Company Registration No 1488108

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2012

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2012

COMPANY INFORMATION

Directors
S Chassard
P Gennart
X Pujos
D P Reynolds
S Roussel

Secretary
K A Schrod

Registered Office
10 Harewood Avenue
London
NW1 6AA
United Kingdom

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

CONTENTS

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements of BNP Paribas UK Limited (the 'Company') for the year ended 31 December 2012

Principal Activities and Business Review

The Company is a wholly-owned subsidiary undertaking of Harewood Holdings Limited The ultimate parent undertaking is BNP Paribas The Company's principal activity is investment banking including acting as underwriter and holding positions in debt securities issued by BNP Paribas In addition the Company invests in Index Linked Gilts ILG for retention in its non trading book

As shown in the Company's income statement on page 8, net trading profit before operating expenses of £44 million has increased by £2 million over the prior year This increase is mainly attributable to an increase in dealing profits

The decrease in operating expenses by £4 million from prior year is due to foreign exchange gains and administrative expenses

The profit after tax for the year amounted to £40 million against £41 million in the prior year

The balance sheet on page 10 of the financial statements shows that the Company's net assets were £6 million higher than the prior year

During the course of the current year the ILG £573 million held in the Company's non trading book was increased by further acquisitions of £786 million made up of £156 million in March 2012 and £630 million in April 2012 Each new acquisition has been funded with a matching repurchase trade, offset as necessary with a reverse repurchase trade in the instance of disposal of any ILG All repurchase and reverse repurchase trades were undertaken with BNP Paribas, the Company's ultimate parent undertaking

There have been no significant events since the balance sheet date

During the year, the Directors recommended and paid an interim dividend on ordinary shares of £40 million (2011 £25 million) The Directors do not recommend the payment of a final dividend (2011 £nil)

Principal risks and uncertainties

The Company's underwriting activity includes transactions in Euro and US dollars The Company offsets its exposure to movements in foreign currency exchange rates relative to sterling by executing foreign exchange trades with BNP Paribas, the ultimate parent undertaking

Credit risk is largely limited to exposures with group counterparties and government securities thereby reducing credit risk

All risks are managed centrally by the group

Key Performance indicators

		2012	2011
1	ROCE (Return on Capital Employed)	12%	12%
		£'000	£'000
2	Regulatory Capital (note 24)	332,324	326,921
	Capital Requirement	77,421	72,045
	Surplus	254,903	254,876
	Percentage	329%	354%

Key Performance ındicators (contınued)

3 Dealıng profits growth	2012	2011
	88%	(5%)

Dealıng profits for the year of £55 3 mıllıon (2011 £29 4 mıllıon) ındıcated a growth of 88%, thıs consısted of the followıng

	£'000	£'000
Medıum Term Note - New Issuance	7,903	7,218
Medıum Term Note - Secondary Tradıng	35,642	7,323
Underwnter Fees on BNP Panbas Publıc Note Issues	11,724	14,804
Equıty - Servıce level agreement	60	60
Total Dealıng profit	55,329	29,406

Goıng concern and lıquıdıty

The Company has consıderable financıal resources ın the form of avaılable-for-sale ınvestments, tradıng assets, financıal assets and cash and cash equıvalents whıch more than cover any lıabılıtıes under whıch ıt ıs currently oblıgated As a consequence the Dırectors belıeve that the Company ıs well placed to manage ıts busıness nsks successfully

The Dırectors have a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future whıch ıs reflected by a strong performance ın the current year of 2013 The Company has the contınuıng support of ıts ultımate parent undertakıng, BNP Panbas

Accordıngly, they contınue to adopt the goıng concern basıs ın preparıng the annual report and financıal statements

Financial rısk management

The Company's actıvıtıes expose ıt to a varıety of financıal nsks foreıgn exchange nsk, equıty prıce nsk, credıt nsk, lıquıdıty nsk, cash flow and faır value ınterest rate nsk The Company's overall nsk management programme focuses on the unpredıctabılıty of financıal markets and seeks to mınımıse potentıal adverse effects on the Company's financıal performance The Company uses derıvatıve financıal ınstruments to manage certaın nsk exposures

Refer to pages 20 to 25 for more detaıls on financıal nsk management

Future developments

It ıs the belıef of the Dırectors that no sıgnıficant developments are lıkely and the Company's prıncıpal actıvıty wıll contınue to ınvestment bankıng ıncludıng actıng as underwnter and holdıng posıtıons ın debt securıtıes ıssued by BNP Panbas and ınvestments ın ILG

Pıllar 3 dısclosures

The New Basel Capıtal Accord, ıssued by the Basel Commıttee on Bankıng Supervısıon, aıms to ımprove the flexıbılıty and nsk sensıtıvıty of the exıstıng Accord The new accord consısts of three mutually reınforcıng pıllars Pıllar 3 recommends requırements aımed at enhancıng market dıscıplıne through effectıve dısclosure of ınformatıon to market partıcıpants

The dısclosures can be found on the followıng websıte http //ınvest bnpparıbas com/fr/pıd748/documentsreference html

Directors

The Directors who held office during the year of 2012 and to the date of this report were

S Chassard (appointed 22 February 2013)
P Gennart
J-C Langer (resigned 30 June 2012)
X Pujos
D P Reynolds
S Roussel

Directors' indemnities

The ultimate parent undertaking has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were made during the year and remain in force at the date of this report

Charitable and political donations

No donations were made during the year (2011 £nil)

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that

(a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company s auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Registered Office
10 Harewood Avenue
London
NW1 6AA

By Order of the Board
KASlmA.

KA SCHROD
~~Director~~/Secretary

18 April 2013

BNP PARIBAS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2012

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

We have audited the financial statements of BNP Paribas UK Limited (the "Company") for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Company financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS UK LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Philip Tew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 April 2013

BNP PARIBAS UK LIMITED

INCOME STATEMENT
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Dealing profits	3	**55,329**	29,406
Net income on pledged available-for-sale investments	4 a	**3,364**	24,031
Net interest payable on repurchase liabilities measured at amortised cost	4 b	**(13,685)**	(10,016)
Other operating income	5	**43**	22
Interest receivable	6	**2,625**	6,197
Interest payable	7	**(3,235)**	(7,617)
Net interest payable		**(610)**	(1,420)
Net trading profit before operating expenses		**44,441**	42,023
Operating expenses	8	**(1,834)**	(5,381)
Operating profit		**42,607**	36,642
Profit before taxation		**42,607**	36,642
Taxation	10	**(2,235)**	4,856
Profit for the year		**40,372**	41,498

The results for the current year and prior year are derived wholly from continuing operations

BNP PARIBAS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the year		**40,372**	41,498
Other comprehensive income			
Transferred to income statement on disposal of available-for-sale investments	13 & 14	-	(22,735)
Tax on items transferred to income statement		-	6,025
Revaluation on available-for-sale investments	13 & 14	**7,604**	15,761
Tax on revaluation on available-for-sale investments	10	**(1,838)**	(4,152)
Total Other Comprehensive income		**5,766**	(5,101)
Total comprehensive income attributable to the owners of the parent		**46,138**	36,397

BALANCE SHEET
At 31 December 2012

	Notes	31 December 2012 £'000	31 December 2011 £'000
ASSETS			
Non-current assets			
Available-for-sale investments	13	**1,857**	1,725
Pledged available-for-sale investments	14	**-**	571,798
Other financial assets	15	**-**	539,157
TOTAL NON-CURRENT ASSETS		**1,857**	1,112,680
Current assets			
Pledged available-for-sale investments	14	**1,349,515**	-
Trading assets	16	**739,144**	649,312
Other financial assets	15	**545,665**	-
Trade and other receivables	18	**110,559**	141,460
Cash and cash equivalent	19	**3,198**	58,500
TOTAL CURRENT ASSETS		**2,748,081**	849,272
TOTAL ASSETS		**2,749,938**	1,961,952
EQUITY			
Share capital	23	**204,238**	204,238
Available-for-sale reserve		**5,131**	(635)
Other reserves		**5,005**	5,005
Retained earnings		**124,649**	124,277
TOTAL EQUITY		**339,023**	332,885
LIABILITIES			
Current liabilities			
Trading liabilities	16	**214,785**	198,988
Other financial liabilities	20	**1,915,096**	-
Current tax liabilities		**753**	-
Trade and other payables	21	**152,959**	162,879
Borrowings	19	**127,061**	21,208
TOTAL CURRENT LIABILITIES		**2,410,654**	383,075
Non-current liabilities			
Other financial liabilities	20	**-**	1,245,751
Deferred tax liabilities	22	**261**	241
TOTAL NON-CURRENT LIABILITIES		**261**	1,245,992
TOTAL LIABILITES		**2,410,915**	1,629,067
TOTAL LIABILITIES AND EQUITY		**2,749,938**	1,961,952

The financial statements on pages 8 to 42 were approved by the Board of Directors on 18 April 2013 and were signed on its behalf and authorised for issue by

Director

SARAH ROUSSEL

18TH APRIL 2013

BNP PARIBAS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share capital £'000	Available-for-sale reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2011	204,238	4,466	5,005	107,779	321,488
Profit for the year	-	-	-	41,498	41,498
Dividends on ordinary shares (Note 11)	-	-	-	(25,000)	(25,000)
Other comprehensive income					
- Transferred to income statement on disposal of available-for-sale investments	-	(22,735)	-	-	(22,735)
- Tax on items transferred to income statement	-	6,025	-	-	6,025
- Revaluation on available-for-sale investments (Note 13 and 14)	-	15,761	-	-	15,761
- Tax on revaluation on available-for-sale investments	-	(4,152)	-	-	(4,152)
At 1 January 2012	**204,238**	**(635)**	**5,005**	**124,277**	**332,885**
Profit for the year	-	-	-	**40,372**	**40,372**
Dividends on ordinary shares (Note 11)	-	-	-	**(40,000)**	**(40,000)**
Other comprehensive income					
- Transferred to income statement on disposal of available-for-sale investments	-	-	-	-	-
- Tax on items transferred to income statement	-	-	-	-	-
- Revaluation on available-for-sale investments (Note 13 and 14)	-	**7,604**	-	-	**7,604**
- Tax on revaluation on available-for-sale investments	-	**(1,838)**	-	-	**(1,838)**
At 31 December 2012	**204,238**	**5,131**	**5,005**	**124,649**	**339,023**

The available-for-sale reserve arises from changes in the fair value of available-for-sale investments and pledged available-for-sale investments held by the Company, net of taxation, and is not distributable

BNP PARIBAS UK LIMITED

STATEMENT OF CASH FLOW
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit before taxation		**42,607**	36,642
Adjustments for			
- interest receivable		**(5,989)**	(30,228)
- interest payable		**16,920**	17,633
- effect of exchange rate changes on cash and cash equivalents held or due in foreign currency		**37**	(1,101)
Changes in working capital.			
- (increase) in financial assets at fair value through profit or loss		**(89,964)**	(183,483)
- increase in financial liabilities at fair value through profit or loss		**15,797**	63,197
- (increase) in trade and other receivables		**26,685**	(43,502)
- (decrease)/increase in trade and other payables		**(9,730)**	51,689
Cash generated from operations		**(3,637)**	(89,153)
Interest received		**28,880**	30,228
Interest paid		**(39,851)**	(17,621)
Taxation paid		**915**	(1,000)
Net cash flows (used in) operations		**(13,693)**	(77,545)
Cash flows from investing activities			
Acquisitions of pledged available-for-sale investments	14	**(770,262)**	(1,097,918)
Disposal of pledged available-for-sale investments	14	**-**	1,886,716
Reverse Repurchase agreements	15	**(6,508)**	(539,157)
Net cash flows (used in) / generated from investing activities		**(776,770)**	249,641
Cash flows from financing activities			
Dividends paid on ordinary shares	11	**(40,000)**	(25,000)
Repayment - repos	20	**(140,344)**	(1,878,908)
Borrowings - repos	20	**809,689**	1,757,465
Net cash flows generated from / (used in) financing activities		**629,345**	(146,443)
Net (decrease) / increase in cash and cash equivalents		**(161,118)**	25,653
Net foreign exchange difference		**(37)**	1,101
Cash and cash equivalents at 1 January		**37,292**	10,538
Cash and cash equivalents at 31 December	19	**(123,863)**	37,292
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at 1 January		**3,198**	58,500
Overdraft		**(127,061)**	(21,208)
Cash and cash equivalents at 31 December		**(123,863)**	37,292

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

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied during the year presented and the prior year, unless otherwise stated

(a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union ('EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRIC interpretations The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note c

There were no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 9	Financial Instruments
IFRS 13	Fair value measurements
IAS 19 (as revised in 2011)	Employee Benefits
IAS 12 (amended)	Deferred Tax Recovery of Underlying Assets
IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The adoption of IFRS 9 which the company plans to adopt for the year beginning 1 January 2015 after the standard is endorsed by EU will impact both measurement and disclosure of financial instruments The directors do not expect that the adoption of the other standards listed above will have material impact on the financial statements of the Group in future periods

The adoption of IFRS 9 which the Group plans to adopt for the year beginning 1 January 2015 after the standard is endorsed by EU will impact both measurement and disclosure of financial instruments The directors do not expect that the adoption of the other standards listed above will have material impact on the financial statements of the Group in future periods

These separate financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group The company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, BNP Paribas which is a company incorporated in France Copies of the group financial statements can be obtained from BNP Paribas, 16 boulevard des Italiens, 75009 Paris, France

1 ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Going concern and liquidity

The Directors have at the date of approving the Financial Statements a reasonable expectation that the Company will continue to have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements Going concern is discussed in the Directors' Report on page 3 under the heading of 'Going concern and liquidity'

(b) Accounting convention

(i) Trade date accounting

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets

(ii) Past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due

(c) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates It also requires management to exercise judgement in the process of applying the accounting policies The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as fair value of financial instruments

(d) Revenue recognition

(i) Dealing profits

Dealing profits comprise the aggregate profits less losses arising from trading in the primary and secondary debt markets and in derivative financial instruments Interest receivable and interest payable on dealing securities are recognised in the income statement as they accrue Dealing profit and losses also include underwriting fees in respect of debt securities that are accounted for in the period as they accrue

(ii) Interest income and expense

Interest income arises from cash and cash equivalents and pledged available-for-sale investment Interest expense arises on borrowings and repurchase agreements Interest income and expense are recognised in the income statement, respectively 'interest receivable' and 'interest payable' using the effective interest method

(iii) Other income

Dividend income arises on available-for-sale investments, and is disclosed in the income statement as 'other operating income' when the Company's right to receive the dividend is established

(e) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in sterling, being the Company's functional and presentation currency

1 ACCOUNTING POLICIES (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies and non-monetary available-for-sale financial assets which are un-hedged are recognised in the income statement within "Other expenses'

(f) General

All financial assets and liabilities which have a maturity date less than one year are classified as 'current' and as non-current' if they have a maturity date greater than 1 year

(g) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which is initially measured at fair value

The Company classifies its financial assets in the following categories financial assets at fair value through profit or loss (FVTPL), 'held for trading' investments, 'loans and receivables', 'payables' and 'available-for-sale (AFS) Management determines the classification of its financial instruments upon initial recognition – such classification being dependent on the purpose for which the financial instruments were acquired

(i) Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories 'financial assets held for trading', and those 'designated at fair value through profit or loss at inception'

A financial asset is classified as held for trading if it is acquired principally for the purposes of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking Derivatives are also classified as held for trading

Financial assets and financial liabilities are designated as fair value through profit or loss when

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost,
- certain investments such as equity investments that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss, and
- financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modifying the cash flows, are designated at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss are recognised initially at fair value and transaction costs are expensed in the income statement Financial assets or financial liabilities at fair value through profit or loss are subsequently carried at fair value

Gains or losses arising from changes in the fair value, including interest and dividend income, are disclosed in the income statement within 'dealing profits'

1 ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date

Available-for-sale financial assets are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Available-for-sale financial assets are subsequently carried at fair value

Gains or losses arising from changes in the fair value of available-for-sale financial assets, net of taxation, are recognised in equity

When available-for-sale financial assets are sold, impaired or derecognised, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from the sale of investment securities Dividend income from available-for-sale investments is recognised in the income statement within 'other operating income when the Company s right to receive the dividend is established

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership

(iii) Trade and other receivables
Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market These are valued at amortised cost

(iv) Other financial assets
Other financial assets include the receivable for reverse repurchase except in the case of reverse repurchase agreements contracted for trading purposes where the corresponding receivable is recognised under "Trading Assets' Other financial assets are initially recorded on the trading date of the transaction and subsequently accounted for on an amortised cost basis using the effective interest rate method

Fair value estimation

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation

Level 1 – Financial instruments with quoted market prices This level comprises financial instruments with quoted prices in an active market that can be used directly

It notably includes liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded on organised markets (futures and options, etc), and units in funds with net asset value calculated on a daily basis

Level 2 - Financial instruments measured using valuation techniques based on observable inputs This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily and available on the market or, lastly, instruments measured using valuation techniques based on observable inputs

This level notably includes illiquid shares with low liquidity and bonds, particularly those of certain sovereign issuers, borrowings and short sales of these instruments, short-term repurchase agreements not measured based on a quoted price directly observed in the market, units in civil property companies (SCIs) held in unit-linked contract portfolios, where the underlying assets are appraised from time to time using observable market data, units in funds for which liquidity is provided on a regular basis, derivatives traded in OTC markets measured using techniques based on observable inputs and structured debt issues measured using only observable inputs

1 ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Fair value estimation (continued)

Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations not based either on observable transaction prices in the identical instrument at the measurement date or observable market data available at the same date An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs

This level notably comprises unlisted shares, bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market (such as CDO, CLO and ABS units), long-term or structured repurchase agreements, units in funds undergoing liquidation or quotation which have been suspended, complex derivatives with multiple underlyings (hybrid instruments, synthetic CDOs, etc) and the structured debt underlying these derivatives

The valuation techniques for OTC derivatives include:

i) Interest rate swaps
The fair values of interest rate swaps are determined using estimated discounted cash flows at the balance sheet date

ii) Credit derivative instruments
Credit derivative instruments involving multiple credit reference names, recovery rates on default and correlations are fixed at levels between names determined by reviewing historical evidence These levels are then reassessed against market trades and consensus pricing services at each month-end to ensure these levels are still appropriate

iii) Foreign exchange contracts
The fair value of forward contracts is determined using quoted forward exchange rates at the balance sheet date

The valuation techniques for financial assets include.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market Loans and receivables are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest method, less any impairment Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

v) Available-for-sale investments

Available–for–sale financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities These assets are valued using models that use both observable and un–observable data The non–observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates

vi) Pledged available-for-sale investments

The fair value of pledged available-for-sale investments for listed equity instruments is based on the quoted clean price adjusted for amortisation of premium paid and accrued coupon

1 ACCOUNTING POLICIES (continued)

(h) Other financial liabilities

Other financial liabilities are recorded on the trading date of the transaction and subsequently are accounted for on an amortised cost basis using the effective interest rate method

Repurchase agreements
Securities temporarily sold under repurchase agreements are disclosed in the Company's balance sheet within 'pledged assets' The corresponding liability is disclosed in the balance sheet within 'trading liabilities' Repurchase agreements with the intent of holding them are valued on a accrued basis, also classified as 'other financial liabilities except in the case of repurchase agreements contracted for trading purposes where the corresponding payable is recognised under "Trading Liabilities"

Securities lending transactions do not result in derecognition of the loaned securities, and securities borrowing transactions do not result in recognition of the borrowed securities in the balance sheet

(i) Trade liabilities and other payables

Trade and other payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market initially measured at fair value and subsequently measured at amortised costs

(j) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

- delinquency in contractual payments of principal or interest,
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales,
- breach of loan covenants or conditions,
- initiation of bankruptcy proceedings,
- deteriorations of borrower s competitive position,
- deterioration in the value of collateral, and
- downgrading below investment grade level

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset s original effective rate

(ii) Assets classified as available for sale

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired A significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement

1 ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, intercompany balances repayable on demand and bank overdraft Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

(l) Share capital, capital contribution and debt instruments

Ordinary shares and capital contributions that evidence a residual interest in the assets of the Company after deducting all of its liabilities are classified as equity instruments

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method The Company's cash and cash equivalent borrowings form part of the fair value hedge used to hedge the foreign exchange risk on the EUR available-for-sale non-monetary assets
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

(n) Dividend distribution

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

(o) Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

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

2 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks credit risk, liquidity risk, price risk, foreign exchange risk, cash flow and fair value interest rate risk The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance The Company uses derivative financial instruments to manage certain risk exposures The exposures and risk management techniques have not changed significantly from the prior year

(a) Credit risk

The Company takes on exposure to credit risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation Credit exposures arise principally on the debt securities held for trading Further credit risk arises on trade and other receivables and cash and bank balances The Company has a significant concentration of credit exposure to other group undertakings

Credit risk within the Company is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas

Maximum exposure to credit risk before collateral held or credit enhancements

	2012 £'000	2011 £'000
Trading assets		
— Resale agreements	**157,249**	154,952
— Debt securities	**568,250**	476,967
— Derivative financial instruments	**13,645**	17,393
Other financial assets	**545,665**	539,157
Available-for-sale investments	**1,857**	1,725
Pledged available-for-sale investments	**1,349,515**	571,798
Trade and other receivables	**110,559**	141,460
Cash and bank balances	**3,198**	58,500
	2,749,938	1,961,952

The above table represents a worse case scenario of credit risk exposure for the Company at 31 December 2012 and 2011, without taking into account collateral held or other credit enhancements attached The exposures set out above are based on the carrying amounts as reported in the balance sheet

Collateral received

The total collateral held is £340 million in debt securities issued by a) other group undertakings for a total of £191 million, b) Barclays Bank PLC London for a total of £142 million and c) Citigroup Global Markets Limited for a total of £6 million The fair value of collateral held is shown in receivables and payables within Note 16 The credit ratings reported by Moody's rating agency for BNP Paribas are Aa3 and A1 for Barclays Bank PLC and Citigroup

The counterparty risk of collateral received is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas

2 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit quality of financial assets that are neither past due nor impaired

Debt securities comprise primarily of debt issued by the ultimate parent undertaking and by European governments Consequently they have a high credit quality and are considered to be investment grade by external rating agencies Other financial assets are predominantly held with other group companies and are considered to have a high credit quality

Financial assets past due but not impaired

Gross amounts of financial assets that were past due but not impaired were as follows

31 December 2012	Trade and other receivables £'000	Total £'000
Past due up to 30 days	223	223
Past due 30 - 60 days	-	-
Past due 60 - 90 days	-	-
	223	223

31 December 2011	Trade and other receivables £'000	Total £'000
Past due up to 30 days	16,855	16,855
Past due 30 - 60 days	297	297
Past due 60 - 90 days	-	-
	17,152	17,152

No financial assets have been renegotiated that would otherwise be past due (2011 £Nil) The Company holds no collateral (or other credit enhancements) against financial assets that were past due but not impaired (2011 £Nil)

Financial assets impaired

There were no financial assets that were impaired (2011 £Nil) No financial assets have been renegotiated that would otherwise be impaired (2011 £Nil)

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due

Prudent liquidity risk management is achieved by maintaining sufficient cash and readily realisable marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions In addition, the Company's liquidity is ensured by the ultimate parent undertaking

Liquidity risk is monitored centrally by Group Risk Management Department of the ultimate parent undertaking BNP Paribas

2 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The table below presents the cash flows payable by the Company by remaining contractual maturities at the balance sheet date The amounts disclosed in the table are the contractual undiscounted cash flows Trading liabilities relating to short positions in equity and debt securities are presented in the earliest maturity band as they are expected to be settled in the short term and the amount to be settled will be the fair value

	Up to 3 months £'000	3 - 6 months £'000	6 - 12 months £'000	1 - 5 years £'000	Over 5 years £'000	Total £'000
AT 31 DECEMBER 2012						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	**168,174**	**-**	**-**	**-**	**-**	**168,174**
- Derivatives	**-**	**-**	**6,379**	**-**	**-**	**6,379**
- Funding	**40,232**	**-**	**-**	**-**	**-**	**40,232**
Other financial liabilities	**-**	**-**	**1,915,096**	**-**	**-**	**1,915,096**
Trade and other payables	**152,959**	**-**	**-**	**-**	**-**	**152,959**
Borrowings	**127,061**	**-**	**-**	**-**	**-**	**127,061**
	488,426	**-**	**1,921,475**	**-**	**-**	**2,409,901**
AT 31 DECEMBER 2011						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	130,153	-	-	-	-	130,153
- Derivatives	-	-	27,158	-	-	27,158
- Funding	41,677	-	-	-	-	41,677
Other financial liabilities	-	-	-	1,245,751	-	1,245,751
Trade and other payables	162,879	-	-	-	-	162,879
Borrowings	21,208	-	-	-	-	21,208
	355,917	-	27,158	1,245,751	-	1,628,826

2 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices Market risks arise from open positions in interest rate and currency, which both are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates

The Company separates exposures to market risk into either trading or non-trading portfolios

Trading portfolios include those positions arising from market-making transactions where the Company acts as principal with clients or with the market

Non-trading portfolios primarily include cash and cash equivalent balances which are subject to foreign exchange and interest rate risk Non-trading portfolios also consist of equity available-for-sale investments which are subject to foreign exchange and equity risk

The various components of the Company 'Market Risk Ratio' are monitored on a daily basis, with escalation of exceptional adverse results to senior management In monitoring the market risk component of its overall capital requirement the Company relies upon the standard methodologies defined by and such other special methods as may be agreed with, the UK regulator The market risk capital component of the overall capital requirement as at 31 December 2012 was £31million (2011 £38 million)

Market risk measurement techniques

As part of the management of market risk, the Company undertakes various hedging strategies The Company makes use of interest rate, credit and equity derivatives to hedge its risk exposure The major measurement techniques used to measure and control market risk are outlined below

i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies Exposures to exchange rate fluctuations therefore arise

The Company is exposed to foreign exchange risk on its assets and liabilities as they are not all denominated in its functional currency of sterling This risk is transferred to the ultimate parent undertaking, with the exceptions of the Company's exposure to the exotic cross currency bonds, where the risk is economically hedged by entering into US dollar funding contracts and derivative contracts for which the risk is not material The transfer of this risk is effected on a month end basis whereby journals are posted to physically transfer any currency fluctuations to the holding company

The Company also undertakes a funding transaction to cover its investments in available-for sale investments denominated in euro currencies Hence, exposures to exchange rate fluctuations arise This risk is economically hedged by entering into matching currency funding deal with BNP Paribas The foreign exchange risk relating to other instruments is managed by the central treasury department (Group Treasury) under policies approved by the Board of Directors for entities within the group At the 31 December 2012 and the 31 December 2011, the company had no material exposure to foreign currencies as a result of economic hedging the Company's risk hence no sensitivity analysis has been provided

2 FINANCIAL RISK MANAGEMENT (continued)

i) Foreign currency risk management (continued)

	2012 £'000 GBP	2011 £'000 GBP
AUD	**33**	-
BRL	**175**	-
CHF	**1**	-
EUR	**1,092**	1,726
IDR	**8**	-
JPY	**177**	-
MXN	**108**	-
NOK	**7**	-
TRY	**311**	-
USD	**40,619**	41,902

ii) Interest rate risk management

The Company is exposed to interest rate risk on its trading assets and liabilities which include fixed and floating rate debt instruments The Company is further exposed to interest rate risk as it borrows funds at floating interest rates Interest rate risk is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas S A

Interest rate risk sensitivity

The sensitivity analyses below have been determined based on the following assumptions

- the exposure to interest rates is on all financial instruments held at the balance sheet date,
- the exposure to interest rates is on non trading balances which is inclusive of cash borrowings held at the balance sheet date,
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting period,
- instruments that reprice within a period of six months are considered variable while those that reprice after six months are considered fixed, and
- a reasonable possible rate change is based on implied volatility rates observed in the market

Based on one year implied interest rate volatility, the percentages used are considered to give a reasonable possible change in interest rates

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

2 FINANCIAL RISK MANAGEMENT (continued)

If interest rates had been 100 basis points higher (2011 100 basis points higher) and all other variables were held constant, the Company s

- profit for the year ended 31 December 2012 would increase by £1 million (2011 increased by £6 million) This is mainly attributable to the Company's exposure to interest rates on its fixed rate trading assets,

Profit for the year	**2012** **£'000**	2011 £'000
Financial instruments	**2,506**	6,122
Non trading (inclusive cash borrowings)	**(1,239)**	(27)
Total	**1,267**	6,095

A 100 basis point decrease in interest rates would have the following effect on profit or loss and equity

Profit for the year	**2012** **£'000**	2011 £'000
Financial instruments	**(2,019)**	(10,466)
Non trading (inclusive cash borrowings)	**1,239**	27
Total	**(780)**	(10,439)

iii)) Other price risks

The Company is exposed to equity price risks arising from equity investments
The equity price risk on investments held for strategic purposes and classified as available-for-sale is not material and is monitored by the Directors

3. DEALING PROFITS

Dealing profits earned by the Company during the year are classified below in relation to the class of financial instrument held by the Company

	2012 £'000	2011 £'000
Debt securities	**56,217**	27,085
Equities	**61**	58
Derivative financial instruments	**(949)**	2,263
	55,329	29,406

4. NET INCOME ON PLEDGED AVAILABLE-FOR-SALE INVESTMENTS AND INTEREST PAYABLE ON REPURCHASE LIABILITIES MEASURED AT AMORTISED COST

4 a The Company's investment in ILG which are classified within the pledged available-for-sale investments (note 14) , the total income amortised to the income statement for 2012 was £3 million,

In March 2012 and April 2012 the Company's investment in ILG was increased by £156 million and £630 million respectively which are due to mature 16 August 2013

4 b To fund this investment the Company entered into repurchase trades with BNP Paribas the ultimate parent which are classified as other financial liabilities (note 22), the expense of £10 million represents the amortised cost

The total net income on pledged available-for-sale and interest payable on repurchase liabilities in 2012 shows a loss of £10 million compared to the prior year profit of £14 million The 2012 loss includes a debit adjustment of £9 million to the premium P&L account

5 OTHER OPERATING INCOME

	2012 £'000	2011 £'000
Fees receivable	**43**	22
	43	22

Fees receivable of £43k (2011 £22k) represents net dividend income from Euroclear PLC £38k (2011 £16k) after deduction of overseas withholding tax charged at a rate of 35% and a refund of the withholding tax charged in respect of 2010 dividend The Euroclear PLC investment is disclosed in Note 13 'Available-for-sale investments

6 INTEREST RECEIVABLE

	2012 £'000	2011 £'000
Interest income from cash and cash equivalents	**2,625**	6,197

Interest income arose on cash and cash equivalents with BNP Paribas, the ultimate parent undertaking (Note 27)

7 INTEREST PAYABLE

	2012 £'000	2011 £'000
Interest payable on borrowings	**(3,235)**	(7,617)

Interest payable arose on borrowings from BNP Paribas, the ultimate parent undertaking (Note 27) (£3 million) and from Harewood Holdings Limited, the immediate parent undertaking (£0 5 million) The Company received funding from Harewood Holdings Limited of £41 0 million for periods 7/11/2011 to 7/5/2012 at 1 28219% , 8/5/2012 to 31/07/2012 at 1 33031% after which funding was reduced to £35 5 million for the periods 1/8/2012 to 6/11/2012 at 1 33031% and 7/11/2011 to 05/05/2012 at 0 71500% (Note 23)

8 OPERATING EXPENSES

	2012 £'000	2011 £'000
Indirect trading expenses	**(1,690)**	(1,690)
Other administrative expenses	**198**	(477)
Foreign exchange loss	**(342)**	(3,214)
	(1,834)	(5,381)

The indirect trading expenses represent settlement of service fee due to BNPP London Branch

Other administrative expenses represent Stock borrowing fees £6k (2011 £199k), Brokerage fees £37k (2011 £39k), and write back of prior year business administration fee £0 2 million (2011 £0 2million)

Foreign exchange loss represents the exchange effect of a Russian Rouble 1 5billion long position matched against a total US dollar 65 3 million short position This was economically hedged by a derivative contract, the corresponding gain of which is included within 'dealing profits'

Auditors' remuneration for the audit amounted to £30k (2011 £22k) and non-audit fees is £15k, both will be borne by BNP Paribas

The Company had no employees during the year ended 31 December 2012 (31 December 2011 none)

9 DIRECTORS

The Directors provide services to the Company, the ultimate parent undertaking and a number of fellow subsidiary undertakings The emoluments of all Directors in the current and prior year are paid by the ultimate parent undertaking The ultimate parent undertaking makes no recharge to the Company as it is not possible to make an accurate apportionment of Directors emoluments in respect of each of the subsidiaries

10 TAXATION

(a) Analysis of (charge) / credit in year

	2012 £'000	2011 £'000
Current tax (charge)/credit		
UK corporation tax on profits for the year	(2,329)	4,867
Adjustment in respect of prior years	102	-
	(2,227)	4,867
Deferred tax (Note 22)		
- Origination and reversal of timing difference (Note 22)	(6)	(8)
- Impact on change in tax rate	(2)	(3)
Tax (charge)/credit	**(2,235)**	**4,856**

(b) Tax on items (charged)/credited to equity

	2012 £'000	2011 £'000
Current tax (charge)/credit on revaluation on available for sale investments	(1,825)	1,675
Deferred Tax (charge)/credit on revaluation on available for sale investments	(13)	198
Tax on items (charge)/credit to equity	**(1,838)**	**1,873**

10 TAXATION (continued)

(c) Factors affecting tax (charge) / credit for the year

The tax assessed for the year is lower (2011 lower) than profit on ordinary activities before taxation multiplied by the rate of corporation tax in the UK of 24 5% (2011 26 5%)

The (charge)/credit for the year can be reconciled as follows

	2012	2011
	£'000	£'000
Profit on ordinary continued activities before taxation	**42,607**	36,642
	42,607	36,642
Current tax at 24 5% (2011 26 5%)	**(10,439)**	(9,710)
Effects of		
Effect of Tax rate changes on deferred tax balances	**(2)**	(3)
Bank levy accrual	**59**	(63)
Adjustment in respect of index linked gilts	**8,035**	14,626
Overseas dividend	**10**	6
Prior year adjustment due to loss carry back	**102**	-
Deferred tax		
Tax (charge)/credit for the current year	**(2,235)**	4,856

On 21 March 2012 the Chancellor of the Exchequer announced a number of changes to the main rate of UK corporation tax

With effect from 1 April 2012 the rate fell from 26% to 24% This was enacted on 26 March 2012 under the Provisional Collection of Taxes Act 1968 With effect from 1 April 2013 the main rate will fall from 24% to 23% This was substantively enacted on 3 July 2012 when the Finance Bill 2012 received its third reading in the House of Commons

Deferred tax balances have been re-measured to 23% This was the rate enacted at the balance sheet date

Further changes to the main rate of UK corporation tax were announced by the Chancellor of the Exchequer in his Autumn Statement on 5 December 2012 and in his Budget on 20 March 2013 The rate will fall by 2% to a rate of 21% with effect from 1 April 2014 and by a further 1% to a rate of 20% with effect from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements The directors estimate that the effect of the rate reductions not substantively enacted will not give rise to a material impact on the Company's deferred tax asset/liability

11 DIVIDENDS

	2012 £'000	2011 £'000
Interim dividend on ordinary shares	**40,000**	25,000

On 30 April 2012, the Directors declared and paid an interim dividend of 19 58 pence (2011 12 24 pence) per ordinary share of £1 each, amounting to a total of £40 million (2011 £25 million)

12 INVESTMENT IN SUBSIDIARY UNDERTAKING

The investment in the subsidiary undertaking is equity in nature The total recoverable amount of the investment in the subsidiary undertaking of the Company was £1 as at 31 December 2012

The subsidiary undertaking was

	Principal activity	Type Of share	Percentage Holding
Wigmore Nominees Limited	Dormant	Ordinary	100%

The subsidiary undertaking is incorporated in Great Britain and registered in England and Wales

13 AVAILABLE-FOR-SALE INVESTMENTS

Unlisted equity investment	**31 December 2012 £'000**	31 December 2011 £'000
Cost	**638**	29
Additions	-	622
FX Revaluation of Cost	**(17)**	(13)
Revaluation recognised in available-for-sale reserves	**1,236**	1,087
Available-for-sale investment measured at FV at 31 December	**1,857**	1,725

The Company holds 4,309 ordinary shares in Euroclear PLC, which is an unlisted company incorporated in Great Britain whose principal activity is providing settlement services The foreign exchange revaluation of cost is recognised in the income statement within 'Other expenses'

The revaluation of the investment in Euroclear PLC was based on the valuation provided by BNP Security Services at EUR 530 48 as at 31 December 2012 based on the net asset value of Euroclear PLC as per 31 December 2011 audited financial statements The revaluation increase of £0 1 million (2011 £0 7 million) was taken to equity and disclosed in 'Available-for-sale reserves' This revaluation movement includes a £30k loss as a result of EUR rate differential between 2012 and 2011 and £0 2 million due to price movement of this security

14 PLEDGED AVAILABLE-FOR-SALE INVESTMENTS

Listed debt investment	31 December 2012 £'000	31 December 2011 £ 000
Cost	**573,680**	1,362,478
Additions	**770,262**	1,097,918
Disposals	-	(1,886,716)
Revaluation recognised in available-for-sale reserves	**5,573**	(1,882)
Available-for-sale investment measured at FV at 31 December	**1,349,515**	571,798

The Company increased its investment in ILG by £567 million in March 2011 but disposed of £524 million of this position in April 2012

These available-for-sale investments are classified as 'pledged' since these represent collateral against the repurchase agreements in place with BNP Paribas The repurchase's are classified as Other Financial Liabilities' (note 22)

15. OTHER FINANCIAL ASSETS

	31 December 2012 £'000	31 December 2011 £'000
Reverse Repurchase	**545,665**	539,157
	545,665	539,157

The Company entered into a reverse repurchase contract with BNP Paribas, the ultimate parent undertaking, to produce the UK gilts deliverable by the Company under a contract for sale to BNP Paribas This reverse repurchase is accounted for on an amortised basis and hence the value is including accrued interest to date

16 FINANCIAL INSTRUMENTS HELD FOR TRADING

	2012 Fair value assets £'000	2012 Notional contract amount (assets) £'000	2012 Fair value liabilities £'000	2012 Notional contract amount (liabilities) £'000	2011 Fair value assets £'000	2011 Notional contract amount (assets) £'000	2011 Fair value liabilities £'000	2011 Notional contract amount (liabilities) £'000
Debt securities								
Listed	369,175	450,253	(126,142)	(125,322)	113,862	251,209	(115,997)	(120,252)
Non listed	199,075	234,929	(42,032)	(41,591)	363,105	396,813	(14,156)	(3,719)
	568,250	685,182	(168,174)	(166,913)	476,967	608,284	(130,154)	(123,971)
Receivables and Payables								
Resale/ (repurchase) agreements	157,249	307,130	-	-	154,952	155,020	-	-
Equity								
Listed	-	-	-	-	-	-	-	-
Derivative financial instruments held for trading	13,645	18,593	(6,379)	(29,895)	17,393	91,258	(27,158)	(19,020)
Funding	-	-	(40,232)	(42,110)	-	-	(41,677)	(42,110)
	739,144	1,010,905	(214,785)	(238,918)	649,312	854,562	(198,988)	(185,101)

16 FINANCIAL INSTRUMENTS HELD FOR TRADING (continued)

Debt securities in 'fair value assets' included securities issued by group undertakings amounting to £511 million (2011 £456 million) Debt securities in fair value liabilities' included securities issued by group undertakings amounting to £43 million (2011 £81 million) Debt securities included in liabilities at fair value through the profit or loss relate to short selling activities undertaken by the Company and outstanding at the balance sheet date

Debt securities include pledged assets of £126 6 million (2011 £39 7million)

Amounts receivable under resale agreements are repayable in accordance with the underlying contract The fair value of financial assets accepted as collateral for amounts receivable under resale agreements at 31 December 2012 was £340 million (2011 £63 million) The resale agreements are for periods not exceeding three months Collateral with a fair value of £153 million (2011 £30 million) has been sold or repledged

Amounts payable under repurchase agreements are repayable in accordance with the underlying contract The fair value of financial assets pledged as collateral for amounts payable under repurchase agreements at 31 December 2012 was £127 million (2011 £40million) The repurchase agreements are for periods not exceeding three months

Derivative financial instruments which comprise of interest rate swaps and foreign exchange forward contracts are all transacted with the ultimate parent undertaking

During 2012, for the purposes of managing its non-trading book exposures the Company continued to enter into an agreement with its ultimate parent undertaking BNP Paribas under which as at the end of each business day the Company exchanges sterling that would otherwise remain on overnight deposit, for foreign currencies in which the Company is overdrawn with each such matched against a forward trade for value the following business day

Funding relates to amounts received from the ultimate parent undertaking in respect of the exotic cross currency bonds, the funding transaction are held at fair value

17 FINANCIAL INSTRUMENTS HELD FOR TRADING AND AVAILABLE FOR SALE INVESTMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

				31 December 2012
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit and loss				
Trading assets				
Debt securities	168,894	327,576	71,780	568,250
Receivables	-	157,249	-	157,249
Derivatives	-	13,620	25	13,645
At 31 December 2012	**168,894**	**498,445**	**71,805**	**739,144**
Available-for-sale financial assets				
Cost as at 1 January 2012	573,680	-	638	574,318
Additions	770,262	-	-	770,262
FX Revaluation	-	-	(17)	(17)
Cost as at 31 December	**1,343,942**	-	**621**	**1,344,563**
Revaluation transferred to available-for-sale reserves as at 1 January	(1,882)	-	1,087	(795)
Revaluation transferred to available-for-sale reserves	7,455	-	180	7,635
FX Revaluation on revaluation transferred to available-for-sale reserves	-	-	(31)	(31)
Revaluation transferred to available-for-sale reserves as at 31 December	**5,573**	-	**1,236**	**6,809**
At 31 December 2012	**1,349,515**	-	**1,857**	**1,351,372**
Financial liabilities at fair value through profit and loss				
Trading liabilities				
Debt securities	(162,059)	(6,040)	(75)	(168,174)
Derivatives	-	(5,821)	(558)	(6,379)
Funding	-	(40,232)	-	(40,232)
At 31 December 2012	**(162,059)**	**(52,093)**	**(633)**	**(214,785)**

17 FINANCIAL INSTRUMENTS HELD FOR TRADING AND AVAILABLE FOR SALE INVESTMENTS (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Trading assets				
Debt securities	124,472	256,185	96,310	476,967
Receivables	-	154,952	-	154,952
Derivatives	-	166	17,227	17,393
At 31 December 2011	**124,472**	**411,303**	**113,537**	**649,312**
Available-for-sale financial assets				
Cost as at 1 January 2011	1,362,478	-	29	1,362,507
Additions	1,098,077	-	622	1,098,699
Disposals	(1,886,875)	-	-	(1,886,875)
FX Revaluation	-	-	(13)	(13)
Cost as at 31 December	**573,680**	-	**638**	**574,318**
Revaluation transferred to available-for-sale reserves as at 1 January	4,440	-	1,739	6,179
Revaluation transferred to available-for-sale reserves	(6,322)	-	(605)	(6,927)
FX Revaluation on revaluation transferred to available-for-sale reserves	-	-	(47)	(47)
Revaluation transferred to available-for-sale reserves as at 31 December	**(1,882)**	-	**1,087**	**(795)**
At 31 December 2011	**571,798**	-	**1,725**	**573,523**
Financial liabilities at fair value through profit and loss				
Trading liabilities				
Debt securities	(112,538)	(17,538)	(77)	(130,153)
Derivatives	-	(852)	(26,306)	(27,158)
Funding	-	-	(41,677)	(41,677)
At 31 December 2011	**(112,538)**	**(18,390)**	**(68,060)**	**(198,988)**

17. FINANCIAL INSTRUMENTS HELD FOR TRADING AND AVAILABLE FOR SALE INVESTMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Fair value through profit or loss	Fair value through profit or loss	Available-for-sale	31 December 2012
	Debt securities	Derivatives	Unquoted equities	Total
	£'000	£'000	£'000	£'000
Trading assets				
Opening balance	96,310	17,227	1,725	115,262
Total gains or loss				
- in profit or loss	4,960	(90)	(48)	4,822
- in other comprehensive income	-	-	180	180
Purchases	362,095	-	-	362,095
Sales	(365,845)	-	-	(365,845)
Settlement	-	(421)	-	(421)
Transfers out of level 3 to level 2	(25,739)	(16,691)	-	(42,430)
Closing balance	**71,781**	**25**	**1,857**	**73,663**

	Fair value through profit or loss	Fair value through profit or loss	Available-for-sale	31 December 2011
	Debt securities	Derivatives	Unquoted equities	Total
	£'000	£'000	£'000	£'000
Trading assets				
Opening balance	88,500	13,529	1,773	103,802
Total gains or loss				
- in profit or loss	442	1,422	(65)	1,799
- in other comprehensive income	-	-	(605)	(605)
Purchases	720,656	2,308	622	723,586
Sales	(736,307)	-	-	(736,307)
Settlement	(210)	(32)	-	(242)
Transfers into level 3 from level 2	25,207	-	-	25,207
Transfers out of level 3 to level 2	(1,978)	-	-	(1,978)
Closing balance	**96,310**	**17,227**	**1,725**	**115,262**

17. FINANCIAL INSTRUMENTS HELD FOR TRADING AND AVAILABLE FOR SALE INVESTMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	31 December 2012
	Debt securities £'000	**Derivatives £'000**	**Funding £'000**	**Total £'000**
Trading liabilities				
Opening balance	(77)	(26,306)	(41,677)	(68,060)
Total gains or loss				
- in profit or loss	3	630	-	633
Transfers out of level 3 to level 2	-	4,747	-	4,747
Purchases	4,405	(907)	41,677	45,175
Sales	(4,358)	-	-	(4,358)
Settlement	(48)	21,278	-	21,230
Closing balance	(75)	(558)	-	(633)

	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	31 December 2011
	Debt securities £'000	**Derivatives £'000**	**Funding £'000**	**Total £'000**
Trading liabilities				
Opening balance	(132)	(35,283)	(42,098)	(77,513)
Total gains or loss				
- in profit or loss	2	(4)	421	419
Purchases	63	(1,305)	-	(1,242)
Sales	(64)	10,286	-	10,222
Settlement	54	-	-	54
Closing balance	(77)	(26,306)	(41,677)	(68,060)

18. TRADE AND OTHER RECEIVABLES

	31 December 2012 £'000	31 December 2011 £'000
Trade debtors		
— group	**93,321**	39,912
— other	**17,238**	97,332
Tax receivable - Group relief	-	4,216
	110,559	141,460

Trade debtors (arising from unsettled trades) both receivable from 'group' and 'other' are repayable in accordance with the underlying contract

The fair value of trade and other receivables approximates the carrying amount Trade and other receivables are not interest bearing

19 CASH AND CASH EQUIVALENTS AND BORROWINGS

	31 December 2012 £'000	31 December 2011 £'000
Cash and bank balances		
Cash and Cash equivalents	**3,198**	58,500
Borrowings	**3,198**	58,500
Overdrafts	**(127,061)**	(21,208)
Cash and cash equivalents	**(123,863)**	37,292

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

Other cash equivalents receivable represent intercompany balances due from the ultimate parent undertaking that are repayable on demand The balances are sterling-denominated and interest is earned at a floating rate of sterling average one-month LIBOR plus six basis points

Overdrafts £127 million (2011 £21 million) intercompany balances due to BNP Paribas ultimate parent undertaking that are repayable on demand The balances are non-sterling-denominated and interest is earned at a floating rate of average one-month US dollar LIBOR plus six basis points on US dollar balances, a rate of average one-month EURIBOR plus six basis points on euro balances, and an imputed average rate on all other non-sterling balances

It is the opinion of the Directors that the fair values of the borrowings of the Company are not materially different to their respective carrying values

20 OTHER FINANCIAL LIABILITIES

	31 December 2012 £'000	31 December 2011 £'000
Balance as at 1 January	**1,245,751**	1,367,194
Additions	**809,689**	1,757,465
Disposals	**(140,344)**	(1,878,908)
Other financial liabilities	**1,915,096**	1,245,751

Other financial liabilities relates to repurchase transactions which the Company entered into with BNPP to finance the purchase of ILG (note 14)

The repurchase are classified as Other Financial Liabilities as there is no trading intent The repurchase is accounted for on amortised cost basis and hence the value is including accrued interest expense to date

21 TRADE AND OTHER PAYABLES

	31 December 2012 £'000	31 December 2011 £'000
Trade creditors		
— group	**107,536**	4,233
— other	**9,866**	117,368
Interest payable	**38**	78
Borrowings	**35,500**	40,960
Other payables	**19**	240
	152,959	162,879

Trade creditors are repayable in accordance with the underlying contract

Borrowings represent £35 5 million balance due to Harewood Holdings Limited, the immediate parent undertaking, at an effective rate of 0 71500% as at 31 December and maturity date of 7 May 2013 It is the opinion of the Directors that the fair values of the borrowings of the Company are not materially different to their respective carrying values

The fair value of trade and other payables approximates the carrying amount Trade and other payables are not interest bearing

22 DEFERRED TAX LIABILITIES

	2012 Accelerated Capital Allowances £'000	2012 Available-for-sale investments £'000	2012 Total £'000
Opening balance at 1 January	31	(272)	(241)
Profit and loss (charge)	(8)	-	(8)
Deferred tax recognised in equity	-	(12)	(12)
At 31 December	**23**	**(284)**	**(261)**

The breakdown of the deferred tax liability is shown below

	2012 £'000	2011 £'000
Accelerated capital allowances	23	31
Available-for-sale investments	(284)	(272)
	(261)	(241)

The deferred tax liability in respect of available-for-sale investments is recognised directly in reserves

23 SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Allotted, called up and fully paid		
Equity share capital		
204,238,255 (2011 204,238,255) ordinary shares of £1 each	204,238	204,238

The Company has, in issue, only one class of equity share The shares are non-redeemable, carry one vote per share and have no right to dividend other than those recommended by the Directors Upon winding-up, the shares have an unlimited right to share in the surplus assets remaining

24 CAPITAL MANAGEMENT

The Company categorises the following as its capital resources

Capital resources	31 December 2012 £'000	31 December 2011 £'000
Ordinary Shares	**204,238**	204,238
Other Reserves	**5,005**	5,005
Retained earnings for prior year	**124,277**	107,779
Less Dividend paid	**(40,000)**	(25,000)
Net interim trading book profit	**40,372**	41,498
Less illiquid assets	**(1,568)**	(6,599)
Total Capital Resources	**332,324**	326,921

Illiquid assets deducted from regulatory capital include securities not readily realisable together with amounts owed to the Company not due within 90 days

The directors of the Company's immediate parent, Harewood Holdings Limited, are responsible for the capital management of the Harewood Holdings Limited group To fulfil this responsibility, and to comply with regulatory requirements, an Internal Capital Adequacy Assessment Process ("ICAAP") for the group has been carried out The ICAAP considers the capital available to the Harewood Holdings Limited group and the risks to the group arising from its activities

The Company is subject to externally imposed capital requirements from the PRA (Prudential Regulation Authority) and follows relevant sections of the PRA handbook in order to adhere to these requirements The Directors manage these requirements through monitoring information prepared for the Capital Adequacy Report submitted to the PRA on a monthly basis The company complied with the PRA's requirement throughout the year under review in these financial statements

In addition, daily capital adequacy calculations are made and reviewed by Finance Department management There are levels set via the Company's internal control policies and procedures which ensure that the Company is able to closely monitor the associated risks This calculation is based upon financial resources (capital) as a percentage of financial resources required (mainly market risk) In the event that these levels are not met, there is an escalation process to the Directors'There are procedures in place to ensure additional capital is made available through an increase in equity or subordinated debt

The policies and procedures adopted for capital management are consistent with the prior year

25 RELATED PARTY TRANSACTIONS

The following transactions were undertaken with related party undertakings

Nature of transaction	Related party	2012 £'000	2011 £'000
Dealing profits	Ultimate parent undertaking	**15,069**	2,516
Dealing profits	Fellow subsidiary undertakings	**(3,756)**	(47)
Interest receivable	Ultimate parent undertaking	**2,625**	6,197
Interest payable	Ultimate parent undertaking	**(3,010)**	(7,159)
Interest payable	Immediate parent undertaking	**(476)**	(454)
Administrative expenses	Ultimate parent undertaking	**(1,487)**	4,904

25. RELATED PARTY TRANSACTIONS (Continued)

Nature of transaction	Related party	2012 £'000	2012 £'000
Financial assets at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary undertakings	**636,535**	620,787
Other financial assets	Ultimate parent undertaking	**545,665**	-
Trade and other receivables	Ultimate parent undertaking and fellow subsidiary undertakings	**93,321**	39,912
Tax receivable - Group relief	Ultimate parent undertaking	**-**	4,216
Cash and cash equivalents	Ultimate parent undertaking	**3,198**	58,500
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary undertakings	**(176,268)**	(149,524)
Trade and other payables	Ultimate parent undertaking and fellow subsidiary undertakings	**(143,056)**	41,038
Other payables	Immediate parent undertaking	**(18)**	(104)
Borrowings	Ultimate parent undertaking	**(127,061)**	(21,208)
Dividend Paid	Ultimate parent undertaking	**(40,000)**	(25,000)

Costs including key management compensation, audit fees, and services provided by support functions of the ultimate parent undertaking, e g finance, legal and secretarial services, that are incidental to the Company's operations, were borne by BNP Paribas London and no re-charge was made to the Company All of the above related party transactions have been concluded at arm s length

26 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is of Harewood Holdings Limited

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

BNP Paribas is the parent undertaking of the largest smallest group of undertakings to consolidate these financial statements at 31 December 2012 The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France