BNP PARIBAS UK LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

REGISTERED OFFICE
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LONDON
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REGISTERED NUMBER: 01488108

BNP PARIBAS UK LIMITED

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their Strategic report of BNP Paribas UK Limited ("the Company"), for the year ended 31 December 2016.

Principal activities

The Company's principal activity is investment banking, including acting as underwriter and holding positions in debt issued by BNP Paribas, the ultimate parent undertaking, operating under a fully outsourced model within the BNP Paribas Group, under formal service level agreements.

Review of the business

As shown in the Company's income statement, profit for the year was £28 million against £14 million in the prior year. This is driven by an increase in dealing profit by £14 million.

Total shareholders' funds for the year ended 31 December 2016 were £282 million (2015: £255 million).

Business development and performance

The Company continued to act as an underwriter and hold positions in debt securities issued by BNP Paribas, the ultimate parent undertaking.

Regulatory environment

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and subject to capital requirements as set out in Regulation (EU) No. 575/2013 and the FCA handbook. The Company complied with the relevant capital requirements throughout the year under review in these financial statements.

Key performance indicators

The level of attainment of the Company against a set of key performance indicators is monitored by the Board of Directors on an ongoing basis.

1 Regulatory Capital

The Company's capital resources were £253.2m (2015: £240m) and the total capital ratio reported to the regulator was 53.5% (2015 36.2%).

	2016	2015
2 Return on assets	**7.4%**	3.5%

Return on assets is defined as profit for the year divided by total assets. The increase in 2016 is driven by the increase in profit on secondary trading activity.

Principal risks and uncertainties

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. Refer to note 2 for more details on financial risk management.

The Directors actively monitor progress of the proposed change to the French law which will no longer prohibit issuers from holding their own debt, the impact of which could have a significant impact on the principal activity of the Company to hold positions in BNP Paribas debt. Refer to 'Future developments' for further details.

Strategic aims

The strategic aim of the Company is to provide a platform through which if in the future it is still required BNP Paribas can issue its debt on the primary market, and also to act as an underwriter of these issuances.

Future developments

The Directors have been made aware of a proposed change in the French law which will no longer prohibit issuers from holding their own debt. It is expected that this amendment will be effective within the first half of 2017. As a consequence the BNP Paribas Group may decide that it no longer needs the services provided by the Company and may transfer the activity to another Group undertaking. In the opinion of the Directors, this change could have a significant impact on the Company's future operations.

By Order of the Board

MARTIN EGAN

Director

12 April 2017

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the audited financial statements of BNP Paribas UK Limited for the year ended 31 December 2016. The Company is a wholly-owned subsidiary undertaking of Harewood Holdings Limited. The ultimate parent undertaking is BNP Paribas. The Company is incorporated in the United Kingdom and registered in England and Wales.

Future developments

Refer to note under the Strategic report on page 3.

Overview of risk management

The Directors are responsible for identifying risks to which the Company is exposed and implementing a risk management programme. Financial risk is considered to have the highest potential for a loss event and is explained in further detail below.

Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance and position.

Refer to note 2 for more details on financial risk management.

Dividends

During the year, no dividend was declared or paid on ordinary shares. In 2015, the Directors declared and paid an interim dividend of 31.82 pence per ordinary share.

The Directors do not recommend the payment of a final dividend (2015: £ nil).

Capital structure

Details of the share capital, together with details of the movements in the Company's issued share capital are shown in note 19. The Company has one class of ordinary share which carry one vote per share and have no right to dividends other than those recommended by the Directors, and an unlimited right to share in the surplus remaining on a winding up.

Charitable and political donations

No donations were made during the year (2015: £ nil).

Post balance sheet event

In February 2017, the French parliament initiated a public consultation on the SAPIN II legislation, which contains, inter alia, provisions for French issuers to be able to hold their own debt (with some conditions attached). If implemented the principal activity of the Company could be significantly impacted, if the BNP Paribas Group decides to transfer the activity to another Group undertaking.

Directors

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

Stephane Chassard	
Martin Thomas Egan	
Paul Gennart	Resigned 24 May 2016
Stephen Martin Middleton	
Christopher Mark Penney	
Francois Michel Regnier	
Donald Paul Reynolds	
Shaun Wainstein	

Directors' third party indemnity provisions

BNP Paribas, the ultimate parent undertaking has put in place qualifying third party indemnity provisions in the form of a Directors and Officers' insurance policy, for the benefit of the Company's Directors, effective throughout the year and which remain in force at the date of this report.

Going concern and liquidity

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which is reflected by continued profitability in the current year.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company has adequate financial resources in the form of trading assets, financial assets, and cash and cash equivalents which more than cover any liabilities under which it is currently obligated.

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Public disclosure requirements

Pillar 3 disclosures

Article 431 of the Capital Requirements Regulation (Regulation No 575/2013) which came into force on 1 January 2014 requires institutions to publicly disclose certain information as defined in Part Eight of the regulation ("Pillar 3"). However, Article 6 (3) of the same regulation exempts subsidiaries from complying with these obligations on an individual basis.

The Company is part of the BNP Paribas Group which publishes the required disclosures on a consolidated basis. These can be found in section 5 of the Registration Documents & Annual Financial Reports which is available online (https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports)

Country by country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implement Article 89 of the Capital Requirements Directive (Directive 2013/36/EU) in the United Kingdom, requires institutions within scope to publish a prescribed list of information on an annual basis. The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into force on 1 January 2014.

The relevant information has been published by the BNP Paribas Group on a consolidated basis for the UK, and can be found in the Annual Report which is available at (https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports). **Auditor and disclosure of information to auditors**

PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006.

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.

By Order of the Board

MARTIN EGAN

Director

12 April 2017

BNP PARIBAS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the Strategic report, Directors' report and the Financial Statements in accordance with applicable law and regulations.

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

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

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

BNP PARIBAS UK LIMITED

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

Our opinion

In our opinion, BNP Paribas UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flow for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

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

Philip Tew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 April 2017

BNP PARIBAS UK LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Dealing profits	3	**37,823**	24,235
Net loss on financial instruments at fair value through profit or loss	4	**-**	(5,561)
Other operating income	5	**106**	62
Gain on disposal of available-for-sale investments	6	**1,679**	-
Interest income	7	**-**	16,412
Interest expense	8	**(370)**	(14,907)
Net interest (expense) / income		**(370)**	1,505
Net profit before administrative expenses		**39,238**	20,241
Administrative expenses	9	**(1,843)**	(2,205)
Operating profit		**37,395**	18,036
Profit before taxation		**37,395**	18,036
Taxation	11	**(9,392)**	(3,965)
Profit for the year		**28,003**	14,071

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 2016

	Note	2016 £'000	2015 £'000
Profit for the year		**28,003**	14,071
Other comprehensive income / (expense)			
Items that may be reclassified into profit or loss			
Transferred to income statement on disposal of available-for-sale investments	14	**(1,779)**	-
Revaluation on available-for-sale investments	14	**263**	70
Tax on revaluation on available-for-sale investments	20	**424**	(135)
Total other comprehensive expense		**(1,092)**	(65)
Total comprehensive income attributable to equity shareholders		**26,911**	14,006

BNP PARIBAS UK LIMITED **Company Registration No. 1488108**

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
ASSETS			
Non-current assets			
Deferred tax assets	20	**13**	-
TOTAL NON CURRENT ASSETS		**13**	-
Current assets			
Available-for-sale investments	14	-	2,079
Trading assets	15 & 16	**353,916**	337,307
Trade and other receivables	18	**25,002**	63,110
TOTAL CURRENT ASSETS		**378,918**	402,496
TOTAL ASSETS		**378,931**	402,496
EQUITY			
Share capital	19	**204,238**	204,238
Available-for-sale reserve		-	1,092
Other reserves		**5,005**	5,005
Retained earnings		**72,341**	44,338
TOTAL EQUITY		**281,584**	254,673
Non-current liabilities			
Deferred tax liabilities	20	-	409
TOTAL NON-CURRENT LIABILITIES		-	409
LIABILITIES			
Current liabilities			
Trading liabilities	15 & 16	**56,089**	63,168
Trade and other payables	21	**23,265**	35,693
Current tax liabilities	22	**12,805**	25,934
Borrowings	23	**5,188**	22,619
TOTAL CURRENT LIABILITIES		**97,347**	147,414
TOTAL LIABILITIES		**97,347**	147,823
TOTAL LIABILITIES AND EQUITY		**378,931**	402,496

The financial statements on pages 10 to 43 were approved by the Board of Directors on 12 April 2017 and were signed on its behalf and authorised for issue by:

C. M. Penney

CHRISTOPHER PENNEY
Director

BNP PARIBAS UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Available-for-sale reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	204,238	1,157	5,005	95,267	305,667
Profit for the year	-	-	-	14,071	14,071
Dividends on ordinary shares (note 12)	-	-	-	(65,000)	(65,000)
Other comprehensive income / (expense):					
- Revaluation on available-for-sale investments (note 14)	-	70	-	-	70
- Tax on revaluation on available-for-sale investments	-	(135)	-	-	(135)
At 1 January 2016	**204,238**	**1,092**	**5,005**	**44,338**	**254,673**
Profit for the year	-	-	-	**28,003**	**28,003**
Dividends on ordinary shares (note 12)	-	-	-	-	-
Other comprehensive income / (expense):					
- Transferred to income statement on disposal of available-for-sale investments	-	**(1,779)**	-	-	**(1,779)**
- Revaluation on available-for-sale investments (note 14)	-	**263**	-	-	**263**
- Tax on revaluation on available-for-sale investments	-	**424**	-	-	**424**
At 31 December 2016	**204,238**	-	**5,005**	**72,341**	**281,584**

BNP PARIBAS UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
Profit before taxation		**37,395**	18,036
Adjustments for:			
- Gain on disposal of available-for-sale investments		**(1,679)**	-
- Interest income		-	(16,412)
- Interest expense		**370**	14,907
- Other operating income		**(106)**	(62)
- Foreign exchange (gains) / losses on available-for-sale investments		**(86)**	30
Changes in working capital:			
- (Increase) / decrease in financial assets at fair value through profit or loss		**(16,609)**	391,848
- Decrease in financial liabilities at fair value through profit or loss		**(7,079)**	(132,103)
- Decrease in trade and other receivables		**28,139**	164,276
- Decrease in trade and other payables		**(2,459)**	(134,228)
Cash generated from operations		**37,886**	306,416
Interest received		**9,969**	4,885
Interest paid		**(10,339)**	(2,339)
Taxation (paid) / received		**(22,519)**	692
Net cash flows generated from operations		**14,997**	309,592
Cash flows from investing activities			
Disposal of instruments designated as fair value through profit or loss (non-current assets)		-	823,844
(Disposal) of instruments designated as fair value through profit or loss (non-current liabilities)		-	(857,010)
Dividend income from available-for-sale investments		**106**	62
Disposal of available-for-sale investments	14	**2,328**	-
Net cash flows generated / (used in) investing activities		**2,434**	(33,104)
Cash flows from financing activities			
Dividends paid on ordinary shares	12	-	(65,000)
Net cash flows (used in) financing activities		-	(65,000)
Net increase in cash and cash equivalents		**17,431**	211,426
Cash and cash equivalents at 1 January		**(22,619)**	(234,045)
Cash and cash equivalents at 31 December	23	**(5,188)**	(22,619)

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 IFRS IC 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 1(c).

The introduction of standards, which are mandatory as of 1 January 2016, has no effect on the financial statements as at 31 December 2016.

At the date of approval of these financial statements, a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9 "Financial Instruments", provides revised guidance on the classification and measurement of financial assets and introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) also incorporates the final general hedge accounting requirements originally published in IFRS 9 (2013). IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Company is currently assessing the impact of this standard.

IFRS 15 "Revenue from Contracts with Customers" specifies how and when an IFRS reporter will recognise revenue, and provides additional disclosures. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Company is currently assessing the impact of this standard.

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

1. ACCOUNTING POLICIES (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 5 under the heading of 'Going concern and liquidity'.

(b) Accounting convention

(i) 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 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. Refer to note 1(g) for assumptions in respect of estimation in respect of fair value estimation.

(d) Revenue recognition

(i) Dealing profits

Dealing profits comprise the aggregate profits less losses arising from trading in primary and secondary debt markets, repurchase agreements and reverse repurchase agreements and derivative financial instruments. Interest income and expense on debt securities is recognised in the income statement as it accrues. Dealing profits also include underwriting fees in respect of debt securities that are recognised as they accrue.

(ii) Interest income and expense

Interest income arises on cash and cash equivalents and index linked UK gilts. Interest expense arises on borrowings, repurchase agreements and tax liabilities. Interest income and expense are recognised in the income statement, using the effective interest rate 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.

1. ACCOUNTING POLICIES (continued)

(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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within "Dealing profits ".

Changes in the fair value of monetary available-for-sale investments denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in other comprehensive income.

(f) General

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

(g) Financial assets and liabilities

All financial assets and liabilities are recognised and derecognised on trade date where the purchase or sale of a financial asset and liability is under a contract whose terms require delivery of the financial asset and liability 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 are initially measured at fair value.

The Company classifies its financial assets in the following categories: 'financial assets at fair value through profit or loss, 'other receivables' and 'available-for-sale investments'. The carrying value of financial instruments that are not measured at fair value does not materially differ from their fair value unless otherwise stated in the financial statements. 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: 'held for trading', and 'designated at fair value through profit or loss at inception'.

A financial asset or liability 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.

Financial assets and liabilities relating to repurchase and resale agreements which are contracted for trading purposes are classified as 'held for trading'. Derivatives are also classified as 'held for trading'.

For commitments entered into with clients in respect of securities that are yet to be issued, a derivative is recognised to represent the fair value movements in the period between the date of the commitment ('trade date') and the security issuance date ('settlement date').

1. ACCOUNTING POLICIES (continued)

(g) Financial assets and liabilities (continued)

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments 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 initially recognised at fair value plus transaction costs, and subsequently measured 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 on disposal of available-for-sale investments'. 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.

(iii) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market. These are measured at amortised cost.

(iv) Trade and other payables

Trade and other payables are non-derivative financial liabilities with fixed or determinable cash flows that are not quoted in an active market. These are measured at amortised cost.

1. **ACCOUNTING POLICIES (continued)**

(g) Financial assets and liabilities (continued)

(v) Repurchase agreements and securities lending / borrowing transactions

Securities temporarily sold under repurchase agreements continue to be recorded in the Company's balance sheet. The corresponding liability is recognised in the appropriate debt category on the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in "Financial liabilities".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Company's balance sheet. The corresponding receivable is classified in the balance sheet within 'loans and receivables' except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under "Trading Assets".

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

Derecognition of financial instruments

The Company derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Company transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Company retains the asset on its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Company derecognises all or part of a financial liability when the liability is extinguished in full or in part.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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 - This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

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 values calculated on a daily basis.

1. ACCOUNTING POLICIES (continued)

(g) **Financial assets and liabilities (continued)**

Fair value estimation (continued)

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.

Repurchase agreements are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral.

Debt issued designated at fair value through profit and loss, is classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives classified in Level 2 comprise mainly vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;

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.

The valuation techniques for OTC derivatives include:

(i) Foreign exchange contracts

The fair value of forward contracts is determined using forward exchange rates at the balance sheet date.

The valuation techniques for financial assets include:

(i) Available-for-sale investments

Available–for–sale financial assets are valued based on the net asset value of the issuing entity. This valuation method is used as there is no information available to fulfil the IFRS13 recommended valuation methodologies.

1. ACCOUNTING POLICIES (continued)

(h) 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 as a percentage of sales);
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration 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.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, intercompany balances repayable on demand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) 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.

1. ACCOUNTING POLICIES (continued)

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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 rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) 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.

(m) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor 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 and market risk (foreign exchange risk, cash flow and fair value interest rate risk, price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company has conducted an Internal Capital Adequacy Assessment and an Individual Liquidity Adequacy Assessment as required by the FCA.

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 risk exposures arise principally on trading assets. Further credit risk arises on available-for-sale investments and trade and other receivables. The Company has a significant concentration of credit exposure to BNP Paribas, the ultimate parent undertaking.

Exposure to credit risk within the Company is monitored centrally by the Risk function of BNP Paribas, the ultimate parent undertaking under formal service level agreements, the output of which is communicated to the Board on a regular basis.

Maximum exposure to credit risk before collateral held or credit enhancements

	31 December 2016	31 December 2015
	£'000	£'000
Available-for-sale investments	**-**	2,079
Trading assets		
— Resale agreements	**167,411**	125,173
— Debt securities	**186,494**	212,123
— Derivatives	**11**	11
Trade and other receivables	**25,002**	63,110
	378,918	402,496

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2016 and 2015, 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 £167 million (2015: £124 million) consisting of debt securities issued by BNP Paribas group undertakings of £76 million (2015: £124 million) and UK gilts of £91 million (2015: £ nil) (note 15).

Master netting agreements

The Company has entered into master netting agreements with all of its counterparties. However, balances with the same counterparty have not been offset on the balance sheet if the Company does not intend to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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

Debt securities primarily comprise debt issued by BNP Paribas, 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.

Financial assets past due but not impaired

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

31 December 2016	**Trade receivables £'000**	**Total £'000**
Past due up to 30 days	**961**	**961**
Past due 30 - 60 days	**2,472**	**2,472**
	3,433	**3,433**

31 December 2015	Trade receivables £'000	Total £'000
Past due up to 30 days	2,050	2,050
Past due 30 - 60 days	7,422	7,422
	9,472	9,472

No financial assets have been renegotiated that would otherwise be past due (2015 £ nil). The Company holds no collateral (or other credit enhancements) against financial assets that were past due but not impaired (2015: £ nil).

Financial assets impaired

There were no financial assets that were impaired (2015: £ nil). No financial assets have been renegotiated that would otherwise be impaired (2015: £ 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, and the ability to close out market positions.

2. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The table below presents the cash flows payable by the Company by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trading liabilities relating to short positions in 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 2016						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	**56,089**	**-**	**-**	**-**	**-**	**56,089**
Trade and other payables	**23,265**	**-**	**-**	**-**	**-**	**23,265**
Current tax liabilities	**-**	**-**	**2,826**	**9,979**	**-**	**12,805**
Borrowings	**5,188**	**-**	**-**	**-**	**-**	**5,188**
	84,542	**-**	**2,826**	**9,979**	**-**	**97,347**
AT 31 DECEMBER 2015						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	63,168	-	-	-	-	63,168
Trade and other payables	33,193	-	2,500	-	-	35,693
Current tax liabilities	22,870	-	3,064	-	-	25,934
Borrowings	22,619	-	-	-	-	22,619
	141,850	-	5,564	-	-	147,414

2. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

The Company takes on exposure to market risk, 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 risk arises from open positions in interest rate and currency, both of which are exposed to general and specific market movements, and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

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.

Non-trading portfolios primarily include UK Gilts held under resale agreements, which are exposed to interest rate and price risk, cash and cash equivalent balances which are exposed to foreign exchange and interest rate risk, and available-for-sale equity investments which are exposed to foreign exchange and equity price risk.

Market risk measurement techniques

As part of the monitoring of market risk against Company limits, the Risk function of BNP Paribas, the ultimate parent undertaking, under formal service level agreements, undertakes bi-monthly analysis of value at risk and applies stress testing techniques, the output of which is communicated to the Board on a regular basis.

i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. The Company is therefore 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 BNP Paribas, the ultimate parent undertaking on a monthly basis.

ii) Interest rate risk management

The Company is exposed to cash flow and fair value interest rate risk on its trading assets and liabilities, which include fixed and floating rate debt instruments. The Company is further exposed to cash flow interest rate risk as it borrows funds at floating interest rates.

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 reasonably conservative rate change.

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 (2015: 100 basis points higher) and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2016 would decrease by £3.3 million (2015: decrease by £2.4 million). This is mainly attributable to the Company's exposure to interest rates on its fixed rate trading assets;

Profit for the year	**2016** **£'000**	2015 £'000
Financial instruments	**(3,272)**	(2,191)
Non-trading (inclusive of cash borrowings)	**(52)**	(226)
Total	**(3,324)**	(2,417)

A 100 basis point (2015: 100 basis points) decrease in interest rates would have the following effect on profit or loss and equity.

Profit for the year	**2016** **£'000**	2015 £'000
Financial instruments	**3,267**	1,739
Non-trading (inclusive of cash borrowings)	**52**	226
Total	**3,319**	1,965

iii) Equity price risk

The Company is no longer exposed to equity price risk arising from equity investments as the available-for-sale investment in Euroclear Plc was disposed of in September 2016.

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:

	2016	2015
	£'000	£'000
Debt securities	**38,216**	23,643
Derivative financial instruments	**(393)**	592
	37,823	24,235

Dealing profits on debt securities for the year of £38.2 million (2015: £23.6 million) represent an increase of 62% on the prior year, mainly due to increase in profits on Secondary Trading. 'Debt securities' includes Primary Trading – Public issues £11.4 million (2015: £8.1 million), Primary Trading – Medium Term Note issues £4.4 million (2015: £4.5 million) and Secondary Trading £22.4 million (2015: £11 million).

Dealing (losses) / profits on derivative financial instruments of £0.4 million loss (2015: £0.6 million gain) represent the realised loss on foreign exchange forward contracts with BNP Paribas, the ultimate parent undertaking.

4. NET LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In the prior year the Company sold its £824 million investment in index linked UK gilts. The fair value loss recognised in 2015 up to the date of disposal of the index linked UK gilts and the termination of the repurchase agreement was £5.6 million.

5. OTHER OPERATING INCOME

	2016	2015
	£'000	£'000
Dividends	**106**	62
	106	62

The Company received dividends from its available-for-sale investment in Euroclear Plc (2015: £0.06 million).

6. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

During the year, the Company sold its investment of 4,309 ordinary shares in Euroclear Plc for €627 per share, realising a gain on disposal of £1.7 million. This gain on disposal comprises £1.8 million prior years' revaluation recognised in available-for-sale reserves offset by current year movement in fair value of £0.1 million.

7. INTEREST INCOME

	2016 £'000	2015 £'000
Interest income	-	16,412

Interest income for 2016 is £ nil. The prior year includes: a) £7.5 million estimated interest due from Fidex Limited, a fellow subsidiary undertaking and £2.5 million estimated interest due from BNP Paribas, the ultimate parent undertaking in respect of group relief (note 18), and b) £6.4 million in relation to instruments designated at fair value through profit or loss.

8. INTEREST EXPENSE

	2016 £'000	2015 £'000
Interest expense	(370)	(14,907)

Interest expense of £0.4 million was incurred on borrowings from BNP Paribas, the ultimate parent undertaking. The prior year includes: a) £10 million estimated interest due to HMRC (note 21), b) £5.7 million in relation to instruments designated at fair value through profit or loss, of which £3 million relates to an interest penalty on early maturity of the repurchase agreement with BNP Paribas, the ultimate parent undertaking, and c) £0.5 million on borrowings from BNP Paribas, the ultimate parent undertaking, less £1.3 million adjustment in respect of the prior year.

9. ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Support and administrative expenses	(1,690)	(1,690)
Other administrative expenses	(153)	(515)
	(1,843)	(2,205)

Support and administrative expenses represent fees due to BNP Paribas, the ultimate parent undertaking, under the service level agreement.

Other administrative expenses include bank levy £34k (2015: £390k), consultancy fees £79k (2015: £ nil), audit fees £24k (2015: £26k) and non-audit fees £16k (2015: £19k).

10. DIRECTORS' EMOLUMENTS

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 BNP Paribas, the ultimate parent undertaking. No recharge is made to the Company as it is not possible to make an accurate apportionment of Directors' emoluments in respect of each of the subsidiaries.

11. TAXATION

(a) Analysis of charge in the year

	2016	2015
	£'000	£'000
Current tax charge		
UK corporation tax on profits for the year	**(9,979)**	(3,415)
Adjustment in respect of prior years	**589**	(552)
Total current tax	**(9,390)**	(3,967)

(b) Deferred tax

Deferred tax		
- Origination and reversal of timing difference (note 20)	**(2)**	(2)
- Impact of change of tax rate (note 20)	**-**	4
Total deferred tax	**(2)**	2
Tax charge	**(9,392)**	(3,965)

11. TAXATION (continued)

(c) Factors affecting tax charge for the year

The tax assessed for the year is lower (2015: higher) than profit on ordinary activities before taxation multiplied by the rate of corporation tax in the UK of 20% (2015: 20.25%) plus a surcharge of 8%, which became effective for banking companies for accounting periods beginning on or after 1 January 2016.

The charge for the year can be reconciled as follows:

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	**37,395**	18,036
	37,395	18,036
Current tax at 28% (2015: 20.25%)	**(10,471)**	(3,652)
Effects of:		
Tax rate changes on deferred tax balances	**-**	4
Bank levy accrual	**(10)**	(79)
Adjustment in respect of index linked UK gilts	**-**	301
Adjustment to tax charge in respect of prior years	**589**	(552)
Non-taxable gain on disposal of available-for-sale investment	**470**	-
Non-taxable dividend income	**30**	13
Tax charge for the current year	**(9,392)**	(3,965)

12. DIVIDENDS

	2016 £'000	2015 £'000
Interim dividend on ordinary shares	-	65,000

During the year, no dividend was declared or paid on ordinary shares. In 2015, the Directors declared and paid an interim dividend of 31.82 pence per ordinary share.

13. INVESTMENT IN SUBSIDIARY UNDERTAKING

During the year, Wigmore Nominees Limited was dissolved and consequently the Company has de-recognised this investment. The Company has no remaining investments in subsidiaries undertakings.

14. AVAILABLE-FOR-SALE INVESTMENTS

Unlisted equity investment	31 December 2016 £'000	31 December 2015 £'000
Cost	563	593
Disposal	(649)	-
FX Revaluation of Cost	86	(30)
Total Cost	-	563
Revaluation recognised in available-for-sale reserves as at 1 January	1,516	1,446
Revaluation transferred to available-for-sale reserves	-	143
Revaluation transferred to income statement on disposal of available-for-sale investments	(1,779)	-
FX on revaluation transferred to available-for-sale reserves	263	(73)
Total revaluation recognised in available-for-sale reserves	-	1,516
At 31 December	-	2,079

During the year the Company sold its investment in Euroclear Plc (refer to note 6).

15. FINANCIAL INSTRUMENTS HELD FOR TRADING

	Fair value assets 2016 £'000	Notional contract assets 2016 £'000	Fair value (liabilities) 2016 £'000	Notional contract (liabilities) 2016 £'000
Debt securities				
Listed	52,559	51,997	(45,627)	(44,952)
Non listed	133,935	131,694	(10,462)	(10,236)
	186,494	183,691	(56,089)	(55,188)
Derivatives	11	210,076	-	-
Receivables and Payables				
Resale/ (repurchase) agreements	167,411	167,365	-	-
	353,916	561,132	(56,089)	(55,188)

	2015 £'000	2015 £'000	2015 £'000	2015 £'000
Debt securities				
Listed	97,924	88,260	(38,467)	(38,112)
Non listed	114,199	114,401	(24,701)	(24,538)
	212,123	202,661	(63,168)	(62,650)
Derivatives	11	272,747	-	-
Receivables and Payables				
Resale/ (repurchase) agreements	125,173	125,191	-	-
	337,307	600,599	(63,168)	(62,650)

15. FINANCIAL INSTRUMENTS HELD FOR TRADING (continued)

Debt security assets include securities issued by BNP Paribas, group undertakings fair valued at £186 million (2015: £212 million). As at 31 December 2016, none of the debt securities were pledged to other entities (2015: £ nil).

Debt security liabilities include securities issued by group undertakings fair valued at £56 million (2015: £63 million). Debt security liabilities arise from short selling activities undertaken by the Company, and which remain outstanding at the balance sheet date.

During 2016 and 2015, for the purposes of managing its non-trading book exposures the Company continued the agreement with BNP Paribas, the ultimate parent undertaking, under which, at the end of each business day the Company converts closing foreign currency cash and cash equivalents and borrowings into Sterling, matched against a forward trade for value the following business day. This results in a derivative with a fair value of £11k as at 31 December 2016 (2015: £11k) and a total notional of £210 million (2015: £273 million).

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 2016 was £167 million (2015: £124 million). The resale agreements are for periods not exceeding three months. As at 31 December 2016 there was no collateral which had been sold or repledged (2015: £53.4 million).

Amounts payable under repurchase agreements are repayable in accordance with the underlying contract. The entity was not party to any repurchase agreements as at 31 December 2016 (2015: £ nil).

16. 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 2016	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit or loss				
Trading assets				
Debt securities	26,075	125,701	34,718	186,494
Derivatives	11	-	-	11
Receivables	-	167,411	-	167,411
At 31 December 2016	**26,086**	**293,112**	**34,718**	**353,916**
Available-for-sale financial assets				
Cost as at 1 January 2016	-	-	563	563
Disposals	-	-	(649)	(649)
FX Revaluation	-	-	86	86
Cost as at 31 December 2016	-	-	-	-
Revaluation transferred to available-for-sale reserves as at 1 January 2016	-	-	1,516	1,516
Revaluation transferred to income statement on disposal of available-for-sale investment	-	-	(1,779)	(1,779)
FX on revaluation transferred to available-for-sale reserves	-	-	263	263
Revaluation transferred to available-for-sale reserves as at 31 December 2016	-	-	-	-
At 31 December 2016	-	-	-	-
Financial liabilities at fair value through profit or loss				
Trading liabilities				
Debt securities	(41,993)	(14,096)	-	(56,089)
At 31 December 2016	**(41,993)**	**(14,096)**	-	**(56,089)**

Financial assets at fair value through profit or loss within Level 3 for £34.7 million (2015: £23.7 million) consist entirely of paper issued by BNP Paribas, the ultimate group undertaking. The fair value is based on unobservable inputs.

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

			31 December 2015	
	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit or loss				
Trading assets				
Debt securities	78,134	110,319	23,670	212,123
Derivatives	11	-	-	11
Receivables	-	125,173	-	125,173
At 31 December 2015	78,145	235,492	23,670	337,307
Available-for-sale financial assets				
Cost as at 1 January 2015	-	-	593	593
Disposals	-	-	-	-
FX Revaluation	-	-	(30)	(30)
Cost as at 31 December 2015	-	-	563	563
Revaluation transferred to available-for-sale reserves as at 1 January 2015	-	-	1,446	1,446
Revaluation transferred to available-for-sale reserves	-	-	143	143
FX on revaluation transferred to available-for-sale reserves	-	-	(73)	(73)
Revaluation transferred to available-for-sale reserves as at 31 December 2015	-	-	1,516	1,516
At 31 December 2015	-	-	2,079	2,079
Financial liabilities at fair value through profit or loss				
Trading liabilities				
Debt securities	(36,961)	(26,207)	-	(63,168)
At 31 December 2015	(36,961)	(26,207)	-	(63,168)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Fair value through profit or loss	**Available-for-sale**	**31 December 2016**
	Debt securities	**Unquoted equities**	**Total**
	£'000	**£'000**	**£'000**
Trading assets / Pledged assets			
Opening balance	**23,670**	**2,079**	**25,749**
Total gain or loss			
- in profit or loss	(1,684)	(1,779)	(3,463)
- in other comprehensive income	-	263	263
Purchases	135,843	-	135,843
Sales	(131,947)	(563)	(132,510)
Settlements	8,498	-	8,498
Transfers into level 3 from level 1	338	-	338
Closing balance	**34,718**	**-**	**34,718**

	Fair value through profit or loss	**Available-for-sale**	**31 December 2015**
	Debt securities	**Unquoted equities**	**Total**
	£'000	**£'000**	**£'000**
Trading assets / Pledged assets			
Opening balance	77,833	2,039	79,872
Total gain or loss			
- in profit or loss	1,418	(30)	1,388
- in other comprehensive income	-	70	70
Purchases	17,367	-	17,367
Sales	(58,373)	-	(58,373)
Settlements	5,679	-	5,679
Transfers into level 3 from level 2	1,373	-	1,373
Transfers out of level 3 to level 2	(21,627)	-	(21,627)
Closing balance	23,670	2,079	25,749

17. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information, required by the amendment to IFRS 7 (Disclosures-Offsetting Financial Assets and Financial Liabilities) applicable as at 1 January 2013, aims to enable comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

The Company does not currently offset any financial assets against financial liabilities on the balance sheet as it does not meet the IAS 32 ('Financial instruments: Presentation') offsetting criteria.

The "impact of master netting agreements and similar agreements" are relative to outstanding amounts of transactions which are part of an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case for transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

"Financial instruments given or received as collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one contracting parties.

Regarding master netting agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in accrued income or expenses and other assets or liabilities.

31 December 2016	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts according to IFRS 7 & 13
Assets	£'000	£'000	£'000	£'000	£'000	£'000
Deferred tax asset	13	-	13	-	-	13
Trading assets	353,916	-	353,916	-	(167,411)	186,505
Trade and other receivables	25,002	-	25,002	-	-	25,002
TOTAL ASSETS	**378,931**	**-**	**378,931**	**-**	**(167,411)**	**211,520**

31 December 2016	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts according to IFRS 7 & 13
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000
Trading liabilities	56,089	-	56,089	-	-	56,089
Trade and other payables	23,265	-	23,265	-	-	23,265
Current tax liabilities	12,804	-	12,804	-	-	12,804
Borrowings	5,188	-	5,188	-	-	5,188
TOTAL LIABILITIES	**97,347**	**-**	**97,347**	**-**	**-**	**97,347**

17. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 December 2015 Assets	Gross amounts of financial assets £'000	Gross amounts set off on the balance sheet £'000	Net amounts of financial assets presented on the balance sheet £'000	Impact of Master Netting Agreements (MNA) and similar agreements £'000	Financial instruments received as collateral £'000	Net amounts according to IFRS 7 & 13 £'000
Available-for-sale-investments	2,079	-	2,079	-	-	2,079
Trading assets	337,307	-	337,307	-	(125,173)	212,134
Trade and other receivables	63,110	-	63,110	-	-	63,110
TOTAL ASSETS	**402,496**	**-**	**402,496**	**-**	**(125,173)**	**277,323**

31 December 2015 Liabilities	Gross amounts of financial liabilities £'000	Gross amounts set off on the balance sheet £'000	Net amounts of financial liabilities presented on the balance sheet £'000	Impact of Master Netting Agreements (MNA) and similar agreements £'000	Financial instruments given as collateral £'000	Net amounts according to IFRS 7 & 13 £'000
Deferred tax liabilities	409	-	409	-	-	409
Trading liabilities	63,168	-	63,168		-	63,168
Trade and other payables	35,693	-	35,693	-	-	35,693
Current tax liabilities	25,934	-	25,934	-	-	25,934
Borrowings	22,619	-	22,619	-	-	22,619
TOTAL LIABILITIES	**147,823**	**-**	**147,823**	**-**	**-**	**147,823**

18. TRADE AND OTHER RECEIVABLES

	31 December 2016 £'000	31 December 2015 £'000
Trade debtors		
— group	**4,181**	25,261
— external	**20,821**	5,010
Accrued interest receivable	-	9,969
Other receivables	-	22,870
	25,002	63,110

Trade debtors arising from unsettled trades are to be settled accordance with the terms of the underlying contract.

The prior year accrued interest receivable of £10 million relates to estimated interest receivable from Fidex Limited, a fellow subsidiary and BNP Paribas, the ultimate parent undertaking in respect of group relief.

The prior year other receivables of £22.9 million relates to amounts due from Fidex Limited (£17.2 million) a fellow subsidiary, and BNP Paribas, the ultimate parent undertaking (£5.7 million) in respect of group relief were settled in January 2016.

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

19. SHARE CAPITAL

	31 December 2016 £'000	31 December 2015 £'000
Allotted, called up and fully paid		
204,238,255 (2015: 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.

20. DEFERRED TAX ASSET / LIABILITIES

	31 December 2016 Accelerated Capital Allowances £'000	31 December 2016 Available-for-sale investments £'000	31 December 2016 Total £'000
Opening balance at 1 January	15	(424)	(409)
Deferred tax recognised in equity	(2)	424	422
At 31 December	13	-	13

The breakdown of the deferred tax liability is shown below:

	31 December 2016 £'000	31 December 2015 £'000
Accelerated capital allowances	13	15
Available-for-sale investments	-	(424)
	13	(409)

During the year the Company sold its investment in Euroclear Plc which resulted in the release of the deferred tax liability of £0.4 million (note 14).

21. TRADE AND OTHER PAYABLES

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors		
— group	21,330	13,979
— external	1,179	10,840
Accrued interest payable	-	9,969
Other payables	756	905
	23,265	35,693

Trade creditors arising from unsettled trades are to be settled in accordance with the terms of the underlying contract.

Accrued interest payable as at 31 December 2016 is £ nil, prior year of £10 million relates to interest payable to HMRC (note 22).

Other payables of £0.7 million (2015: £0.9 million) relates to bank levy.

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

22. CURRENT TAX LIABILITIES

The current tax liability of £12.8 million includes £9.8 million corporation tax due in respect of the current year and £3 million in respect of 2015.

On 14 January 2016 the Company settled the prior year tax liability of £22.9 million under the terms of the Accelerated Payment Notice served in 2015 by HMRC (Fidex Limited £17.2 million and BNP Paribas, the ultimate parent undertaking £5.7 million).

23. BORROWINGS

	31 December 2016 £'000	31 December 2015 £'000
Borrowings		
Overdrafts	**(5,188)**	(22,619)
Borrowings	**(5,188)**	(22,619)

Overdrafts of £5.2 million (2015: £22.6 million) are due to BNP Paribas, the ultimate parent undertaking, and are repayable on demand. The currency denomination is Sterling.

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.

24. CAPITAL MANAGEMENT

The Company categorises the following as its Capital resources:

Capital resources	**31 December 2016 £'000**	31 December 2015 £'000
Ordinary Shares	**204,238**	204,238
Other Reserves	**5,005**	5,005
Available-for-sale reserve	**-**	1,092
Available-for-sale reserves- transitional	**-**	(655)
Retained earnings for prior year	**44,338**	95,267
Less: Dividend paid	**-**	(65,000)
Adjustments to CET1 due to prudential files	**(394)**	-
Total Capital resources	**253,187**	239,947

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and subject to capital requirements as set out in Regulation (EU) No. 575/2013 and the FCA handbook. The Company complied with the relevant capital requirements throughout the year under review in these financial statements.

25. RELATED PARTY TRANSACTIONS

Transactions undertaken with related parties during the year gave rise to the following income statement items:

Nature of income	Related party	2016 £'000	2015 £'000
Dealing profits	Ultimate parent undertaking and fellow subsidiary	**23,631**	25,633
Net gain /(loss) on financial instruments at fair value through profit or loss	Ultimate parent undertaking	**-**	2,777
Interest income	Ultimate parent undertaking and fellow subsidiary	**-**	9,969
Interest expense	Ultimate and immediate parent undertaking	**(370)**	(4,938)
Administrative expenses	Ultimate parent undertaking	**(1,690)**	(1,690)
Dividend Paid	Immediate parent undertaking	**-**	(65,000)

In respect of related party transactions the outstanding balances were as follows:

Nature of balance	Related party	31 December 2016 £'000	31 December 2015 £'000
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary	**347,856**	337,307
Trade and other receivables	Ultimate parent undertaking and fellow subsidiary	**4,181**	58,100
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary	**(56,089)**	(63,168)
Trade and other payables	Ultimate parent undertaking and fellow subsidiary	**(21,330)**	(13,979)
Borrowings	Ultimate and immediate parent undertaking	**(5,188)**	(22,619)

All related party transactions have been concluded at arm's length.

26. SECURITIES LENT

There are no securities lent to BNP Paribas, the ultimate parent undertaking as at 31 December 2016 (2015: £ 53.4 million).

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is 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 and smallest group of undertakings to consolidate these financial statements at 31 December 2016.

The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France.