Company Registration Number: 01091883

Creation Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2018

BNP PARIBAS PERSONAL FINANCE

Creation Financial Services Limited

Annual Report and Financial Statements *for* the year ended 31 December 2018

Contents **Page**

Strategic Report

The directors have pleasure in presenting their strategic report for the year ended 31 December 2018.

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.

Business review

We have seen a rise in the demand for consumer credit in 2018. There are significant improvements in the point of sales credit market. Home improvement loan and unsecured personal loan markets continued to perform strongly during the year. Operational and funding costs continued to be the focus of the industry; effective management of these costs will position the Company for growth opportunities in 2019 and beyond.

Key Performance Indicator	2018	2017	Comments
Cost income ratio excluding interest expense and Cost of risk "Excluding Dividend"	57.5%	53.3%	Increased impact of payment protection insurance and the Company IT investments.
Cost of risk	£23.9m	£14.0m	2018 has the full year impact of the new IFRS 9 accounting policy. Increase is broadly in line with expectation and the growth of the Company.
Post tax return on assets	-0.4%	1.4%	The decrease in post tax return on assets is driven by the impact of payment protection insurance.
Total assets	£2,545m	£2,039m	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 £2,544,534,000 (2017: £2,039,219,000) including £1,714,521,000 (2017: £1,344,058,000) related to amounts owed by group undertaking. The results for 31 December 2018 are stated on an IFRS 9 basis compared to the results for 31 December 2017 which are stated on an IAS 39 basis.

Results and dividend

The loss for the financial year, amounted to £10,803,000 (2017: Profit - £28,024,000). There has been no dividend paid in the year (2017: £30,859,000) however the directors have declared a dividend of £39,466,700 since the end of the 2018 accounting period and which will be payable following the receipt of the dividend from Creation Consumer Finance Limited.

Future developments

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

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

Conduct risk is an inherent 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 on 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 fair, clear and straight forward.

For further detail of provisions held see Note 22.

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.

Impact of Brexit

The directors have evaluated the potential impact of Brexit across all areas of the business. The directors have concluded that the risk to the business is not material to the going concern position of the Company. The position remains under regular review and is actively monitored by the board.

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.

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, the ability to close out market positions diversity of source funding and group funding provided on a non-recourse basis to the company. 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

S A R Hunt
Chief executive officer

Approved by the Board on 30 September 2019

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 2018.

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.

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 2018 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. **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.

Directors' report (continued)

5. 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.

6. Event after the reporting period

The directors are not aware of any matters or circumstances other than payment protection insurance (as disclosed in note 22) arising since the end of the financial period that may materially affect the amounts and disclosure of these financial statements.

7. Distribution to shareholder

A distribution was declared after the date of the reporting period but before the financial statements were authorised for issue £39.5m (2017: £30.9m).

8. Directors

The directors in office throughout the financial year:

Executive directors

J S Uppal	(Resigned on 19 December 2018)
S A R Hunt	
G Zeitoun	(Resigned on 19 December 2018)
J J Snyman	
M L Griffin	
A M O A Verstraeten	(Appointed 01 June 2018)
B Cavelier	(Resigned on 26 June 2018)
A M Cabaca	(Appointed on 19 December 2018)
M De Korver	(Appointed on 14 March 2019)

9. Company secretary

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

10. Registered office

Chadwick House
Blenheim Court
Solihull
B91 2AA

11. 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.

Directors' report (continued)

12. 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.

13. Auditors

The independent auditing firm Mazars LLP, who were 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.

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 30 September 2019

Independent auditor's report

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

Opinion

We have audited the financial statements of Creation Financial Services Limited (the 'company') for the year ended 31 December 2018 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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 the 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.

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 in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.

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
Date: 30 September 2019

Statement of comprehensive income for year ending 31 December 2018

	Note	2018 £'000	2017 £'000
Interest income	3	91,836	86,676
Interest expense		(39,925)	(40,424)
Net interest income		51,911	46,252
Other income	4	31,764	53,454
Transaction and commission expense		(13,137)	(5,214)
Net trading income		70,538	94,492
Operating costs		(57,950)	(53,008)
Cost of risk	5	(23,951)	(14,039)
(Loss)/Profit before taxation	6	(11,363)	27,445
Taxation	9	560	579
(Loss)/Profit for the financial year		(10,803)	28,024
Other comprehensive income, net of taxation		-	-
Total comprehensive (expense)/income for the year		(10,803)	28,024

The notes on pages 13 to 32 form part of these financial statements

Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Cash and cash equivalents	10	**249,893**	142,650
Card receivables	11	**467,618**	447,551
Amount owing from group companies	12	**1,714,521**	1,344,058
Other receivables	13	**13,800**	13,191
Inventory	14	**331**	265
Property and equipment	15	**1,874**	1,955
Intangible assets	16	**11,240**	7,243
Deferred taxation	17	**3,784**	833
Investments in subsidiary	18	**81,473**	81,473
Total assets		**2,544,534**	2,039,219
Equity			
Share capital	19	**59,703**	59,703
Accumulated (loss)/profit		**(3,557)**	17,438
Total equity		**56,146**	77,141
Liabilities			
Funding	20	**2,246,933**	1,855,613
Trade and other payables	21	**21,869**	29,711
Provisions for liabilities	22	**10,502**	3,991
Taxation		**43**	15
Amount owed to group companies	12	**209,041**	72,748
Total liabilities		**2,488,388**	1,962,078
Total equity and liabilities		**2,544,534**	2,039,219

These financial statements were approved by the board of directors and authorised for issue on 30 September 2019 and are signed on its behalf by:

S A R Hunt
Chief executive officer

The notes on pages 13 to 32 form part of these financial statements

Statement of changes in equity

	Share capital	Accumulated (loss)/profit	Total equity attributable to shareholders
	£'000	£'000	£'000
Balance at 1 January 2017	59,703	20,273	79,976
Total comprehensive income for the year	-	28,024	28,024
Profit for the year	-	28,024	28,024
Other comprehensive income, net of taxation:	-	-	-
Transactions with shareholders	-	(30,859)	(30,859)
Dividend paid in the year		(30,859)	(30,859)
Balance at 31 December 2017	59,703	17,438	77,141
IFRS 9 First time adjustment		(10,192)	(10,192)
Restated Balance at 1 January 2018	**59,703**	**7,246**	**66,949**
Total comprehensive income for the year	-	**(10,803)**	**(10,803)**
(Loss)/Profit for the year	-	(10,803)	(10,803)
Other comprehensive income, net of taxation:	-	-	-
Transactions with shareholders	-	-	-
Dividend paid in the year	-	-	-
Balance at 31 December 2018	**59,703**	**(3,558)**	**56,146**

The notes on pages 13 to 32 form part of these financial statements

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.

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 loss for the year and the net current liabilities 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.

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 or 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.

Further details have been included in note 11.

(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.

Further details have been included in note 22.

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%

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.

Notes to the financial statements (continued)

1. **Accounting policies** (continued)

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 investment in subsidiary is 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 of different taxable entities where there is an intention to settle the balances on a net basis.

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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.14 Financial instruments (continued)

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

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost comprise funding and trade and other payables.

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.

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.

The impairment model for credit risk is based upon expected losses, the calculation of which is conducted in two steps;

First the company places debtors in one of three stages to determine the scope of application

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.15 Impairment provision (continued)

Stage 1 - Performing - Where at the reporting date, the credit risk has not increased significantly since origination

Stage 2 - Underperforming - where, at the reporting date, the credit risk represented by the facility has deteriorated significantly but not impaired

Stage 3 - Impaired - where, at the reporting date, there are confirmed losses

Secondly, the Expected Credit Loss (ECL) is calculated. The ECL is determined by projecting the Probability of Default (PD), exposure at default (EAD) and loss given default (LGD) for each future month and for collective segment. For Stage 1, a one year ECL is calculated and Stage 2 a lifetime ECL is calculated. Stage 3 is covered by specific provisions which correspond to lifetime ECL.

The model is applied to all instruments within the scope of IFRS 9 impairment.

The IFRS 9 expected credit loss approach is symmetrical, i.e. if lifetime expected credit losses have been recognised in a previous reporting period, and if it is assessed in the current reporting period that there is no longer any significant increases in credit risk since initial recognition, the loss allowance reverts to a 12 months expected credit loss.

In the general principles of the standard, significant increase in credit risk since initial recognition is assessed at each reporting date at financial instrument level in order to determine in which stage the financial instrument should be placed.

Forward looking

PD projection methodologies allow the integration of forward looking information, not otherwise captured when assessing credit deterlation individually. The final ECL is the outcome of the linear combination of 3 weighted ECLs whose computation is based on forward looking PDs. The methodology to build forward looking PD term structures requires :

Significant increase in credit risk

Significant increase in credit risk may be assessed on an individual basis or on a collective basis (by grouping financial instruments according to common credit risk characteristics taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition. Assessment of deterioration is based upon comparison of probabilities of default or the ratings on the date of initial recognition of the debt compared with those existing at the reporting date. The standard assumes that credit risk of the instrument has significantly increased since the intial recognition if the payments are more than 30 days past due.

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses (ie the present value of all cash shortfalls, weighted by the proabability of occurrence of these losses over the expected life of the financial instrument. They are measured on an individual basis for all exposures. In practice, for exposures classified in stage 1 and 2, expected credit losses are measured as the product of the PD, LGD and EAD, discounted at the effective rate of the exposure (EIR). For exposures classified in stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument.

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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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 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.

Other income
Other income compromises 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.

Notes to the financial statements (continued)

2. New standards and interpretations

2.1 Standards or interpretations

The following Adopted IFRSs have been issued and are effective for the current financial period of the company.

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.

On 1 January 2018, the Company adopted IFRS 9 Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

The Company is not restating comparatives on initial application of IFRS 9. The classification and measurement and impairment requirements have been applied retrospectively by adjusting the opening balance sheet at 1 January 2018. (First Time Adjustment (FTA)).

	IAS 39	IFRS 9 Transitional Adjustment	IFRS 9
	Carrying amount at 31 Dec 2017	Classification & Measurement	Carrying amount as at 1 January 2018
	£000's	£000's	£000's
Bad Debt Provision	67,497	12,583	80,080
Deferred Tax Asset	(833)	(2,391)	(3,224)
Adjustment to Total Equity		10,192	

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 2018. This standard has had no material impact on these financial statements in the year.

2.2 Standards or interpretations not yet effecive

The following Adopted IFRS has been issued but has not been applied in these financial statements.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. 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.

IFRS 9 Financial Instruments
The Amendment enables companies to apply amortised cost measurement to certain financial assets with negative compensation which are capable of prepayment. Effective 1 January 2019

Notes to the financial statements (continued)

3. Interest income

	2018 £'000	2017 £'000
Store and credit card services	62,972	57,282
Interest from loans to UK group undertakings	28,864	29,394
	91,836	86,676

4. Other income

	2018 £'000	2017 £'000
Dividend income from subsidiary	-	30,859
Management services income from subsidiary	17,492	16,129
Other income	14,272	6,466
	31,764	53,454

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, there has been no dividend paid. A dividend of £39,467,000 for the period 2018 was declared by Creation Consumer Finance Limited after the end of the financial year but before the publication of the Financial Statements. In 2017: £30,859,000 was received from Creation Consumer Finance Limited, a wholly owned subsidiary of the Company.

5. Cost of risk

	2018 £'000	2017 £'000
Movement in allowance for impairment	9,909	(10,677)
Recoveries on loans and receivables previously written off	(5,685)	(7,069)
Bad debt and other write offs	19,727	31,785
	23,951	14,039

6. Profit before tax

	2018 £'000	2017 £'000
Included within profit before tax are the following items:		
Depreciation of property and equipment	502	498
Amortisation of intangible assets	1,402	1,057
Aggregate payroll costs:		
- Wages and salaries	26,874	24,255
- Social security costs	2,871	2,499
- Other pension costs	1,118	894
Operating lease charges:		
- Premises costs	1,246	1,246
- Other	123	-
Auditors' remuneration:		
- Audit of financial statements (excluding VAT)	68	61
- 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:

	2018 No	2017 No
Operations/administration	829	702

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

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 £17,492,000 (2017: £16,129,000) was recharged.

8. Directors' Remuneration

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

	2018 £'000	2017 £'000
Remuneration receivable	917	768
Pension contributions to money purchase schemes	43	45
	960	813

Remuneration of highest paid director:

Total remuneration (excluding pension contributions)	406	342
Pension contributions to money purchase schemes	29	29
	434	370

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

	2018 No	2017 No
Money purchase scheme	2	2

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 2018 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 (2017: Two directors) purchased 37 (2017: 64) shares. The highest paid director individually purchased 37 (2017: 32) shares.

9. Taxation

a) Analysis of charge in the year	2018 £'000	2017 £'000
Current tax:		
UK corporation tax based on the results for the year	-	-
Adjustment in respect of prior years	-	-
	-	-
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	(799)	(553)
Adjustment in respect of prior years	-	(26)
IFRS 9 movement in the current year	239	-
Total deferred tax	(560)	(579)
Tax (credit)/charge on profit on ordinary activities	(560)	(579)

b) Reconciliation of taxation expense	2018	2017
Standard taxation rate	19.25%	19.25%
Non-deductible expense	(3.43)%	0.04%
Non-taxable dividend income	-	(21.39)%
Other	-	-
Effective tax rate	15.82%	(2.11)%

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 is maintained at 19% from 1 April 2017 and to 17% from 1 April 2020. The rate used to calculate deferred tax is the rate which the various timing differences are expected to reverse.

	2018 £'000	2017 £'000
10. Cash and cash equivalents		
Bank balances	**249,893**	142,646
Cash in hand	**-**	4
	249,893	142,650

11. Card receivables	2018 £'000	2017 £'000
Due within one year	**523,956**	495,097
Due after more than one year	**21,068**	19,951
Gross card receivables	**545,024**	515,048
Less: allowance for impaired card receivables	**(77,406)**	(67,497)
Net card receivables	**467,618**	447,551

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:

Analysis of overdue	2018 £'000	2017 £'000
Not past due	**454,069**	435,305
Past due demand to one month	**2,706**	1,841
Past due one to two months	**1,445**	324
Past due two to three months	**613**	212
Past due more than three months	**8,786**	9,870
	467,618	447,551

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

	2018 £'000	2017 £'000
Balance at beginning of the year	**67,497**	78,174
Allowance for impairment raised	**23,948**	14,043
Release of net impairment on loans written off	**(14,039)**	(24,720)
Balance at end of year	**77,406**	67,497
As percentage of gross card and loan receivable book	**14.20%**	13.10%

Notes to the financial statements (continued)

12. Related parties

	2018	2017
Immediate shareholder		
BNP Paribas Personal Finance SA	100%	100%

	2018 £'000	2017 £'000
Cash deposited with group company		
BNP Paribas SA	160,000	60,000

Cash receivable from group company was unsecured and payable on demand.

	2018 £'000	2017 £'000
Amounts owing from group company		
Creation Consumer Finance Limited	1,714,521	1,344,058

Amounts owing from group company was unsecured, interest free and payable on demand.

	2018 £'000	2017 £'000
Amounts owing to group company		
Creation Consumer Finance Limited	209,041	72,420
BNP Paribas Personal Finance SA	-	328
	209,041	72,748

Funding owing to group company

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

	2018 £'000	2017 £'000
BNP Paribas Personal Finance SA	164,660	303,177
BNP Paribas SA	2,082,273	1,552,436
	2,246,933	1,855,613

Related party transactions

	2018 £'000	2017 £'000
Transactions with BNP Paribas Personal Finance SA		
Interest expense	19,046	32,735
Transactions with Creation Consumer Finance Limited		
Dividend income	-	30,859
Interest income	28,864	29,394
Management service income	17,492	16,129
	46,356	76,382
Transactions with Laser Cofinoga SA		
Commitment fees	-	-
Interest expense	-	-
	-	-
Transactions with BNP Paribas London Branch		
Interest expense	20,876	7,682

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

	2018 £'000	2017 £'000
Other receivables	11,060	11,152
Prepayments	2,740	2,039
	13,800	13,191

	2018	2017
14. Inventory	£'000	£'000
Cards and printed materials	331	265

15. Property and Equipment

	2018			2017		
	Cost £'000	Accumulated depreciation £'000	Carrying value £'000	Cost £'000	Accumulated depreciation £'000	Carrying value £'000
Computer hardware	6,530	(4,749)	1,781	5,441	(4,313)	1,128
Furniture and fittings	2,335	(2,242)	93	2,335	(2,176)	159
Assets in course of construction	-	-	-	668	-	668
	8,865	(6,991)	1,874	8,444	(6,489)	1,955

Reconciliation of carrying amounts:

	Carrying amount at beginning of year	Additions	Disposals/ transfers	Depreciation	Carrying amount at end of year
31 December 2018	£'000	£'000	£'000	£'000	£'000
Computer hardware	1,128	421	668	(436)	1,781
Furniture and fittings	159	-		(66)	93
Assets in course of construction	668	-	(668)	-	-
	1,955	421	-	(502)	1,874
31 December 2017					
Computer hardware	477	1,055	-	(404)	1,128
Furniture and fittings	227	26	-	(94)	159
Assets in course of construction	470	198	-	-	668
	1,174	1,279	-	(498)	1,955

16. Intangible assets

	2018			2017		
	Cost £'000	Accumulated amortisation £'000	Carrying value £'000	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Computer software	28,031	(19,320)	8,711	23,154	(17,918)	5,236
Asset under construction	2,529	-	2,529	2,007	-	2,007
	30,560	(19,320)	11,240	25,161	(17,918)	7,243

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 2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Computer software	**5,236**	**4,877**	**-**	**(1,402)**	**8,711**
Asset under construction	**2,007**	**522**	**-**	**-**	**2,529**
	7,243	**5,399**	**-**	**(1,402)**	**11,240**
31 December 2017					
Computer software	2,229	4,064	-	(1,057)	5,236
Asset under construction	1,514	493	-	-	2,007
	3,743	4,557	-	(1,057)	7,243

Of the computer software and assets under construction that is internally generated, the total additions in the year amounted to Internally generated computer software additions in the year amounted to £157,000 (2017: £290,000)

17. Deferred taxation

	2018 £'000	2017 £'000
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	**3,784**	833
Balance at end of period	**3,784**	833
The balance at the end of period comprises temporary differences relating to:		
- Excess of depreciation over taxation allowances	**224**	273
- Effect of tax transition rules for prior period change in accounting policy	**2,391**	-
- Effect of First Time Adoption of IFRS 9	**(239)**	-
- Effect of other timing differences	**1,409**	560
	3,784	833

18. Investment in subsidiary

	2018 £'000	2017 £'000
Investment at Cost	**81,473**	81,473
Investment at Carrying Value	**81,473**	81,473

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 and domiciled in the UK. the United Kingdom. The principal activity of the Company is the provision of fixed term unsecured consumer credit facilities.

19. Share capital

	2018 £'000	2017 £'000
Allotted and fully paid		
59,702,640 (2017: 59,702,640) Ordinary shares of £1 each	**59,703**	59,703

	2018 £'000	2017 £'000
20. Funding		
By maturity		
Demand to one month	107,884	149,317
One to three months	232,533	366,713
Three months to one year	287,460	567,695
More than a year	1,619,057	771,888
	2,246,933	1,855,613

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

	2018 £'000	2017 £'000
21. Trade and other payables		
Trade creditors	6,517	11,404
Other creditors	1,536	1,523
VAT	567	80
Accruals and deferred income	13,249	16,704
	21,869	29,711

22. Provisions for liabilities and charges

	PPI £'000	Other £'000	Total £'000
Balance at beginning of year	3,942	49	3,991
Amounts charged to statement of comprehensive income	8,019	1,405	9,424
Amounts utilised	(1,459)	(1,454)	(2,914)
Balance at end of year	10,502	-	10,502

Payment protection insurance

The FCA deadline for making new PPI claims was 29 August 2019. As the financial statements have been signed past the deadline, the latest impact of PPI has been reflected in the financial statements as at 31 December 2018. The company had experienced increased claims with the lead up to the deadline of PPI, as had many competitors, which led to an increased provision in 2018 of £1,459,000 has been utilised during the course of 2018. As a result a total provision for PPI costs of £10,502,000 (2017: £3,942,000) has been recognised.

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:

	2018			2017		
	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	1,246	117	1,363	1,246	182	1,428
Between 2 and 5 years	3,351	103	3,455	4,976	272	5,248
Greater than 5 years	-	-	-	-	-	-
	4,598	220	4,818	6,222	454	6,676

Other items represent motor vehicles held on operating leases.

Capital commitments

There were no capital commitments at the statement of financial position date (2017: £nil) for tangible or intangible assets.

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 £660,000 (2017: £894,000). There were no outstanding or prepaid contributions at the year end (2017: £nil).

25 Parent undertaking

The immediate parent company and controlling party is BNP Paribas Personal Finance SA, a company incorporated in France. The largest and smallest 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.

26. Subsequent Events

There have been no significant events warrenting disclosure in these financial statements other than the impact of PPI as disclosed in note 22.

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.

Adoption of IFRS 9

Impairment model

The impairment model for credit risk is based upon expected losses, the calculation of which is conducted in two steps;

First the company places debtors in one of three stages to determin the scope of application

Stage 1 - Performing - Where at the reporting date, the credit risk has not increased significantly since origination

Stage 2 - Underperforming - where, at the reporting date, the credit risk represented by the facility has deteriorated significantly but not impaired

Stage 3 - Impaired - where, at the reporting date, there are confirmed losses

Secondly, the Expected Credit Loss (ECL) is calculated. The ECL is determind by projecting the Probability of Default (PD), exposure at default (EAD) and loss given default (LGD) for each future month and for collective segment. For Stage 1, a one year ECL is calculated and Stage 2 a lifetime ECL is calculated. Stage 3 is covered by specific provisions which correspond to lifetime

The model is applied to all instruments within the scope of IFRS 9 impairment.

Notes to the financial statements (continued)

27. Risk management (continued)

Finance risk factors (continued)

The IFRS 9 expected credit loss approach is symmetrical, ie if lifetime expected credit losses have been recognised in a previous reporting period, and if it is assessed in the current reporting period that there is no longer any significant increases in credit risk since intial recognition, the loss allowance reverts to a 12 months expected credit loss.

In the general principles of the standard, significant increase in credit risk since intial recognition is assessed at each reporting date at financial instrument level in order to determine in which stage the financial instrument should be placed.

Forward looking

PD projection methodologies allow the integration of forward looking information, not otherwise captured when assessing credit deteriation individually. The final ECL is the outcome of the linear combination of 3 weighted ECLs whose computation is based on forward looking PDs. The methodology to build forward looking PD term structures requires :

• The construction of a 'Through the (economic) cycle' rating migration probablity matrix based on a collected historical time series of rating transactions.

• The constitution of a default time series and an econometric model that defines the relationshop between the default rate and macroeconomic variables.

• Transformation of the above default rate time series into "Z" time series representing the position in the credit risk cycle (Z-factor) and into a parameter P representing the sensitivity of annual probability of default to the economic environment.

• The projection of three one year point in time migration matrices, one for each year of the forward looking horizon whose length corresponds to the horizon of the economic projections supplier by the economists. Each matrix takes into account the impact of the economic forecasts (Baseline, Optimisitc and Adverse) on the probability of migration from one rating to another.

• The construcrion of a cumulative default probability term structure, from these yearly rating migration matrices.

Significant increase in credit risk

Significant increase in credit risk may be assessed on an invidual basis or on a collective basis (by grouping financial instruments according to common credit risk characteristics taking into account all reasonable and supportable information and comparing the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

Assessment of deterioration is based upon comparison of probabilities of default or the ratings on the date of initial recognition of the debt compared with those existing at the reporting date. The standard assumes that credit risk of the instrument has significantly increased since the intial recognition if the payments are more than 30 days past due.

Credit risk is measured through the allocation of internal credit gradings to each counterparty from a range of 1-12. A rating less than 4 indicates the financial instrument is performing, higher than 4 indicates it is being monitored for deterioration and a rating of 9+ and above would indicate that the financial instrument has significantly deteriorated or is high risk.

Measurement of expected credit losses

Expected credit losses are defined as an estimate of credit losses (ie the present value of all cash shortfalls, weighted by the proabability of occurrence of these losses over the expected life of the financial instrument). They are measured on an individual basis for all exposures. In practice, for exposures classified in stage 1 and 2, expected credit losses are measured as the product of the PD, LGD and EAD, discounted at the effective rate of the exposure (EIR). For exposures classified in stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument.

The following table contrains an analysis of credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the maximum exposure to credit risk on these assets.

Notes to the financial statements (continued)

27. Risk management (continued)

Gross Exposure

	IAS 39 Gross Exposure 31/12/2017 £'000	Movement £'000	IFRS 9 Gross Exposure 31/12/2018 £'000
Stage 1	418,533	34,444	452,977
Stage 2	23,862	846	24,708
Stage 3	68,941	- 6,675	62,266
	511,335	28,616	539,951

Impairment Provision

	IAS 39 Incurred Loss 31/12/2017 £'000	First Time Adjustment £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	IFRS 9 Expected Credit Loss 31/12/2018 £'000
Bad Debt Provision	67,497	12,583	(758)	263	(6,727)	72,858

Analysis of Impairment Provision by Stage

Stage 1	11,005
Stage 2	7,972
Stage 3	53,881
	72,858

(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	**627,876**	**1,619,057**	**2,246,933**
Trade and other payables	**21,302**	**-**	**21,302**
Amount owed to group companies	**209,041**	**-**	**209,041**
At 31 December 2018	**858,219**	**1,619,057**	**2,477,276**
Funding	1,083,725	771,888	1,855,613
Trade and other payables	29,631	-	29,631
Amount owed to group companies	72,748	-	72,748
At 31 December 2017	1,186,104	771,888	1,957,992

27. Risk management (continued)

Finance risk factors (continued)

(c) Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on variable interest rate liabilities with all other variables held constant.

	2018		2017	
Increase/(decrease) in basis points	+25	(25)	+25	(25)
Effect on profit and loss £'000	(848)	848	(1,129)	1,129

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.

(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.