. No credit risk limits were exceeded during the reporting period. Management has provided against loan receivables on an incurred loss basis and does not expect any losses from non-performance by other counterparties.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. At the reporting date all cash is held with 'AA' rated or higher institutions. None of the loans to fellow group undertakings is past due but not impaired.

The maximum exposure to credit risk is best represented by the carrying value of financial instrument reflecting the nature of cash balances and the unsecured nature of loan receivables, intergroup balances and other receivables. No collateral or credit enhancements are held as security.

# Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2016

## Notes to the financial statements (continued)

### 27. Risk management (continued)

#### *Finance risk factors (continued)*

##### *(b) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the continued support of the ultimate parent company, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual cash flows.

	Due within one year £'000	Due after more than one year £'000	Total £'000
Funding	800,512	798,039	1,598,551
Trade and other payables	22,047	-	22,047
<b>At 31 December 2016</b>	<b>822,559</b>	<b>798,039</b>	<b>1,620,598</b>
Funding	852,931	467,387	1,320,318
Trade and other payables	18,989	-	18,989
<b>At 31 December 2015</b>	<b>871,920</b>	<b>467,387</b>	<b>1,339,307</b>

##### *(c) Interest rate risk*

The Company has both interest free assets and fixed interest bearing and interest free liabilities. There is therefore no sensitivity to changes in interest rates, although new rates may be impacted for any debt which is renewed.

There are no changes to the prior year in the exposures to risk and how they arise. Accordingly there are no changes in the Company's objectives, policies and processes for managing the risks the methods used to measure it.

No (2015: no) instruments are held at fair value in the Company's statement of financial position.

##### *(d) Foreign exchange risk*

The Company is exposed to foreign currency risks arising from Euro funding and Euro lending to group companies. It is the Company's policy to match the value of Euro funding with Euro lending to mitigate impact of foreign exchange fluctuations.

##### *Capital management*

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the prior year and wider BNP Personal Finance SA group, the company monitors capital on the Return on Net Equity (RONE). This ratio is calculated as profit before tax divided by capital employed. Capital employed is 'equity' as shown in the statement of financial position plus overdraft/less net cash.

There are no changes to the Company's objectives, policies or processes for managing capital, or in what the Company manages as capital, from the previous year.