

Company Registration No. 1488108

BNP PARIBAS UK LIMITED

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 December 2014

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BNP PARIBAS UK LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY INFORMATION

Directors

S Chassard
M T Egan (Chairman)
P Gennart
C M Penney
D P Reynolds

Secretary

K A Schrod

Registered Office

10 Harewood Avenue
London
NW1 6AA
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

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BNP PARIBAS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their Strategic report of BNP Paribas UK Limited ('the Company'). The Company is a wholly-owned subsidiary undertaking of Harewood Holdings Limited its immediate parent. 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 the ultimate parent undertaking. In addition the Company has invested in Index Linked Gilts "ILG" for retention in its non-trading book. The Company is incorporated in Great Britain and registered in England and Wales.

A fair view of the business

As shown in the Company's income statement net profit after tax was £10.6 million against £28.2 million in the prior year. This decrease is largely attributable to £14.4 million loss in respect of the ILG investments.

Total shareholders' funds for the year ended 31 December 2014 were £306 million (2013: £306 million).

The Directors do not recommend the payment of a final dividend (2013: £nil).

The Company continued activities in line with previous year. The Company increased its nominal investment in ILG by £336.1 million to £850.4 million (2013: £514.3 million). This is funded by a corresponding increase in the repurchase transaction of £337.5 million with BNP Paribas, the ultimate parent undertaking. These have been designated as 'Instruments designated at fair value through profit and loss.

Principal risks and uncertainties

The Company's underwriting activity includes transactions principally 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 BNP Paribas, the ultimate parent undertaking. Refer to Note 2 for more details on financial risk management

Employees

The Company had no employees during the year to 31 December 2014 (2013: none).

Key Performance indicators

The progress on strategic objectives is monitored by the Board of Directors by reference to key performance indicators applied to this company.

	2014	2013
1 ROCE (Return on Capital Employed)	3%	9%

ROCE has decreased as a result of the reduced profits in 2014.

	£'000	£'000
2 Regulatory Capital		
Capital resources (Note 24)	293,900	303,061
Capital Requirement	94,086	113,963
Surplus	199,814	189,098
Percentage (Capital Requirement / Surplus)	212%	166%

Regulatory Capital has decreased due to lower profits in 2014 compared to 2013 (as indicated above). The Capital requirement has decreased due to lower market risk requirements as a result of lower trading assets and liabilities with BNP Paribas, the ultimate parent undertakings issued securities.

BNP PARIBAS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Key Performance indicators (contd)

	2014	2013
3 Dealing profits	-10%	-37%

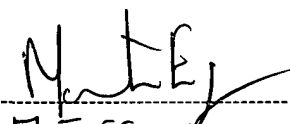
Dealing profits for the year of £31.5 million (2013: £34.9 million) indicated a decline of 10% against the prior year.

Future developments

The Company's principal activity will continue to be investment banking including acting as underwriter and holding positions in debt securities issued by BNP Paribas, the ultimate parent undertaking. However, as explained under Note 26 to these financial statements, the Directors would like the Company to divest itself of its holding investments in ILG. Consequently it is expected that the existing ILG investment will be sold and the related repo transactions terminated. These developments are likely to be effected in the course of 2015.

Registered Office
10 Harewood Avenue
London
NW1 6AA

By Order of the Board


M. T. EGAN
Director/Secretary

24 April 2015

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report and the audited financial statements of BNP Paribas UK Limited for the year ended 31 December 2014.

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, the ultimate parent undertaking. In addition the Company has invested in Index Linked Gilts "ILG" for retention in its non trading book.

Dividend payments

On 29 April 2014, the Directors declared and paid an interim dividend of 5.57 pence per ordinary share. In 2013 an interim dividend of 19.58 pence per ordinary share of £1 each, amounting to a total of £40.0 million and subsequently on 20 December 2013 a further interim dividend of 8.21 pence per ordinary share of £1 each, amounting to a total of £16.76 million was paid.

The Directors do not recommend the payment of a final dividend (2013: £nil).

Going concern and liquidity

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

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. The Company has the continuing support of BNP Paribas its ultimate parent undertaking.

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

Financial risk management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, equity price risk, credit risk, liquidity 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.

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

Post balance sheet event

At the Company's Board meetings held on 27 January 2015 and 3 March 2015, the Directors discussed the ILG investments currently held. The Directors made a decision that as part of the process of rationalising the Company's activities it should divest itself of its investment in ILG. Consequently the Company intends to sell its existing ILG to a BNP Paribas Group entity and to terminate the related repurchase arrangements. These changes are likely to be implemented during 2015.

The carrying amount (including accrued interest) of the ILG investment and the repurchase liability at year end amounted to £832.2 million and £864.3 million respectively.

Pillar 3 disclosures

The European Union Capital Requirements Directive that came into effect on 1st January 2007 introduced a framework consisting of 3 mutually reinforcing pillars. Pillar 3 recommends requirements aimed at enhancing market discipline through effective disclosure of information to market participants.

The Company is part of BNP Paribas, the ultimate parent undertaking. The latest Pillar 3 disclosures for 2014 for the Group can be found in Section 5 of the Registration and Annual Financial Report.

This is available at <https://invest.bnpparibas.com/en/registration-documents-annual-financial>.

BNP PARIBAS UK LIMITED

DIRECTORS' REPORT (continued)

Directors

The Directors who held office during the year of 2014 and to the date of this report were:

S Chassard	
M T Egan	(Chairman, Appointed 19 December 2014)
P Gennart	
C M Penney	(Appointed 4 December 2014)
X Pujos	(Resigned 4 September 2014)
D P Reynolds	

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 (2013: £nil).

Disclosure of information to auditors

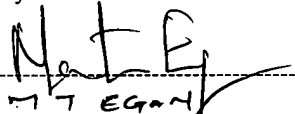
Each of the persons who is a Director at the date of approval of this annual report confirms that:

- (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



M T EGAN
Director/Secretary

24 April 2015

BNP PARIBAS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 International Financial Reporting Standards (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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

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

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by BNP Paribas UK Limited, comprise:

- the balance sheet as at 31 December 2014;
- the income statement and 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 their preparation is applicable law and IFRSs as adopted by the European Union.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements (the "Annual Report") 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.

Opinion on other matter prescribed by the Companies Act 2006

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

BNP PARIBAS UK LIMITED

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

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.

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 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Philip Tew (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 April 2015

BNP PARIBAS UK LIMITED**INCOME STATEMENT****For the year ended 31 December 2014**

	Note	2014 £'000	2013 £'000
Dealing profits	3	31,473	34,917
Net income on pledged available-for-sale investments	4 a	-	8,464
Interest payable on repurchase liabilities measured at amortised cost	4 b	-	(10,048)
Net loss on Financial instruments at fair value through profit & loss	5	(25,842)	(3,535)
Other operating income	6	105	73
Interest income	7	17,341	4,876
Interest expense	8	(10,418)	(3,425)
Net interest income		6,923	1,451
Net trading profit before operating expenses		12,659	31,322
Operating expenses	9	(1,851)	(2,282)
Operating profit		10,808	29,040
Profit before taxation		10,808	29,040
Taxation	11	(198)	(872)
Profit for the year		10,610	28,168

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

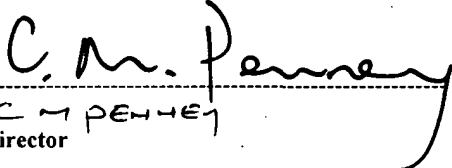
BNP PARIBAS UK LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		10,610	28,168
Other comprehensive income / (expense)			
Items that may be reclassified into profit or loss			
Transferred to income statement on disposal of available-for-sale investments		-	(5,573)
Tax on items transferred to income statement		-	1,395
Revaluation on available-for-sale investments	14	55	155
Tax on revaluation on available-for-sale investments	11	2	(8)
Total Other Comprehensive income / (expense)		57	(4,031)
Total comprehensive income attributable to equity shareholders		10,667	24,137

BALANCE SHEET
At 31 December 2014

		31 December 2014	31 December 2013
	Note	£'000	£'000
ASSETS			
Non-current assets			
Available-for-sale investments	14	2,039	2,027
Instruments designated as fair value through profit & loss	15 & 16	823,844	508,205
TOTAL NON-CURRENT ASSETS		825,883	510,232
Current assets			
Trading assets	16	729,154	818,251
Current tax assets		1,595	1,035
Trade and other receivables	19	202,960	112,417
Cash and cash equivalent	20	46,842	15,553
TOTAL CURRENT ASSETS		980,551	947,256
TOTAL ASSETS		1,806,434	1,457,488
EQUITY			
Share capital	23	204,238	204,238
Available-for-sale reserve		1,157	1,100
Other reserves		5,005	5,005
Retained earnings		95,267	96,057
TOTAL EQUITY		305,667	306,400
LIABILITIES			
Current liabilities			
Trading liabilities	16	195,271	255,183
Trade and other payables	21	167,323	209,245
Borrowings	20	280,887	172,262
TOTAL CURRENT LIABILITIES		643,481	636,690
Non-current liabilities			
Instruments designated as fair value through profit & loss	15 & 16	857,010	514,123
Deferred tax liabilities	22	276	275
TOTAL NON-CURRENT LIABILITIES		857,286	514,398
TOTAL LIABILITIES		1,500,767	1,151,088
TOTAL LIABILITIES AND EQUITY		1,806,434	1,457,488

The financial statements on pages 9 to 47 were approved by the Board of Directors on 24 April 2015 and were signed on its behalf and authorised for issue by:


 C M PENNEY
 Director

BNP PARIBAS UK LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share capital £'000	Available-for-sale reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	204,238	5,131	5,005	124,649	339,023
Profit for the year	-	-	-	28,168	28,168
Dividends on ordinary shares (Note 12)	-	-	-	(56,760)	(56,760)
Other comprehensive income:					
- Transferred to income statement on disposal of available-for-sale investments	-	(5,573)	-	-	(5,573)
- Tax on items transferred to income statement	-	1,395	-	-	1,395
- Revaluation on available-for-sale investments (Note 14)	-	155	-	-	155
- Tax on revaluation on available-for-sale investments	-	(8)	-	-	(8)
At 1 January 2014	204,238	1,100	5,005	96,057	306,400
Profit for the year	-	-	-	10,610	10,610
Dividends on ordinary shares (Note 12)	-	-	-	(11,400)	(11,400)
Other comprehensive income:					
- Revaluation on available-for-sale investments (Note 14)	-	55	-	-	55
- Tax on revaluation on available-for-sale investments	-	2	-	-	2
At 31 December 2014	204,238	1,157	5,005	95,267	305,667

The available-for-sale reserve arises from changes in the fair value of available-for-sale investments, net of taxation, and is not distributable. The pledged available-for-sale investments held by the Company matured on the 16 August 2013.

BNP PARIBAS UK LIMITED

STATEMENT OF CASH FLOW For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Profit before taxation		10,808	29,040
Adjustments for:			
- interest income		(17,341)	(13,340)
- interest expense		10,418	13,473
- effect of exchange rate changes on cash and cash equivalents held or due in foreign currency		1,893	80
Changes in working capital:			
- decrease / (increase) in financial assets at fair value through profit or loss		89,097	(79,277)
- (decrease) / increase in financial liabilities at fair value through profit or loss		(59,912)	40,398
- decrease / (increase) in trade and other receivables		(87,062)	3,073
- (decrease) / increase in trade and other payables		(48,107)	54,823
Cash generated from operations		(100,206)	48,270
Interest received		13,859	43,619
Interest paid		(4,186)	(47,583)
Taxation (received)		(758)	(1,260)
Net cash flows generated from / (used in) operations		(91,291)	43,046
Cash flows from investing activities			
Disposal of pledged available-for-sale investments		-	1,343,942
Acquisitions of instruments designated as fair value through profit & loss (non-current assets)		(315,639)	(514,322)
Acquisitions of instruments designated as fair value through profit & loss (non-current liabilities)		342,887	516,705
Reverse Repurchase agreements		-	549,719
Net cash flows (used in) / generated from investing activities		27,248	1,896,044
Cash flows from financing activities			
Dividends paid on ordinary shares	12	(11,400)	(56,760)
Repayment - Repurchase agreements		-	(1,915,096)
Net cash flows (used in) financing activities		(11,400)	(1,971,856)
Net (decrease) in cash and cash equivalents		(75,443)	(32,766)
Net foreign exchange difference		(1,893)	(80)
Cash and cash equivalents at 1 January		(156,709)	(123,863)
Cash and cash equivalents at 31 December	20	(234,045)	(156,709)
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at 1 January		46,842	15,553
Overdraft		(55,887)	(172,262)
Borrowings		(225,000)	-
Cash and cash equivalents at 31 December		(234,045)	(156,709)

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

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 b.

As of 1 January 2014, the Company has applied IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and the amendment to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", adopted on 29 December 2012 by the European Union. These changes did not have a material effect on the Company's accounts.

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. None of these are 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.

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

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 4 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 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. 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 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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 "Other expenses".

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 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). 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: '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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

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'.

(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.

(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 measured 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.

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 in 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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

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 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.

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, are 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 the following instruments:

- 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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Fair value estimation (continued)

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 net asset value. This valuation method is used as there is no information available to allow the IFRS13 recommended valuation methodologies.

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.

(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 and Stock Lending borrowing instructions

Securities temporarily sold under repurchase agreements ("repos") are not derecognised from the Company's balance sheet. The corresponding liability is recognised in the other financial liabilities except in the case of repos entered into for trading purposes, where the corresponding liability is classified in "Financial liabilities at fair value through profit or loss". Repos where the counterparty is given rights to re-hypothecation are separately disclosed on the Company's balance sheet within 'pledged assets'.

Securities purchased under reverse repurchase agreements ("reverse repos") are not recognised on the Company's balance sheet. The corresponding asset is classified in the balance sheet within 'loans and receivables' and measured at amortised cost except in the case of reverse repos contracted for trading purposes where the corresponding receivable is recognised under "Trading Assets".

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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(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. These are 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.

(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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(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) 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 substantively 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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 group undertakings (BNP Paribas the ultimate parent and other BNP Paribas 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

	2014 £'000	2013 £'000
Trading assets		
— Resale agreements	183,426	157,309
— Debt securities	545,728	655,378
— Derivative financial instruments	-	5,564
Available-for-sale investments	2,039	2,027
Instruments designated as fair value through profit & loss	823,844	508,205
Trade and other receivables	202,960	112,417
Cash and bank balances	46,842	15,553
	1,804,839	1,456,453

The above table represents a worse case scenario of credit risk exposure for the Company at 31 December 2014 and 2013, 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 £25 million (2013: £87 million) in debt securities issued by other group undertakings for a total of £25 million (2013: £87 million). The fair value of collateral held is shown in receivables and payables within Note 17.

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

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 2014	Trade and other receivables £'000	Total £'000
Past due up to 30 days	2,610	2,610
Past due 30 - 60 days	12,635	12,635
Past due 60 - 90 days	-	-
	15,245	15,245

31 December 2013	Trade and other receivables £'000	Total £'000
Past due up to 30 days	11,702	11,702
Past due 30 - 60 days	545	545
Past due 60 - 90 days	-	-
	12,247	12,247

No financial assets have been renegotiated that would otherwise be past due (2013: £Nil). The Company holds no collateral (or other credit enhancements) against financial assets that were past due but not impaired (2013: £Nil).

Financial assets impaired

There were no financial assets that were impaired (2013: £Nil). No financial assets have been renegotiated that would otherwise be impaired (2013: £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

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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 2014						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	125,933	-	-	-	-	125,933
- Derivatives	-	-	-	-	-	-
- Repurchase trades	69,338	-	-	-	-	69,338
Instruments designated as fair value through profit & loss	-	-	-	857,010	-	857,010
Trade and other payables	167,323	-	-	-	-	167,323
Borrowings	280,887	-	-	-	-	280,887
	643,481	-	-	857,010	-	1,500,491
AT 31 DECEMBER 2013						
FINANCIAL LIABILITIES						
Trading liabilities						
- Debt securities	161,916	-	-	-	-	161,916
- Derivatives	-	-	6,589	-	-	6,589
- Repurchase trades	86,678	-	-	-	-	86,678
Instruments designated as fair value through profit & loss	-	-	-	514,123	-	514,123
Trade and other payables	209,245	-	-	-	-	209,245
Borrowings	172,262	-	-	-	-	172,262
	630,101	-	6,589	514,123	-	1,150,813

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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.

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 to the ultimate parent undertaking is effected on a month end basis,

The Company also undertakes a funding transaction to cover its investments in available-for sale investments denominated in euro currencies. Hence exposures arise to foreign exchange rate fluctuations. This risk is economically hedged by entering into matching currency funding deals with BNP Paribas the ultimate parent undertaking. At the 31 December 2014 and the 31 December 2013, the Company's exposure are economically hedged hence no sensitivity analysis has been provided.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT (continued)

If interest rates had been 100 basis points higher (2013: 100 basis points higher) and all other variables were held constant, the Company's:

- profit for the year ended 31 December 2014 would decrease by £8.6 million (2013: increased by £1.2 million). This is mainly attributable to the Company's exposure to interest rates on its fixed rate trading assets;

	2014	2013
Profit for the year	£'000	£'000
Financial instruments	(6,412)	1,650
Non trading (inclusive cash borrowings)	(2,340)	(1,567)
Total	(8,752)	83

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

	2014	2013
Profit for the year	£'000	£'000
Financial instruments	6,819	(488)
Non trading (inclusive cash borrowings)	2,340	1,567
Total	9,159	1,079

iii) Equity price risks

The Company is exposed to equity price risks arising from equity investments.

The equity price risk on investments held for operational purposes and classified as available-for-sale is not material and is monitored by the Directors.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

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:

	2014	Restated 2013
	£'000	£'000
Debt securities	31,144	38,347
Equities	60	60
Derivative financial instruments	269	(3,490)
	31,473	34,917

Dealing profits for the year of £31.4 million (2013: £34.9 million) indicated a decline of 10% on the prior year. Debt securities decreased £7.2 million offset by an increase of £3.8 million in Derivative financial instruments which are used for hedging purposes.

The 2013 figures have been restated by reallocating £3.6 million profit from Debt Securities to Derivative financial instruments in respect of foreign exchange revaluation.

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

4 a. On the 16 August 2013 the Company's investment in ILG which is classified within the pledged available-for-sale investments matured

4 b. On the 16 August 2013 Company's repurchase trades with BNP Paribas the ultimate parent which are classified as other financial liabilities were redeemed.

5. NET (LOSS)/GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

The Company increased its investment in ILG with a maturity date of 26 July 2016 by £336.1 million to £850.4 million (2013: £514.3 million). This is funded by a corresponding increase of £337.5 million in the repurchase agreement to £854.2 million (2013: £516.7 million) with BNP Paribas, the ultimate parent undertaking.

6. OTHER OPERATING INCOME

	2014	2013
	£'000	£'000
Dividends	105	73
	105	73

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

7. INTEREST INCOME

	2014 £'000	2013 £'000
Interest income	17,341	4,876

Interest income of £17.3million includes a) £2.1 million (2013: £2.3 million) on cash and cash equivalents with BNP Paribas, the ultimate parent undertaking (Note 28) and b) £15.2 million (2013: £2.6 million) in relation to instruments designated at fair value through profit and loss (non-current assets).

8. INTEREST EXPENSE

	2014 £'000	2013 £'000
Interest expense	(10,418)	(3,425)

Interest expense of £10.4 million includes a) £3.8 million (2013: £2.3 million) on borrowings from BNP Paribas, the ultimate parent undertaking (Note 25), b) £6.3 million (2013: £1.0 million) in relation to instruments designated at fair value through profit and loss and c) £0.3 million (2013: £0.1 million) from Harewood Holdings Limited, the immediate parent undertaking. The Company overnight funding from Harewood Holdings Limited of £170.3 million at the rate of 0.55% matured on 22 May 2014 and replaced by funding from BNP Paribas, the ultimate parent undertaking.

9. OPERATING EXPENSES

	2014 £'000	2013 £'000
Indirect trading expenses	(1,690)	(1,690)
Other administrative expenses	(161)	(549)
Foreign exchange (loss)	-	(43)
	(1,851)	(2,282)

The indirect trading expenses represent settlement of service fee due to BNP Paribas the ultimate parent undertaking.

Other administrative expenses represent Stock borrowing fees £100k (2013: £139k), Client money audit fees £15k write back (2013: £15k) and bank levy fee £76k (2013: £395k).

Auditors' remuneration for the audit amounted to £32k (2013: £31k) and non-audit fees is £15k (2013: £15k), both will be borne by BNP Paribas.

The Company had no employees during the year ended 31 December 2014 (2013: none).

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. 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.

11. TAXATION

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

	2014 £'000	2013 £'000
Current tax (charge)		
UK corporation tax on profits for the year	(194)	(767)
Adjustment in respect of prior years	-	(99)
	(194)	(866)

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

Deferred tax (Note 22)		
- Origination and reversal of timing difference (Note 22)	(4)	(6)
Tax (charge)	(198)	(872)

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

11. TAXATION (continued)

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

The tax assessed for the year is lower (2013: lower) than profit on ordinary activities before taxation multiplied by the rate of corporation tax in the UK of 21.5% (2013: 23.25%).

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

	2014 £'000	2013 £'000
Profit on ordinary continued activities before taxation	10,808	29,040
	10,808	29,040
Current tax at 21.5% (2013: 23.25%)	(2,324)	(6,752)
Effects of:		
Effect of Tax rate changes on deferred tax balances	(1)	(2)
Bank levy	(16)	(91)
Adjustment in respect of ILG	2,120	6,055
Non-taxable dividend income	23	17
Adjustment in respect of prior years	-	(99)
Tax (charge) for the current year	(198)	(872)

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS For the year ended 31 December 2014

12. DIVIDENDS

	2014 £'000	2013 £'000
Interim dividend on ordinary shares	11,400	56,760

On 29 April 2014, the Directors declared and paid an interim dividend of 5.57 pence per ordinary share. In 2013 an interim dividend of 19.58 pence per ordinary share of £1 each, amounting to a total of £40.0 million and subsequently on 20 December 2013 a further interim dividend of 8.21 pence per ordinary share of £1 each, amounting to a total of £16.76 million was paid.

13. 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 2014.

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.

14. AVAILABLE-FOR-SALE INVESTMENTS

Unlisted equity investment	31 December 2014 £'000	31 December 2013 £'000
Cost	636	621
FX Revaluation of Cost	(43)	15
Total Cost	593	636
Revaluation recognised in available-for-sale reserves as at 1 January	1,391	1,236
Revaluation transferred to available-for-sale reserves	147	125
FX revaluation on revaluation transferred to available-for-sale reserves	(92)	30
Total revaluation recognised in available-for-sale reserves	1,446	1,391
Available-for-sale investment measured at FV at 31 December	2,039	2,027

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 'Dealing profits'.

The revaluation of the investment in Euroclear PLC is based on the net asset value as per 31 December 2013 audited financial statements. Whilst net asset value is not permitted under IFRS13 it has been used due to lack of information and the impact on the fair value is not considered material. The revaluation decrease of £0.1 million (2013: £0.2 million) was taken to equity and disclosed in 'Available-for-sale reserves'.

BNP PARIBAS UK LIMITED

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. INSTRUMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT & LOSS

	31 December 2014 £'000	31 December 2013 £'000
Instruments designated as fair value through profit and loss (non-current assets)	823,844	508,205
Instruments designated as fair value through profit and loss (non-current liabilities)	(857,010)	(514,123)
Instruments designated as fair value through profit and loss	(33,166)	(5,918)

Instruments designated as fair value through profit and loss (non-current assets)

The Company increased its nominal investment in ILG maturing 26 July 2016 by £336.1 million to £850.4 million (2013: £514.3 million). The fair value of £823.8 million as at 31 December 2014 resulted in a total unrealised loss of £26.6 million (2014: £20.5 million and 2013: £6.1 million).

Instruments designated as fair value through profit and loss (non-current liabilities)

The Company increased its nominal investment in ILG (maturing in July 2016) was funded by repurchase agreement of £337.5 million to £854.2 million (2013: £516.7 million) funded with BNP Paribas, the ultimate parent undertakings). The fair value of £857 million as at 31 December 2014 resulted in a total unrealised loss of £2.8 million (2014: loss £5.3 million: 2013: gain £2.6 million).

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

16. FINANCIAL INSTRUMENTS HELD FOR TRADING

	2014	2014	2014	2014	2013	2013	2013	2013
	Fair	Notional	Fair	Notional	Fair	Notional	Fair	Notional
	value	contract	value	contract	value	contract	value	contract
	assets	amount	liabilities	amount	assets	amount	liabilities	amount
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities								
Listed	261,980	238,952	(114,267)	(112,102)	297,518	710,717	(159,178)	(160,829)
Non listed	283,748	276,677	(11,668)	(11,277)	357,860	346,543	(2,738)	(2,650)
	545,728	515,629	(125,935)	(123,379)	655,378	1,057,260	(161,916)	(163,479)
 Instruments designated as fair value through profit & loss	 823,844	 832,252	 (857,010)	 (864,344)	 508,205	 514,322	 (514,123)	 (516,705)
Receivables and Payables								
Reverse repurchase / (repurchase) agreements	183,426	183,426	(69,336)	(69,336)	157,309	157,364	(86,678)	(86,680)
Derivative financial instruments held for trading	-	-	-	-	5,564	56,148	(6,589)	(14,981)
	1,552,998	1,531,307	(1,052,281)	(1,057,059)	1,326,456	1,785,094	(769,306)	(781,845)

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

16. FINANCIAL INSTRUMENTS HELD FOR TRADING (continued)

Debt securities in 'fair value assets' included securities issued by group undertakings amounting to £540 million (2013: £569 million). Debt securities in 'fair value liabilities' included securities issued by group undertakings amounting to £87 million (2013: £74 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 £25 million (2013: £87million).

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 2014 was £25 million (2013: £87 million). The resale agreements are for periods not exceeding three months. Collateral with a fair value of £Nil million (2013: £Nil 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 2014 was £25 million (2013: £87 million). 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 2014 and 2013, for the purposes of managing its non-trading book exposures the Company continued to enter into an agreement with BNP Paribas the ultimate parent undertaking 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 and with each such matched against a forward trade for value the following business day.

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

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 2014			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss				
Trading assets				
Debt securities	205,776	262,119	77,833	545,728
Instruments designated as fair value through profit & loss	823,844	-	-	823,844
Receivables	-	183,426	-	183,426
At 31 December 2014	1,029,620	445,545	77,833	1,552,998

Available-for-sale financial assets

Cost as at 1 January 2014	-	-	636	636
FX Revaluation	-	-	(43)	(43)
Cost as at 31 December	-	-	593	593
Revaluation transferred to available-for-sale reserves as at 1 January	-	-	1,391	1,391
Revaluation transferred to available-for-sale reserves	-	-	147	147
FX Revaluation on revaluation transferred to available-for-sale reserves	-	-	(92)	(92)
Revaluation transferred to available-for-sale reserves as at 31 December	-	-	1,446	1,446
At 31 December 2014	-	-	2,039	2,039

Financial liabilities at fair value through profit and loss

Trading liabilities

Debt securities	(55,946)	(69,989)	-	(125,935)
Instruments designated as fair value through profit & loss	-	(857,010)	-	(857,010)
Receivables	-	(69,336)	-	(69,336)
At 31 December 2014	(55,946)	(996,335)	-	(1,052,281)

Financial assets at fair value through profit and loss within Level 3 for £77.8 million (2013: £23.5 million) includes BNP Paribas issued paper. The fair value is based on non-observable inputs.

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

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

	31 December 2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Trading assets				
Debt securities	201,476	430,393	23,509	655,378
Instruments designated as fair value through profit & loss	508,205	-	-	508,205
Receivables	-	157,309	-	157,309
Derivatives	-	5,551	13	5,564
At 31 December 2013	709,681	593,253	23,522	1,326,456
Available-for-sale financial assets				
Cost as at 1 January 2013	1,343,942	-	621	1,344,563
Disposals	(1,343,942)	-	-	(1,343,942)
FX Revaluation	-	-	15	15
Cost as at 31 December	-	-	636	636
Revaluation transferred to available-for-sale reserves as at 1 January	5,573	-	1,236	6,809
Revaluation transferred to available-for-sale reserves	-	-	125	125
FX Revaluation on revaluation transferred to available-for-sale reserves	-	-	30	30
FX Revaluation transferred to profit and loss	(5,573)	-	-	(5,573)
Revaluation transferred to available-for-sale reserves as at 31 December	-	-	1,391	1,391
At 31 December 2013	-	-	2,027	2,027
Financial liabilities at fair value through profit and loss				
Trading liabilities				
Debt securities	(159,751)	(2,165)	-	(161,916)
Instruments designated as fair value through profit & loss	-	(514,123)	-	(514,123)
Receivables	-	(86,678)	-	(86,678)
Derivatives	-	(2,185)	(4,404)	(6,589)
At 31 December 2013	(159,751)	(605,151)	(4,404)	(769,306)

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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 2014
	Debt securities £'000	Derivatives £'000	Unquoted equities £'000	Total £'000
Trading assets / Pledged assets				
Opening balance	23,509	13	2,027	25,549
Total gains or loss				
- in profit or loss	(985)	3	(42)	(1,024)
- in other comprehensive income	-	-	54	54
Purchases	73,203	-	-	73,203
Sales	(41,133)	-	-	(41,133)
Settlement	7,432	(16)	-	7,416
Transfers into level 3 from level 2	28,433	-	-	28,433
Transfers out of level 3 to level 2	(12,626)	-	-	(12,626)
Closing balance	77,833	-	2,039	79,872
	Fair value through profit or loss	Fair value through profit or loss	Available- for-sale	31 December 2013
	Debt securities £'000	Derivatives £'000	Unquoted equities £'000	Total £'000
Trading assets / Pledged assets				
Opening balance	71,781	25	1,857	73,663
Total gains or loss				
- in profit or loss	1,337	(22)	15	1,330
- in other comprehensive income	-	-	155	155
Purchases	148,957	-	-	148,957
Sales	(130,925)	-	-	(130,925)
Settlement	(19,912)	10	-	(19,902)
Transfers into level 3 from level 2	-	-	-	-
Transfers out of level 3 to level 2	(47,729)	-	-	(47,729)
Closing balance	23,509	13	2,027	25,549

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	31 December 2014
	Debt securities £'000	Derivatives £'000	Funding £'000	Total £'000
Trading liabilities				
Opening balance	-	(4,404)	-	(4,404)
Total gains or loss - in profit or loss	-	(3,634)	-	(3,634)
Transfers out of level 3	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Settlement	-	8,038	-	8,038
Closing balance	-	-	-	-

	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	31 December 2013
	Debt securities £'000	Derivatives £'000	Funding £'000	Total £'000
Trading liabilities				
Opening balance	(75)	(558)	-	(633)
Total gains or loss - in profit or loss	-	(3,634)	-	(3,634)
Transfers out of level 3	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Settlement	75	(212)	-	(137)
Closing balance	-	(4,404)	-	(4,404)

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

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

The total gains or loss reported in the profit or loss for Level 3 of £0.9 million is reported within 'Dealing Income' on the income statement, this includes an unrealised gain of £1.3 million for debt instruments.

18. 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 1st January 2013, aims to enable the comparability with the accounting treatment.

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 among a enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transaction for which offsetting can only be performed in a 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 agreement, 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.

	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
31 December 2014	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Available-for-sale-investments	2,039	-	2,039	-	-	2,039
Instruments designated as fair value through profit & loss	823,844	-	823,844	-	(823,844)	-
Trading assets	729,154	-	729,154	(69,336)	(183,426)	476,392
Current tax assets	1,595	-	1,595	-	-	1,595
Trade and other receivables	202,960	-	202,960	(4,313)	-	198,647
Cash and cash equivalent	46,842	-	46,842	(46,842)	-	-
TOTAL ASSETS	1,806,434	-	1,806,434	(120,491)	(1,007,270)	678,673

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

18 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

	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
31 December 2014	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities						
Instruments designated as fair value through profit & loss	857,010	-	857,010	-	(823,844)	33,166
Deferred tax liabilities	276	-	276	-	-	276
Trading liabilities	195,271	-	195,271	(69,336)	-	125,935
Trade and other payables	167,323	-	167,323	(4,313)	-	163,010
Borrowings	280,887	-	280,887	(46,842)	-	234,045
TOTAL LIABILITIES	1,500,767	-	1,500,767	(120,491)	(823,844)	556,432

	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
31 December 2013	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Available-for-sale-investments	2,027	-	2,027	-	-	2,027
Instruments designated as fair value through profit & loss	508,205	-	508,205	-	(508,205)	-
Trading assets	818,251	-	818,251	(93,267)	(86,760)	638,224
Current tax assets	1,035	-	1,035	-	-	1,035
Trade and other receivables	112,417	-	112,417	(5,110)	-	107,307
Cash and cash equivalent	15,553	-	15,553	(2,002)	-	13,551
TOTAL ASSETS	1,457,488	-	1,457,488	(100,379)	(594,965)	762,144

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

18. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

	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 given as collateral	Net amounts
31 December 2013	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities						
Instruments designated as fair value through profit & loss	514,123	-	514,123	-	(508,205)	5,918
Deferred tax liabilities	275	-	275	-	-	275
Trading liabilities	255,183	-	255,183	(93,267)	-	161,916
Trade and other payables	209,245	-	209,245	(5,110)	-	204,135
Borrowings	172,262	-	172,262	(2,002)	-	170,260
TOTAL LIABILITIES	1,151,088	-	1,151,088	(100,379)	(508,205)	542,504

19. TRADE AND OTHER RECEIVABLES

	31 December 2014 £'000	31 December 2013 £'000
Trade debtors		
— group	163,231	57,004
— external	31,316	50,482
Accrued interest receivable	8,413	4,931
	202,960	112,417

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

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

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

20. CASH AND CASH EQUIVALENTS AND BORROWINGS

	31 December 2014 £'000	31 December 2013 £'000
Cash and bank balances		
Current account	46,842	15,553
Overdrafts	(55,887)	(172,262)
Borrowings	(225,000)	-
Cash and cash equivalents	(234,045)	(156,709)

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

Cash equivalents receivable represent balances due from BNP Paribas, 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 and borrowings of £280.9 million (2013: £172.3 million) due to BNP Paribas, the ultimate parent undertaking repayable on demand. The prior year of £172.3 million was due to Harewood Holdings Limited the immediate parent undertaking of £170.2 million and £2.1 million to BNP Paribas, the ultimate parent undertaking, that are repayable on demand.

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.

21. TRADE AND OTHER PAYABLES

	31 December 2014 £'000	31 December 2013 £'000
Trade creditors		
— group	157,357	101,208
— external	2,125	6,884
Accrued interest payable	7,370	1,138
Borrowings	-	100,000
Other payables	471	15
	167,323	209,245

Trade creditors are repayable in accordance with the underlying contract.

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

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

22. DEFERRED TAX LIABILITIES

	31 December 2014 Accelerated Capital Allowances	31 December 2014 Available-for-sale investments	31 December 2014 Total
	£'000	£'000	£'000
Opening balance at 1 January	17	(292)	(275)
Profit and loss (charge)	(4)	-	(4)
Deferred tax recognised in equity	-	3	3
At 31 December	13	(289)	(276)

The breakdown of the deferred tax liability is shown below:

	31 December 2014 £'000	31 December 2013 £'000
Accelerated capital allowances	13	17
Available-for-sale investments	(289)	(292)
	(276)	(275)

23. SHARE CAPITAL

	31 December 2014 £'000	31 December 2013 £'000
Allotted, called up and fully paid		
<i>Equity share capital</i>		
204,238,255 (2013:204,238,255) 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.

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

24. CAPITAL MANAGEMENT

The Company categorises the following as its capital resources

Capital resources	31 December 2014 £'000	31 December 2013 £'000
Ordinary Shares	204,238	204,238
Other Reserves	5,005	5,005
Retained earnings for prior year	96,057	124,649
Less Dividend paid	(11,400)	(56,760)
Net interim trading book profit	N/A	28,168
Less illiquid assets	N/A	(2,269)
Total Capital resources	293,900	303,031

In 2014 under CRD IV rules it is no longer permissible to include unaudited net interim trading book profit and Illiquid assets.

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 Financial Conduct Authority, (FCA) and follows relevant sections of the FCA 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 FCA on a monthly basis. The Company complied with the FCA'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.

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

25. RELATED PARTY TRANSACTIONS

The following transactions were undertaken with related party undertakings.

Nature of transaction	Related party	2014	Restated 2013
		£'000	£'000
Dealing profits	Ultimate parent undertaking and fellow undertakings	40,575	29,735
Net (loss)/gain on Financial instrument as fair value through profit & loss	Ultimate parent undertaking	(5,359)	2,582
Interest income	Ultimate parent undertaking	2,101	2,327
Interest expense	Ultimate parent undertaking	(10,100)	(3,188)
Interest expense	Immediate parent undertaking	(319)	(237)
Administrative expenses	Ultimate parent undertaking	(1,690)	(2,143)

The Company has restated the 2013 Dealing profits - related party transactions from a loss of £72.4 million to a profit of £29.7m as there was a misclassification between 'Ultimate parent undertaking and external' of £102.1 million.

Nature of transaction	Related party	31 December 2014	31 December 2013
		£'000	£'000
Financial assets at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary undertakings	540,193	711,972
Trade and other receivables	Ultimate parent undertaking and fellow subsidiary undertakings	163,231	57,004
Cash and cash equivalents	Ultimate parent undertaking	46,842	15,553
Instruments designated as fair value through profit & loss	Ultimate parent undertaking	(857,010)	(514,123)
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary undertakings	(86,940)	(167,573)
Trade and other payables	Ultimate parent undertaking and fellow subsidiary undertakings	(157,357)	(201,828)
Other payables	Immediate parent undertaking and fellow subsidiary undertaking	-	(532)
Borrowings	Immediate and Ultimate parent undertaking	(280,887)	(172,262)
Dividend Paid	Immediate parent undertaking	(11,400)	(56,760)

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 the ultimate parent undertaking and no re-charge was made to the Company. All of the above related party transactions have been concluded at arm's length.

BNP PARIBAS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2014**

26 POST BALANCE SHEET EVENT

At the Company's Board meetings held on 27 January 2015 and 3 March 2015, the Directors discussed the ILG investments currently held. The Directors made a decision that as part of the process of rationalising the Company's activities it should divest itself of its investment in ILG. Consequently the Company intends to sell its existing ILG to a BNPP Paribas Group entity and to terminate the related repurchase arrangements. These changes are likely to be implemented during 2015.

The carrying amount (including accrued interest) of the ILG investment and the repurchase liability at year end amounted to £832.2 million and £864.3 million respectively.

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 2014. The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France.