

COMPANY REGISTRATION NUMBER 01091883

**CREATION FINANCIAL SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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# **CREATION FINANCIAL SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

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# **CREATION FINANCIAL SERVICES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **The board of directors**

B Cavelier  
T Deakin  
J S Uppal  
B C Y Dilly  
S A R Hunt

### **Company secretary**

J S McCullogh

### **Registered office**

Chadwick House  
Blenheim Court  
Solihull  
B91 2AA

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

# CREATION FINANCIAL SERVICES LIMITED

## STRATEGIC REPORT

### YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report of the Company for the year ended 31 December 2014.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a finance company offering a store card service and to provide management services for other UK group companies.

#### BUSINESS REVIEW

Economic recovery in 2014 was propelled by improving market confidence and a fall in unemployment rates. We have seen a rise in the demand for credit as the economy improves. However consumer environment and shopping habits continued to present challenges in terms of store card sales in 2014. Despite lower sales in the year, and excluding the impact of centralising the payroll function, strong controls on operating costs have helped the Company to remain profitable in 2014.

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. However, effective overhead management has allowed net margins to remain at a consistent level. Robust risk and operational strategies have improved the quality of loans written in the year and have kept customer defaults at an acceptable level.

The payroll function for the LaSer UK group was centralised in the year. All employees of Creation Consumer Finance Limited and Creation Marketing Services Limited (direct and indirect subsidiaries of the Company) were transferred to the Company with effect from 1 July 2014. Staff costs £11,014,000 (2013: £nil) are being recharged to the subsidiaries at cost based on activity levels related to each company.

The Company continues to explore new areas of business and develop new products to sustain the profitable platform already achieved.

Key Performance Indicator	2014	2013	Comments
Cost income ratio from store card services	<b>0.66</b>	0.63	The Company has maintained profitability this year which in part is due to effective controls over operating costs.
Post tax return on assets	<b>0.26%</b>	0.37%	
Total assets	<b>£1,074m</b>	£1,000m	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 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. The directors are confident permission will be obtained and there is no indication to suggest otherwise.

The results for the year are set out in the profit and loss account on page 9. Total current assets amounted to £989,869,000 (2013: £915,483,000) including £947,611,000 (2013: £858,611,000) related to amounts owed by group undertakings; of which £374,476,000 (2013: £198,000,000) falls due after more than one year.

#### RESULTS AND DIVIDENDS

The profit for the financial year, after taxation, amounted to £2,837,000 (2013: £3,731,000). The directors have not recommended a dividend in the year (2013: £19,548,000).

#### 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.

# CREATION FINANCIAL SERVICES LIMITED

## STRATEGIC REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2014

### PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

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.

#### *Conduct risk*

Conduct risk is a key risk to the Company in view of the evolving regulatory environment and as evidenced by the significant level of conduct remediation provisions held by many UK financial institutions. Changes have been made to specific business processes, as well as the way the business considers, manages and reports conduct risks. The Company is continuing to place significant focus in seeking to ensure that customers receive the right outcome in every instance and that the necessary controls are in place to mitigate the associated risks. This has been embodied in the Company's approach of ensuring that all of its products and its dealings with customers are clear and straightforward.

The directors have considered the Company's policy on Payment Protection Insurance (PPI) following the regulatory review in the UK and consider the amount of potential PPI mis-selling claims to be immaterial to the financial statements.

### 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 balance sheet 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 retail partner. 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.

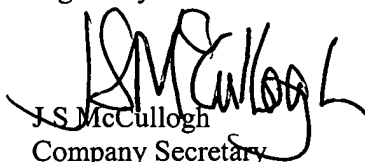
#### *Interest rate risk*

The Company has both interest bearing assets and interest bearing liabilities. Interest receivable on debtor balances is based on LIBOR adjusted for risk factors, whilst funding costs are primarily based on rates linked to a 12 month LIBOR. The Company reviews the rates on a regular basis with BNP Paribas SA group treasury to ensure that interest rate exposure is managed.

#### *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

  
J.S. McCulloch  
Company Secretary

Approved by the directors on 11 September 2015

# **CREATION FINANCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2014**

The directors present their annual report, the related strategic report and the audited financial statements of the Company for the year ended 31 December 2014.

The strategic report is set out on pages 2 to 3 and includes the Company's financial risk management policies and consideration of dividends.

### **DIVIDENDS**

Interim dividends of £nil per share (2013: £0.33 per share) with a total cost of £nil (2013: £19,548,000) were paid in the year.

### **FUTURE DEVELOPMENTS**

The Company will continue to develop new products and services to address opportunities in different areas of the consumer market.

BNP Paribas SA became the ultimate and controlling party of LaSer Cofinoga Group SA following BNP Paribas Personal Finance SA's acquisition of the remaining 50% of LaSer Cofinoga Group from Galeries Lafayette SA on 25 July 2014. On 1 September 2015, LaSer Cofinoga SA was merged into BNP Paribas Personal Finance SA. The board believes that this business combination will progressively shape the details of the future target operating model for the enlarged group and the Company.

### **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**

## **DIRECTORS' REPORT** *(continued)*

### **YEAR ENDED 31 DECEMBER 2014**

#### **POST BALANCE SHEET EVENTS**

On 13 July 2015 Sygma Banque UK branch transferred its loan book, assets and liabilities to Creation Financial Services Limited for a total consideration of £49,891,008 to streamline the reporting structure of the group. The book value of the assets transferred was £44,921,008.

All customers transferred from Sygma Banque UK branch will be serviced by Creation Financial Services Limited from the transfer date onwards.

On 1 September 2015, LaSer Cofinoga SA was merged into BNP Paribas Personal Finance SA to bolster its leadership of Europe's consumer credit market.

#### **DIRECTORS**

The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

S M J Traisnel	(resigned on 16 February 2015)
R Doucet	(resigned on 16 February 2015)
J P Charles	(resigned on 16 February 2015)
P A R Reffay	(resigned on 16 February 2015)
S A R Hunt	
B Cavelier	(appointed on 16 February 2015)
T Deakin	(appointed on 16 February 2015)
A van Groenendael	(appointed on 16 February 2015 and resigned on 20 August 2015)
J S Uppal	(appointed on 16 February 2015)
B C Y Dilly	(appointed on 16 February 2015)

#### **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 Directors' and Officers' liability insurance in respect of itself and its directors throughout the financial year.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

# **CREATION FINANCIAL SERVICES LIMITED**

## **DIRECTORS' REPORT** *(continued)*

### **YEAR ENDED 31 DECEMBER 2014**

#### **DIRECTORS' RESPONSIBILITIES STATEMENT** *(continued)*

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 confirms 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

  
J.S. McCulloch  
Company Secretary

Approved by the directors on 11 September 2015

Company Registration Number: 01091883



# **CREATION FINANCIAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREATION FINANCIAL SERVICES LIMITED**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Creation Financial Services Limited's financial statements (the "financial statements"):

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

#### **What we have audited**

The financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

#### **Opinion on other matter 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.

#### **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.

# **CREATION FINANCIAL SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CREATION FINANCIAL SERVICES LIMITED (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the directors' responsibilities statement set out on pages 5 and 6, 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) ("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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and financial statements 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.



Andrew Batty (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
14 September 2015

# CREATION FINANCIAL SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
<b>TURNOVER</b>	<b>2</b>	<b>26,480</b>	20,574
Administrative expenses		<u>(21,236)</u>	<u>(12,992)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>5,244</b>	7,582
Interest receivable and similar income	<b>6</b>	<b>32,047</b>	26,806
Interest payable and similar charges	<b>7</b>	<b>(33,741)</b>	(29,447)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u><b>3,550</b></u>	<u>4,941</u>
Tax on profit on ordinary activities	<b>8</b>	<b>(713)</b>	(1,210)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>22</b>	<u><b>2,837</b></u>	<u>3,731</u>

All of the activities of the Company in the financial year and comparative financial year are classified as continuing.

The Company has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of total recognised gains or losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The notes on pages 11 to 22 form part of these financial statements.

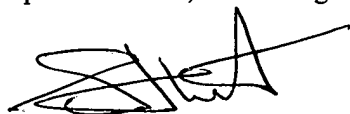
# CREATION FINANCIAL SERVICES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	—	—
Tangible assets	11	2,509	2,966
Investments	12	81,473	81,473
		<u>83,982</u>	<u>84,439</u>
<b>CURRENT ASSETS</b>			
Stock	13	1	4
Debtors: Amounts due falling due within one year	14	611,591	708,108
Debtors: Amounts due falling due after more than one year	14	374,606	198,000
Cash at bank and in hand		3,671	9,371
		<u>989,869</u>	<u>915,483</u>
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(617,042)</u>	<u>(712,926)</u>
<b>NET CURRENT ASSETS</b>		<u>372,827</u>	<u>202,557</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>456,809</u>	<u>286,996</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	17	<u>(388,476)</u>	<u>(221,500)</u>
<b>NET ASSETS</b>		<u>68,333</u>	<u>65,496</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	59,703	59,703
Profit and loss account	22	8,630	5,793
<b>TOTAL SHAREHOLDERS' FUNDS</b>	23	<u>68,333</u>	<u>65,496</u>

These financial statements were approved by the board of directors and authorised for issue on 11 September 2015, and are signed on its behalf by:



S A R Hunt  
Director

The notes on pages 11 to 22 form part of these financial statements.

# **CREATION FINANCIAL SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2014**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006.

The financial statements have been prepared on a going concern basis, and the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The financial statements contain information about Creation Financial Services 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 SA, a company incorporated in France.

##### **Cash flow statement**

The Company was a wholly owned subsidiary of LaSer Cofinoga SA whose ultimate parent is BNP Paribas SA and the cash flows of the Company are included in the consolidated group cash flow statement of that company. Consequently the Company is exempt under the terms of FRS 1 "Cash flow statements" (revised 1996) from publishing a cash flow statement.

##### **Turnover**

Turnover represents interest and service charges applied to cardholder accounts and commissions earned from the merchants based on a percentage of the cardholder spend. Servicing and collection charges are applied to the cardholders' accounts, unless recoverability of the balance is doubtful, and recognised in the period to which they relate. Turnover also includes management services provided to group companies at cost where recharges are based on the activity levels of the subsidiary company. All turnover is derived from operations in the United Kingdom and is recognised on an accruals basis, when the services are supplied.

Where the collection of debts is in significant doubt due to changes of customer circumstances, the recognition of interest is suspended and no longer recognised in the profit and loss account. This happens when the balance has been in arrears for more than 3 months.

##### **Impairment of 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.

# **CREATION FINANCIAL SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

### **YEAR ENDED 31 DECEMBER 2014**

#### **1. ACCOUNTING POLICIES** *(continued)*

##### **Intangible fixed assets and amortisation**

Payments to secure contracts are capitalised as intangible assets and amortised over the life of the contract, which do not exceed 20 years.

Payments to acquire licences are capitalised as intangible assets and amortised to match the benefits associated with the licence over a period not exceeding 20 years.

##### **Tangible fixed assets**

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

##### **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% - 33%

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

##### **Investments**

Fixed asset investments are stated at their purchase cost less any provision for diminution in value.

##### **Stock**

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

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

Rentals payable under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING POLICIES *(continued)*

##### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

##### **Financial instruments**

The Company's financial assets include unsecured lending and loans which are classified as trade debtors. These non-derivative financial assets have fixed or determinable payments and are not quoted in an active market. Trade debtors are recognised when the funds are advanced to customers. Trade debtors are carried at cost 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.

Financial liabilities and equity instruments are classified 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 balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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.

##### **Bad debt provision**

Provision is calculated on the basis of the expected rate of 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 then applied to all 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. This rate is reviewed twice a year.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 1. ACCOUNTING POLICIES *(continued)*

##### Foreign currencies

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 translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. The resulting gain or loss is dealt with in the profit and loss account.

##### Pension costs

Pension costs charged to the profit and loss account reflected the contributions payable to the LaSer Cofinoga SA group of companies' defined contribution pension scheme.

#### 2. TURNOVER

All turnover is derived from operations in the United Kingdom and is recognised on an accruals basis, when the services are supplied.

	2014	2013
	£000	£000
Store card services	15,466	20,574
Management services to group companies	11,014	-
	<u>26,480</u>	<u>20,574</u>

The store card services include interest, commissions and fees applied to cardholder accounts or charged to merchants. Where the collection of debts is in significant doubt due to changes of customer circumstances, the recognition of interest is suspended and no longer recognised in the profit and loss account.

The payroll function for the LaSer UK group was centralised in the year. All employees of Creation Consumer Finance Limited and Creation Marketing Services Limited were transferred to the Company with effect from 1 July 2014. Staff costs are being recharged to the subsidiaries based on activity levels related to each company.

#### 3. OPERATING PROFIT

Operating profit is stated after charging:

	2014	2013
	£000	£000
Depreciation of tangible fixed assets	1,435	1,340
Operating lease costs:		
- Plant and machinery	358	371
- Other	546	551
Auditors' remuneration – audit of the financial statements	<u>49</u>	<u>48</u>

No (2013: no) amounts were paid to the auditors for non-audit services.



# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 4. PARTICULARS OF EMPLOYEES

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

	2014	2013
	No	No
Number of staff	<u>499</u>	<u>220</u>

The aggregate payroll costs of the above were:

	2014	2013
	£000	£000
Wages and salaries	16,281	10,339
Social security costs	1,619	1,171
Other pension costs (note 18)	924	812
	<u>18,824</u>	<u>12,322</u>

The payroll function for the UK group was centralised and all employees of Creation Consumer Finance Limited and Creation Marketing Services limited were transferred to the Company in July 2014. Staff costs are being recharged to the subsidiaries based on activity levels related to each company.

#### 5. DIRECTORS' REMUNERATION

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

	2014	2013
	£000	£000
Remuneration receivable	272	288
Pension contributions to money purchase schemes	27	24
	<u>299</u>	<u>312</u>

##### Remuneration of highest paid director:

	2014	2013
	£000	£000
Total remuneration (excluding pension contributions)	272	288
Pension contributions to money purchase schemes	27	24
	<u>299</u>	<u>312</u>

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

	2014	2013
	No	No
Money purchase scheme	<u>1</u>	<u>1</u>

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £000	2013 £000
Bank interest receivable	39	40
Interest from group undertakings	32,008	26,766
	<u>32,047</u>	<u>26,806</u>

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £000	2013 £000
Interest payable to group undertakings	33,741	29,447

#### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2014 £000	2013 £000
Current tax:		
UK corporation tax based on the results for the year at 21.50% (2013: 23.25%)	771	1,203
Adjustment in respect of prior years	(51)	-
Total current tax	<u>720</u>	<u>1,203</u>
Deferred tax:		
Origination and reversal of timing differences	5	13
Change in rate	-	12
Adjustment in respect of prior years	(12)	(18)
Total deferred tax	<u>(7)</u>	<u>7</u>
Tax on profit on ordinary activities	<u>713</u>	<u>1,210</u>

##### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2013: higher) than the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%).

	2014 £000	2013 £000
Profit on ordinary activities before taxation	<u>3,550</u>	<u>4,941</u>
Profit on ordinary activities by rate of tax	763	1,149
Expenses not deductible for tax purposes	13	67
Capital allowances in (deficit)/excess of depreciation	(5)	52
Other timing differences	-	(65)
Adjustment in respect of prior years	(51)	-
Total current tax (note 8(a))	<u>720</u>	<u>1,203</u>

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

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

Changes to the rate of corporation tax were substantially enacted in July 2013 which reduced the main rate to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. The July 2015 Budget Statement announced further changes to the UK Corporation tax rate which will reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes have not been substantively enacted at the balance sheet date their effects are not included in these financial statements. Accordingly, any deferred tax balances have been calculated using a rate of 20%. The effect of each of the further reductions of 1% in the tax rate outlined above is immaterial to the financial statements.

#### 9. DIVIDENDS

##### Equity dividends

	2014 £000	2013 £000
Paid during the year:		
Dividends on ordinary shares	—	19,548

Interim dividends of £0.33 per share with a total cost of £19,548,000 were paid in the prior year.

#### 10. INTANGIBLE FIXED ASSETS

	Premium on acquisition of debt portfolio £000	Licences and similar intangible assets £000	Total £000
<b>COST</b>			
At 1 January 2014	2,921	1,493	4,414
Disposal	(2,921)	(1,493)	(4,414)
<b>At 31 December 2014</b>	—	—	—
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2014	2,921	1,493	4,414
Disposal	(2,921)	(1,493)	(4,414)
<b>At 31 December 2014</b>	—	—	—
<b>NET BOOK VALUE</b>			
At 31 December 2014 and 31 December 2013	—	—	—

Payments made to acquire debt portfolios in excess of the fair value of the debt are capitalised and amortised over the estimated life of the portfolio.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 11. TANGIBLE FIXED ASSETS

	Fixtures and fittings £000	Assets in course of construction £000	Total £000
<b>COST</b>			
At 1 January 2014	14,611	422	15,033
Additions	140	838	978
Transfers	906	(906)	–
<b>At 31 December 2014</b>	<b>15,657</b>	<b>354</b>	<b>16,011</b>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 January 2014	12,067	–	12,067
Charge for the financial year	1,435	–	1,435
<b>At 31 December 2014</b>	<b>13,502</b>	<b>–</b>	<b>13,502</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2014</b>	<b>2,155</b>	<b>354</b>	<b>2,509</b>
At 31 December 2013	2,544	422	2,966

#### 12. INVESTMENTS

	£000
<b>COST</b>	
At 1 January 2014 and 31 December 2014	<b>81,473</b>
<b>NET BOOK VALUE</b>	
At 31 December 2014 and 31 December 2013	<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.

The Company holds the whole of the issued ordinary share capital of Premium First Limited, a company incorporated in the United Kingdom. The company was dormant in the prior and current year.

The Company held the whole of the issued ordinary share capital of West Midlands Debt Collections Limited until its dissolution on 12 August 2014. The company was dormant in the prior and current year until the point of dissolution. The investment value at the 2013 year end was £100.

The Company held the whole of the issued ordinary share capital of Allders Financial Services Limited until its dissolution on 27 August 2013. The company was dormant in the prior year until the point of its dissolution. The investment value at the 2013 year end was £1.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 12. INVESTMENTS *(continued)*

Below are all the indirect subsidiary undertakings for the Company, held through its investment in Creation Consumer Finance Limited.

Name	Country of incorporation	Proportion of ordinary shares held	Nature of business
Creation Marketing Services Limited	England	100%	Marketing Services

The above represents all direct and indirect subsidiary undertakings of the Company as at 31 December 2014.

#### 13. STOCK

	2014 £000	2013 £000
Stock	<u>1</u>	<u>4</u>

#### 14. DEBTORS

	2014 £000	2013 (Restated) £000
Trade debtors	37,502	45,483
Amounts owed by Group undertakings	947,611	858,611
Other debtors	63	29
Deferred taxation (note 15)	130	123
Prepayments and accrued income	891	1,862
	<u>986,197</u>	<u>906,108</u>

The debtors above include the following amounts falling due after more than one year:

	2014 £000	2013 £000
Amounts owed by Group undertakings	374,476	198,000
Deferred tax	130	—
	<u>374,606</u>	<u>198,000</u>

Included in trade debtors are amounts totalling £22,825,199 (2013: £22,940,234), before any provision for bad debt, on which interest recognition was suspended at the balance sheet date as a consequence of debtors experiencing financial difficulties.

Included in amounts owed by Group undertakings is a committed funding facility of £910,170,000 (2013: £840,246,000) provided to Creation Consumer Finance Limited which is reviewed on a regular basis. The average interest rate on the amount drawn at 31 December 2014 was 4.19% (2013: 3.13%).

The remaining amounts owed by Group undertakings relates to inter-group trading balances of £37,441,000 (2013: £18,365,000) which are unsecured, interest free and are repayable on demand.

The prior year other debtors and amounts owed by group undertakings have been restated to reclassify £6,781,000 of intercompany interest from other debtors to amounts owed by group undertakings reflecting the nature of those balances.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 15. DEFERRED TAXATION

The deferred tax asset included in the balance sheet is as follows:

	2014	2013
	£000	£000
Included in debtors (note 14)	<u>130</u>	<u>123</u>

The movement in the deferred taxation balances during the year was:

	2014	2013
	£000	£000
Balance brought forward	123	130
Profit and loss account movement arising during the year (note 8(a))	7	(7)
Balance carried forward	<u>130</u>	<u>123</u>

The deferred taxation balance consists of the tax effect of timing differences in respect of:

	2014	2013
	£000	£000
Excess of depreciation over taxation allowances	100	112
Other timing differences	<u>30</u>	<u>11</u>
	<u>130</u>	<u>123</u>

#### 16. CREDITORS: Amounts falling due within one year

	2014	2013
	£000	<i>(Restated)</i> £000
Trade creditors	1,114	1,172
Amounts owed to group undertakings	612,007	708,564
Corporation tax	576	479
Other taxation and social security	566	370
Accruals and deferred income	<u>2,779</u>	<u>2,341</u>
	<u>617,042</u>	<u>712,926</u>

Included in amounts owed to group undertakings was a secured funding facility of £938,670,000 (2013: £906,246,000) provided by LaSer Cofinoga SA on a revolving credit basis. The funding facility is reviewed on a regular basis. £550,194,000 (2013: £684,746,000) is due within one year. Drawings on this facility can be at fixed or floating rates for a range of maturities. The rate charged will depend on the term of the drawing.

The average rate on the funding drawn at 31 December 2014 was 4.27% (2013: 3.13%).

The remaining amounts owed to group undertakings related to inter-group balances of £61,813,000 (2013: £23,818,000) are unsecured, interest free and are repayable on demand.

The prior year accruals and deferred income and amounts owed to group undertakings have been restated to reclassify £6,292,000 of intercompany interest from accruals and deferred income to amounts owed to group undertakings reflecting the nature of those balances.

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 17. CREDITORS: Amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed to group undertakings:		
In more than one year, but not more than two years	272,476	217,500
In more than two years, but not more than five years	116,000	4,000
	<u>388,476</u>	<u>221,500</u>

#### 18. 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 LaSer Cofinoga 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 £924,000 (2013: £812,000). There were no outstanding or prepaid contributions at the year end (2013: £nil).

#### 19. COMMITMENTS UNDER OPERATING LEASES

At 31 December the Company had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	-	24	-	18
Within 2 to 5 years	546	113	551	144
	<u>546</u>	<u>137</u>	<u>551</u>	<u>162</u>

#### 20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the relief available under FRS 8 "Related Party Disclosures", not to disclose related party transactions with other related parties that are 100% members of the BNP Paribas SA group of companies.

#### 21. CALLED UP SHARE CAPITAL

Allotted and fully paid:

	2014		2013	
	No	£000	No	£000
Ordinary shares of £1 each	<u>59,702,640</u>	<u>59,703</u>	<u>59,702,640</u>	<u>59,703</u>

#### 22. PROFIT AND LOSS ACCOUNT

	2014 £000	2013 £000
Balance brought forward	5,793	21,610
Profit for the financial year	2,837	3,731
Equity dividends (note 9)	-	(19,548)
Balance carried forward	<u>8,630</u>	<u>5,793</u>

# CREATION FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### YEAR ENDED 31 DECEMBER 2014

#### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Profit for the financial year	2,837	3,731
Equity dividends (note 9)	—	(19,548)
Net addition/(reduction) to shareholders' funds	2,837	(15,817)
Opening shareholders' funds	65,496	81,313
Closing shareholders' funds	68,333	65,496

#### 24. 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. 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 are prepared and are available to the public from 18 Rue de Londres, 75009 Paris, France. From 1 August 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. 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 owned 100% of the LaSer Cofinoga SA following the acquisition of the remaining 50% of the group from Galeries Lafayette Group SA in July 2014. BNP Paribas SA is incorporated in France.

#### 25. POST BALANCE SHEET EVENTS

On 13 July 2015 Sygma Banque UK branch transferred its loan book, assets and liabilities to Creation Financial Services Limited for a total consideration of £49,891,008 to streamline the reporting structure of the group. The book value of the assets transferred was £44,921,008.

All customers transferred from Sygma Banque UK branch will be serviced by Creation Financial Services Limited from the transfer date onwards.

On 1 September 2015, LaSer Cofinoga SA was merged into BNP Paribas Personal Finance SA to bolster its leadership of Europe's consumer credit market.