Company Registration Number: NI032565

Creation Consumer Finance Limited

Annual Report and Financial Statements
for the year ended 31 December 2016

BNP PARIBAS
PERSONAL FINANCE

Creation Consumer Finance Limited

Annual Report and Financial Statements for the year ended 31 December 2016

Contents **Page**

Strategic report	1
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report	7
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12

Strategic Report

The directors have pleasure in presenting their strategic report for the year ended 31 December 2016.

Principal activities

The principal activity of Creation Consumer Finance Limited (the "Company") is that of a finance company offering point of sale credit facilities for retail clients, the provision of insurance premium financing facilities for insurance brokers and the provision of personal loans and motor loans to consumers.

Business review

We have seen a rise in the demand for consumer credit as the UK economy continued to improve in 2016. There are significant improvements in the point of sales credit market. Home improvement loan and unsecured personal loan markets continued to perform strongly during the year. Operational and funding costs continued to be the focus of the industry; effective management of these costs will position the Company for growth opportunities in 2017 and beyond.

Organic business development opportunities in the year have led to increased turnover and changes in funding strategies have led to reduced borrowing costs compared to last year. Robust risk and operational strategies have improved the quality of loans written in the year and have kept customer defaults within forecast levels. These management efforts have positively improved profit before tax for the year.

Key Performance Indicator	2016	2015	Comments
Cost income ratio excluding interest expense and Cost of risk	39.3%	36.7%	Higher cost income ratio in 2016 reflects increase of investment and development in the business since it became part of BNP Paribas Personal Finance business in the UK.
Post tax return on assets	1.9%	1.7%	
Total assets	£1,366m	£1,187m	Asset growth reported in 2016 resulted from increased consumer loans through higher demand for consumer credit.

The results for the year are set out in the statement of comprehensive income on page 9. Total assets amounted to £1,366,384,000 (2015: £1,187,225,000).

Results and dividend

The profit for the financial year, after taxation, amounted to £25,807,000 (2015: £20,749,000). The directors have paid a dividend of £50,652,090 in the year (2015: £nil).

Future developments

The Company continues to develop new products and market share in point of sale, insurance premium finance and motor finance. Whilst growth in product offering is important to the business, the directors recognise management of credit and operational risk is necessary to facilitate the long term growth and stability of the Company.

Strategic report (continued)

Principal risks and uncertainties

Changes in legislation or regulatory interpretation applying to companies in the financial services industry may adversely affect the Company's product range and, consequently reported results and financing requirements. The legal and compliance team have regular meetings to keep up to date with these changes and share regular reports with the directors.

Conduct risk

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

At 31 December 2016 the Company holds a Payment Protection Insurance (PPI) provision of £721,300 (2015: £693,000).

Cyber risk

The Company faces operational risks which may result in financial loss, disruption or damages to the reputation of the Group. These include the availability, resilience and security of the Company's core IT systems and the potential for failings in customer processes. The Company continually reviews IT system architecture to ensure that systems are resilient and that the confidentiality, integrity and availability of critical systems and information assets are protected against cyber-attacks.

The Company continues to invest in electronic information systems to protect customer, employee and other information and to effectively manage the evolving risks associated with the loss of data, confidentiality, integrity and availability of this information.

Appropriate security is applied to protect all customers, employees and other data. Measures taken to reduce the risks include staff education, data encryption and the deployment of specialist software.

Strategic report (continued)

Financial Risk Management

The Company's operations expose it to a variety of financial risks, but in particular credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by managing and monitoring the exposure.

Credit risk

The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Significant changes in the economy, or the health of a particular retail sector that represents a concentration of the Company's portfolio, could result in losses that are different to those provided at the statement of financial position date. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by the supplier. Management carefully manages its exposure to credit risk and this is monitored by the risk department who work closely with the finance department. In addition, the Company continues to implement policies to ensure appropriate credit checks are carried out on potential customers.

Interest rate risk

The Company has both fixed interest bearing receivables and fixed interest funding. Therefore financial risks associated with interest rate fluctuations are effectively mitigated. The Company reviews the rates on a regular basis with BNP Paribas SA group treasury to ensure that interest rate exposure is managed effectively.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the continued support of the ultimate parent company, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Signed by order of the board

S A R Hunt
Chief executive officer

Approved by the Board on 26 September 2017

Directors' report

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

1. Business activities

The principal activity of Creation Consumer Finance Limited ('Company') is that of a finance company offering point of sale credit facilities for retail clients, the provision of insurance premium financing facilities for insurance brokers and the provision of personal loans and motor loans to consumers. The Company forms part of the business to business brand of BNP Parisbas Personal Finance activity, formerly known as Laser UK as the business to business brand was changed in the current financial year.

2. General review of operations

The results for the year ended 31 December 2016 are described in the accompanying financial statements and risk management notes are disclosed in note 26 and discussed in the strategic report.

3. Regulation

The Financial Conduct Authority (FCA) took over regulation of consumer credit from the Office of Fair Trading (OFT) on 1 April 2014. The authority has significant powers, including the power to regulate conduct related to the marketing of financial products. It is able to specify minimum standards and to place requirements on products. Interim permission to operate the Company's trading activities under the FCA was obtained in the prior year with applications for Variation of Permission lodged with FCA on 16 July 2015. Whilst the directors are confident permissions will be obtained during 2017, failure to do so would materially impact the Company's activities.

4. Change in financial statements

During the current financial year, the Company has changed the formats of the statement of comprehensive income and the statement of financial position to a banking format which is more relevant to the business activity that is performed. This should better reflect the results of the Company for the users of the financial statements. Comparative figures have been restated accordingly to the new format.

5. Securitisation transaction

During the current financial year the company entered into agreements which resulted in it selling a portion of the loan receivables as part of a securitisation transaction. The closing date for the transaction was completed on the 16th March 2017, after the date of the reporting period but before the financial statements were authorised for issue.

6. Event after the reporting period

The directors are not aware of any matters or circumstances arising since the end of the financial period that may materially affect the amounts and disclosure of these financial statements.

7. Distribution to shareholder

A distribution to shareholder amounting to £30.9 million was declared after the date of the reporting period but before the financial statements were authorised for issue (2015: £50.6m).

Directors' report (continued)

8. Directors

The directors in office at the date of this report are:

Executive directors

B Cavelier	
B C Y Dilly	
J J Snyman	(Appointed 31 March 2017)
J S Uppal	
S A R Hunt	
T Deakin	(Resigned on 12 May 2016)
X Antiglio	(Appointed on 1 April 2016)

9. Company secretary

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

10. Registered office

Registered office address	Royston House 34 Upper Queen Street Belfast BT1 6FD

11. Holding company

The immediate holding company of Creation Consumer Finance Limited is Creation Financial Services Limited. The ultimate shareholder is BNP Paribas Société Anonyme, incorporated in France and listed on the Paris stock exchange.

12. Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and also at the date of approval of the financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

13. Auditors

The independent auditing firm Mazars LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board, has audited the financial statements. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. Mazars LLP's audit report is presented on pages 7 to 8.

Mazars LLP has expressed its willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as Auditor 28 days after these accounts are sent to the shareholders, unless the shareholders exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the directors and signed on behalf of the board

S A R Hunt
Chief executive officer
26 September 2017

Independent auditor's report

Independent auditor's report to the members of Creation Consumer Finance Limited

We have audited the financial statements of Creation Consumer Finance Limited for the year ended 31 December 2016 which comprises of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of members and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Greg Simpson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD
27 September 2017

Statement of comprehensive income

	Note	2016 £'000	2015 £'000
Interest income		108,152	107,725
Interest expense		(39,021)	(43,841)
Net interest income		69,131	63,884
Other income	3	52,229	53,137
Transaction and commission expense		(34,552)	(33,813)
Net trading income		86,808	83,208
Operating costs		(28,408)	(25,290)
Cost of risk	4	(25,838)	(31,916)
Profit before taxation	5	32,562	26,002
Taxation	8	(6,755)	(5,253)
Profit for the financial year		25,807	20,749
Other comprehensive income, net of taxation		-	-
Total comprehensive income for the year		25,807	20,749

The notes on pages 12 to 32 form part of these financial statements

Statement of financial position as at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Cash and cash equivalents	9	104	221
Loan receivables	10	1,308,852	1,134,449
Amount owing from group company	11	48,547	43,707
Other receivables	12	4,153	4,952
Inventory	13	15	38
Property and equipment	14	103	236
Intangible assets	15	4,077	3,099
Deferred taxation	16	533	523
Total assets		1,366,384	1,187,225
Equity			
Share capital	17	15,000	15,000
Capital reserves	18	50,179	50,179
Accumulated profit		94,757	119,602
Total equity		159,936	184,781
Liabilities			
Bank overdraft	9	2,646	3,704
Funding	19	1,175,115	972,460
Trade and other payables	20	20,798	18,236
Provisions for liabilities	21	4,661	5,382
Taxation		3,228	2,662
Total liabilities		1,206,448	1,002,444
Total equity and liabilities		1,366,384	1,187,225

These financial statements were approved by the board of directors and authorised for issue on 26 September 2017 and are signed on its behalf by:

S A R Hunt
Chief executive officer

The notes on pages 12 to 32 form part of these financial statements

Statement of changes in equity

	Share capital	Capital reserve	Accumulated profit	Total equity attributable to parent
	£'000	£'000	£'000	£'000
Balance at 1 January 2015	15,000	50,179	98,853	164,032
Total comprehensive income for the year	-	-	20,749	20,749
Profit for the year	-	-	20,749	20,749
Other comprehensive income, net of taxation	-	-	-	-
Balance at 31 December 2015	15,000	50,179	119,602	184,781
Balance at 1 January 2016	**15,000**	**50,179**	**119,602**	**184,781**
Total comprehensive income for the year	-	-	**25,807**	**25,807**
Profit for the year	-	-	25,807	25,807
Other comprehensive income, net of taxation	-	-	-	-
Transactions with shareholder	-	-	**(50,652)**	**(50,652)**
Dividend paid in the year	-	-	(50,652)	(50,652)
Balance at 31 December 2016	**15,000**	**50,179**	**94,757**	**159,936**

Notes to the financial statements

1. Accounting policies

The Company is a finance company offering point of sale credit facilities for retail clients, the provision of insurance premium financing facilities for insurance brokers, and the provision of personal loans and motor loans to consumers. Company registration number: NI032565. The Company is incorporated and domiciled in the UK.

1.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

During the current financial year the Company has changed the presentational format of its statement of comprehensive income and statement of financial position to the banking format. The banking format is more relevant to the business and users of the financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below in section 1.3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101 as they are provided in the financial statements of BNP Paribas SA:

• Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
i. Paragraph 79 (a)(iv) of IAS 1;
ii. Paragraph 73(e) of IAS 1 Property, plant and equipment;
iii. Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year)
• The following paragraphs of IAS 1, 'Presentation of financial statements':
i. 10 (d) (statement of cash flows);
ii. 10 (f) (a statement of financial position as at the beginning of the preceding year when an entity applies and accounting policy retrospectively or makes a retrospective restatement in its financial statements, or when it reclassifies items in its financial statements);
iii. 16 (statement of compliance with all IFRS);
iv. 38A (requirement for minimum of two primary statements, including cash flow statements);
v. 38B-D (additional comparative information);
vi. 40A – D (requirements for a third statement of financial position); and
vii. 111 (cash flow statements information)
• IAS 7, 'Statement of cash flows'
• Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
• Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
• The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

1. Accounting policies (continued)

1.2 Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings, including those which are provided from its parent company BNP Paribas Personal Finance SA as required. Notwithstanding the net current liabilities and having considered the current economic conditions and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the company's borrowings is given in notes 11 and 19.

1.3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of loan receivables

At each reporting date the Company assesses, as a result of one or more events occurring after the initial recognition and prior to the reporting date, whether there is objective evidence that the debtor is impaired. Provision is calculated on the basis of the rate of expected final loss established from statistical analysis of the debtor population. In determining the provision, consideration is given to the performance at individual product level, and where relevant, customer level, using recent trends and empirical evidence to assess the expected future collections. These rates are applied to past due balances outstanding in order to calculate the provision for irrecoverable debts. Debtor balances with forbearance arrangements are being provided at a rate derived from statistical modelling, based on historical data.

The criteria the Company uses to determine if there is objective evidence of impairment include:

- Delinquency in contractual payments or principal and/or interest;
- Indications that the customer or group or borrowers is experiencing financial difficulty;
- Instruction of debt collection agencies to recover amounts owed;
- Entering arrangements to reduce the burden on the customer;
- Initiation of bankruptcy or Individual Voluntary Arrangement (IVAs); and
- Obtaining charging orders against other assets of the customer.

Where there is objective evidence of impairment, impairment is provided through an allowance account based on the difference between the expected future cash flows discounted at the original expected effective interest rate and the carrying value of the balance held. Where there is no objective evidence of impairment the asset is included in a portfolio of financial assets with similar credit risk characteristics and collectively assessed for impairment. Book segmentation considers the number of missed payments and other factors which may indicate difficulty in the customer repaying contractual payments.

Historical loss experience is updated to take into account current observable data and the effect of current market conditions that did not exist in the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating the future cash flows are regularly reviewed by the Company and BNP Paribas SA group to minimise differences between actual and estimated losses.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.3 Critical accounting estimates and judgements (continued)

(b) Defined Benefit Pension Scheme

The Company's accounting policy for its defined benefit pension scheme requires management to make judgements as to the nature of benefits provided and thereby determine the classification of the scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity. Details of assumptions and their relevant sensitivity analysis are given in note 23.

(c) Provisions

The Company exercises judgement in measuring and recognising provisions related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by a retail partner.

Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

1.4 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

1. Accounting policies (continued)

1.4 Intangible assets (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Computer software - 20% - 33%

Assets in course of construction represent computer software where the asset is being developed in-house. These assets are not amortised until they are fully commissioned and brought into use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date.

1.5 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "operating costs" in the statement of comprehensive income.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

1.6 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Fixtures and fittings - 10% - 20%
Computer equipment - 20% - 33%

Assets in course of construction represent computer equipment which were acquired as part of project development. These assets are not depreciated until they are fully commissioned and brought into use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

1. Accounting policies (continued)

1.7 Investment

Investments are stated at their purchase cost less any provision for diminution in value.

The Company held the whole of the issued ordinary share capital of Creation Marketing Services Limited until the share buyback of £50,000 that was paid to Creation Consumer Finance Limited from Creation Marketing Services Limited on 28 September 2015. Following this Creation Marketing Services Limited was dissolved on 12 January 2016.

1.8 Impairment of non-financial instrument assets

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying value of tangible, intangible fixed assets or investments may not be recoverable. Individual assets are group for impairment assessment purposes at the lowest level at which these are identifiable cash flows. Impairment is assessed by comparing the carrying value of the asset to the higher of net present value of future cash flows derived from the underlying assets or their recoverable amount.

1.9 Inventory

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

1.10 Cash and cash equivalent

Cash at bank and in hand includes cash in hand, deposits with bank and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

1.11 Pension costs and other post-retirement benefits

The Company's employees are members of either the Creation Consumer Finance Limited defined benefit pension scheme or the defined contribution scheme.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Any liability (where this arises) recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1. Accounting policies (continued)

1.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that has been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities of different taxable entities where there is an intention to settle the balances on a net basis.

1.13 Financial instruments

The Company classifies all its financial assets as loan receivables. Management determines the classification of its financial assets at initial recognition.

The Company classifies financial liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

(a) Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in total assets.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.13 Financial Instruments (continued)

(a) Loan receivables (continued)

Loan receivables are recognised when the funds are advanced to customers and are measured at fair value, which is the cash consideration to originate the loan balance and related fees. Loan receivables are subsequently measured at amortised cost using the effective interest method, less any provision for bad debts. Financial assets are derecognised when the rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred. Interest on loan balances is included in the statement of comprehensive income and is reported within interest earned. Any impairment is reported as a deduction from the carrying value of the debtor and recognised in the statement of comprehensive income within cost of risk.

(b) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(c) Intercompany borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(d) Financial liabilities

All financial liabilities are classified as other financial liabilities under IAS 39 'Financial Instruments: Recognition and Measurement'.

1.14 Impairment provision

The Company regularly reviews its receivables to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

1. Accounting policies (continued)

1.15 Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling', (£), which is also the Company's functional currency.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction or the rate of exchange of a related foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date or the exchange rate of a related foreign exchange contract where appropriate. The resulting gain or loss is dealt with in the statement of comprehensive income.

1.16 Dividends

Dividends are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date, and the related withholding taxation thereon, are accordingly not recognised as liabilities at the reporting date.

1.17 Interest income

Revenue comprises interest income. Interest is recognised on a time-proportion basis taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the Company.

1.18 Interest expense

Interest expense comprises interest which has been incurred on borrowings. All borrowing costs are recognised in the statement of comprehensive income.

1.19 Other income

Collection income
Collection income is recognised in the statement of comprehensive income when due.

Fee income
Fee income is recognised in the statement of comprehensive income when due.

Other income
Other income includes insurance and retailer commission income when due.

1.20 Transaction and commission expense

Transaction and commission expense mainly relates to bank fees and fees paid to retailers, which are expensed as the services are received.

1. Accounting policies (continued)

1.21 Net trading income

Net trading income includes interest income from customer balances, fee income and retailer and broker commissions (net of payments to acquire customers) and interest paid to group for funding purposes. The interest element of consumer loans is fixed over the terms of the credit agreement and no additional interest is charged on overdue balances, although additional fees may apply.

The Company only has one class of business and its main activity is carried out in the United Kingdom and Republic of Ireland.

1.22 Cost of risk

Cost of risk includes movements in provisions for allowance of loan receivables due from customers, bad debt write off and bad debt recoveries. This caption also includes impairment losses recorded with respect to expenses relating to fraud and disputes inherent to consumer credit business.

1.23 Operating lease

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Notes to the financial statements (continued)

2. New standards and interpretations

2.1 Standards and interpretations not yet effective

There are standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are applicable to the company and may have an impact on future financial statements:

IFRS 9 Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected loss" model. The final version of IFRS 9 was issued in July 2014 and applies to an annual reporting period beginning on or after 1 January 2018 with retrospective application.

The Company, with the assistance of the ultimate shareholder, is currently doing an impact analysis for the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2017.

The impact on the financial statements for the Company is not considered to be material.

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

The impact on the financial statement for the Company is not considered to be material.

Notes to the financial statements (continued)

	2016	2015
3. Other Income	**£'000**	**£'000**
Collection income	**6,528**	6,526
Dividend income from subsidiary	**-**	2,780
Fee income	**4,865**	5,665
Other income	**40,836**	38,166
	52,229	53,137

In the current financial year, no dividend (2015: £2,780,000) was received from Creation Marketing Services Limited, previously an owned subsidiary of the Company, until it was dissolved on 12 January 2016.

	2016	2015
4. Cost of risk	**£'000**	**£'000**
Movement in allowance for impairment	**(26,967)**	6,107
Recoveries on loans and receivables previously written off	**(11,807)**	(2,337)
Bad debt and other write off	**64,612**	28,146
	25,838	31,916

5. Profit before tax

Included within profit before tax are the following items:

	2016	2015
Deprecation of property and equipment	**151**	238
Amortisation of intangible assets	**823**	715
Operating lease charges:		
- Premises costs	**160**	160
Auditors' remuneration:		
- audit of financial statements (excluding VAT)	**60**	48
- non-audit services	**-**	-

6. Particulars of employees

All employees relating to the BNP Paribas Personal Finance in the United Kingdom activity are contracted with Creation Financial Services Limited, the holding company of Creation Consumer Finance Limited. Management services charge of £15,184,000 (2015: £14,012,000) in relation to staff costs were recharged from Creation Financial Services Limited in the financial year.

7. Directors' remuneration

The directors of the Company did not receive any emoluments from this company for their services during the year ended 31 December 2016 (2015: £nil).

8. Taxation

	2016	2015
	£'000	£'000
(a) Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year	6,765	4,923
Adjustment in respect of prior years	-	133
Total current tax	6,765	5,056
Deferred tax:		
Origination and reversal of timing differences	(11)	75
Change of rate	1	57
Adjustment in respect of prior years	-	65
Total deferred tax	(10)	197
Tax on profit on ordinary activities	6,755	5,253

(b) Reconciliation of taxation expense

	2016	2015
Standard taxation rate	20.00%	20.00%
Non-deductible expense	0.74%	1.36%
Non-taxable dividend income	-	(2.17%)
Other	-	1.01%
	20.74%	20.20%

(c) Factors that may affect future tax charges

The UK Corporation tax rate for the current year remains the same as prior year. The main Corporation tax rate reduces to 19% from 1 April 2017 and to 17% from 1 April 2020. As this change has not been substantively enacted at the reporting date its effect has not been included in these financial statements.

9. Cash and cash equivalents

	2016	2015
	£'000	£'000
Bank balances	104	221
Bank overdraft	(2,646)	(3,704)

Bank overdraft represents timing of payments outstanding at reporting date and are unsecured and payable on demand.

Notes to the financial statements (continued)

	2016 £'000	2015 £'000
10. Loan receivables		
Due within one year	337,395	410,002
Due after more than one year	1,076,252	856,209
Gross loan receivables	1,413,647	1,266,211
Less: allowance for impaired loan receivables	(104,795)	(131,762)
Net loan receivables	1,308,852	1,134,449

The carrying amounts of the Company's loan receivables are denominated in GBP.

Loan receivables are comprised of a number of individual unsecured loans. The unsecured loans are charged at fixed interest rates and terms vary from 6 to 120 months. The interest rate on each loan is determined when the loan is initially advanced on the basis of the risk profile of the customer.

The Company's management of, and exposure to, market and credit risk is disclosed in note 26.

The ageing of net loan receivables as at the reporting date was as follows:

Analysis of overdue	2016 £'000	2015 £'000
Not past due	1,285,453	1,112,322
Past due demand to one month	6,822	6,949
Past due one to two months	543	496
Past due two to three months	1,921	1,479
Past due more than three months	14,113	13,203
	1,308,852	1,134,449

A collective provision has been made for losses which are based on incurred events such as missed payments. This is calculated through applying a probability of default to a calculated loss given default, split between temporary and final arrears stages. The impairment provision represents the difference between the contractual carrying amount of the receivable and the estimated recoverable value, calculated through discounting the estimated future cash flows at the original expected effective interest rate.

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

	2016 £'000	2015 £'000
Balance at the beginning of the year	131,762	125,655
Allowance for impairment raised	27,496	24,440
Release of net impairment on loans written off	(54,463)	(18,333)
Balance at the end of the year	104,795	131,762
As percentage of gross loan receivable book	7.41%	10.41%

Notes to the financial statements (continued)

11. Related parties

	2016	2015
Ultimate shareholder		
BNP Paribas Personal Finance SA	100%	100%
Immediate shareholder		
Creation Financial Services Limited	100%	100%

	2016 £'000	2015 £'000
Amounts owing from group company		
Creation Financial Services Limited	48,547	43,707

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

	2016 £'000	2015 £'000
Funding owing to group company		
Funding as disclosed in note 19 includes funding owing to the following group company:		
	1,175,115	972,460
	-	-
Creation Financial Services Limited	1,175,115	972,460

Amounts owing to group company are unsecured and interest free and payable on maturity.

Related party transactions

	2016	2015
Transactions with Creation Financial Services Limited		
Dividend paid	50,652	-
Interest expense	38,024	40,509
Management service charge	15,184	14,012
	103,860	54,521
Transactions with LaSer Cofinoga SA		
Commitment fees	1,230	2,877

Interest of directors in contracts

No directors directly or indirectly hold any shares in Creation Consumer Finance Limited.

Loans to directors

No loans have been made to directors.

	2016 £'000	2015 £'000
12. Other receivables		
Other receivables	3,315	4,052
Prepayments	838	900
	4,153	4,952

13. Inventory

Printed materials	15	38

Notes to the financial statements (continued)

14. Property and equipment

	2016			2015		
	Cost £'000	Accumulated depreciation £'000	Carrying value £'000	Cost £'000	Accumulated depreciation £'000	Carrying value £'000
Computer hardware	1,623	(1,620)	3	1,639	(1,502)	137
Furniture and fittings	192	(92)	100	158	(59)	99
	1,815	(1,712)	103	1,797	(1,561)	236

Reconciliation of carrying amounts:

	Carrying amount at beginning of the year	Additions/ transfers	Disposals	Depreciation	Carrying amount at end of the year
31 December 2016	£'000	£'000	£'000	£'000	£'000
Computer hardware	137	3	(19)	(118)	3
Furniture and fittings	99	34	-	(33)	100
	236	37	(19)	(151)	103
31 December 2015					
Computer hardware	261	-	-	(124)	137
Furniture and fittings	189	24	-	(114)	99
	450	24	-	(238)	236

15. Intangible assets

	2016			2015		
	Cost £'000	Accumulated amortisation £'000	Carrying value £'000	Cost £'000	Accumulated amortisation £'000	Carrying value £'000
Computer software	9,466	(5,811)	3,655	6,569	(4,988)	1,581
Asset in course of construction	422	-	422	1,518	-	1,518
	9,888	(5,811)	4,077	8,087	(4,988)	3,099

Reconciliation of carrying amounts:

	Carrying amount at beginning of the year	Additions/ transfers	Disposals	Amortisation	Carrying amount at end of the year
31 December 2016	£'000	£'000	£'000	£'000	£'000
Computer software	1,581	2,897	-	(823)	3,655
Asset in course of construction	1,518	(1,096)	-	-	422
	3,099	1,801	-	(823)	4,077
31 December 2015					
Computer software	1,771	525	(34)	(681)	1,581
Asset in course of construction	163	1,355	-	-	1,518
	1,934	1,880	(34)	(681)	3,099

Of the computer software and assets under construction net book amount, £1,082,000 (2015: £512,000) of computer software and assets under construction was internally generated, made up of £1,904,000 cost (2015: £928,000) and £822,000 (2015: £416,000) accumulated amortisation. Additions in the year amounted to £976,000 (2015: £99,000).

Notes to the financial statements (continued)

		2016	2015
16.	**Deferred taxation**	£'000	£'000
	The provision for deferred tax consists of the following deferred tax assets:		
	Deferred tax assets due after more than 12 months	533	523
	The balance at the end of year comprises temporary differences relating to:		
	- Excess of depreciation over taxation allowances	227	143
	- Effect of tax transition rules for prior period change in accounting policy	290	364
	- Effect of other timing differences	16	16
		533	523
17.	**Share capital**		
	Allotted and fully paid		
	15,000,000 (2015: 15,000,000) Ordinary shares of £1 each	15,000	15,000
18.	**Other reserve**		
	Capital reserve	50,179	50,179

The capital reserve was created through capital contributions received from the Company's immediate parent, Creation Financial Services Limited, between 2009 and 2011. The capital reserve is distributable.

		2016	2015
19.	**Funding**	£'000	£'000
	By maturity		
	Demand to one month	52,458	75,987
	One to three months	227,231	172,963
	Three months to one year	378,387	410,624
	More than a year	517,039	312,886
		1,175,115	972,460

Funding is denominated in GBP and EUR, owing to immediate holding company, Creation Financial Services Limited. Amounts owing are unsecured and bears interest at market rates.

		2016	2015
20.	**Trade and other payables**	£'000	£'000
	Trade creditors	14,417	12,431
	Other creditors	123	918
	VAT	42	36
	Accruals and deferred income	6,216	4,851
		20,798	18,236

21. **Provisions for liabilities**

	Section 75 claims £'000	PPI £'000	Other £'000	Total £'000
Balance at beginning of the year	3,480	693	1,209	5,382
Amounts charged to Statement of Comprehensive Income	179	331	25	535
Amounts utilised	(85)	(303)	(868)	(1,256)
Balance at the end of the year	3,574	721	366	4,661

Payment protection insurance

Whilst the volume of reactive PPI complaints has not changed significantly compared to last year, the expected impact of the proposals contained within the Financial Conduct Authority's (FCA) consultation paper regarding a potential time bar (CP15/39: Rules and guidance on payment protection insurance complaints) has led to a provision for PPI costs of £721,000 (2015: £693,000). Management is aware of the recent guidance from FCA in relation to Plevin and are currently considering the impact to the business.

21. Provisions for liabilities (continued)

Section 75 claims

Under Section 75 of the Consumer Credit Act 1974, the Company is jointly and severally liable for any breach of contract or misrepresentation by the Company's business partners. Where the business partner goes into administration or is unable to settle claims this liability crystallises in the Company. A number of partners have entered financial difficulty during the year and the Company has provided for the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Other

On cancellation of customer insurance financing agreements, insurance brokers are required to return the cancelled premium to the Company. The Company has provided for the best estimate of risks exposed to non-recoverable premiums at the end of the reporting period.

Provision has also been made on customers on servicing fee refunds.

22. Operating leases and commitments

Operating leases	2016 £'000	2015 £'000
At 31 December the Company had the following future minimum lease payments under non-cancellable operating leases on land and buildings are as follows:		
No later than 1 year	160	160
Between 1 and 5 years	120	280
	280	440

Capital commitments

There were no capital commitments at the statement of financial position date (2015: £nil) for tangible or intangible assets.

23. Pension and other post retirement benefits

The Company operates a defined benefit pension scheme with assets held in separate trustee administered funds. The Company also operates a defined contribution pension scheme.

Defined contribution scheme

The defined contribution charge for the year ended 31 December 2016 amounted to £nil (2015: £nil). There are no outstanding or prepaid contributions as at 31 December 2016 (2015: £nil).

Defined benefit scheme

The defined benefit scheme has been closed to new joiners since December 2007 and was closed to future accrual in 2011.

A full actuarial valuation of the scheme using the projected unit basis was carried out at 1 January 2013. The valuation was carried out by Scottish Widows, professionally qualified actuaries.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan - including investment decisions and contribution schedules - lies jointly with the Company and the board of directors of the fund.

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Notes to the financial statements (continued)

23. Pension and other post retirement benefits (continued)

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

For the purposes of FRS 101, the actuaries updated the full valuation to account for the year to 31 December 2016. The principal assumptions adopted are as follows:

	2016	2015
Rate of increase in pensions in payment	2.6%	2.3%
Discount rate	2.8%	3.8%
Inflation assumption	2.6%	2.3%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK.

Assuming retirement at age 65, the life expectancy in years are as follows:

	2016	2015
For a male aged 65 now	23.6	24.0
At 65 for a male member aged 45 now	25.8	26.3
For a female aged 65 now	25.7	26.3
At 65 for a female member aged 45 now	28.0	28.6

	Value at 2016 Unquoted £'000	Value at 2015 Unquoted £'000
The fair value of assets in the scheme were:		
Equity instrument	1,804	1,475
Bonds	1,711	1,536
Cash	45	40
	3,560	3,051

The assets do not include any of the Company's own financial instruments or property connected with the Company.

The equity investments and bonds which are held in plan assets are valued at the current bid price.

The expected contributions to be made by the Company in 2017 are approximately £135,000.

The following amounts at 31 December 2016 were measured in accordance with the requirements of FRS 101:

	2016 £'000	2015 £'000
Total fair value of scheme assets	3,560	3,051
Present value of scheme liabilities	(3,184)	(2,574)
Balance in the scheme	376	477
Surplus not recognised	(376)	(477)
Surplus in the scheme recognised in the statement of financial position	-	-

The directors believe the surplus could be recognised having assessed the scheme rules against IAS 19 'Employee Benefits'. However, it has not been recognised based on materiality.

Operating cost

	2016 £'000	2015 £'000
Current service cost	-	-
Net interest income	19	13
Net interest income not recognised	(19)	(13)
Surplus in the scheme recognised in the statement of financial position	-	-

23. Pension and other post retirement benefits (continued)

	2016 £'000	2015 £'000
Return on plan assets:		
Interest income	121	106
Re-measurements	458	48
Total return on plan assets	579	154
Amounts charged to other comprehensive income		
Re-measurement (losses)/gains	(120)	58
Re-measurement gains/(losses) not recognised	120	(58)
Gains/(losses) recognised in other comprehensive income	-	-

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2016	3,051	(2,574)	477
Interest income	121	-	121
Interest expense	-	(102)	(102)
Employer's contributions	-	-	-
Benefits paid	(70)	70	-
Remeasurement gains/(losses)	458	(578)	(120)
At 31 December 2016	3,560	(3,184)	376

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in Assumption**	**Decrease in assumption**
Discount rate	0.1%	Decrease by £61,000	Increase by £62,000
CPI	0.1%	Increase by £59,000	Decrease by £59,000
Life expectancy	Increase or decrease by one year	Decrease by £104,000	Increase by £104,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The principal financial assumption is the 'real discount rate', being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high quality corporate bonds of appropriate currency and term to the defined benefit obligations (approximately 19 years).

24. Parent undertaking and controlling party

The immediate parent company is Creation Financial Services Limited, a company incorporated in the United Kingdom. The largest undertaking of which the Company is a member, and for which group financial statements are prepared, is BNP Paribas SA, a company incorporated in France. Group financial statements for this company are prepared and are available to the public from 16 Boulevard des Italiens, 75009 Paris, France.

The smallest undertaking of which the Company was a member until 31 August 2015, and for which group financial statements are prepared, was LaSer Cofinoga SA. Group financial statements for this company were prepared and are available to the public from 18 Rue de Londres, 75009 Paris, France. From 1 September 2015, the smallest undertaking of which the Company is a member, and for which group financial statements are prepared, is BNP Paribas Personal Finance SA, a company incorporated in France. Group financial statements for this company are prepared and are available to the public from 1 Boulevard Haussmann, 75318 Paris, France.

25. Subsequent Events

During the current financial year the company entered into agreements which resulted in it selling a portion of the loan receivables as part of a securitisation transaction. The closing date for the transaction was completed, on the 16th March 2017, after the date of the reporting period but before the financial statements were authorised for issue.

26. Risk management

Finance risk factors

The Company has exposure to risks from its use of financial instruments. This note presents information about the Company's exposure to these risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Company's business model focuses primarily on providing unsecured credit risk whilst trying to minimise or avoid all other risk types. The Company views risks as an inherent part of running a successful business. Risks are not only mitigated but are also analysed and investigated for opportunities. Successful risk management therefore entails understanding which risks can enhance shareholder value and which risks are incidental and potentially value destroying.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

The Company takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due.

Credit risk arises from cash and deposits held with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. Significant changes in the economy, or the health of a particular retail sector that represents a concentration of the Company's portfolio, could result in losses that are different to those provided at the statement of financial position date. Additionally, under Section 75 of the Consumer Credit Act, the Company is jointly and severally liable for any breach of contract or misrepresentation by the supplier. The maximum exposure to credit risk is best represented by the carrying value of financial instrument reflecting the nature of cash balances and the unsecured nature of loan receivables, intergroup balances and other receivables. No collateral or credit enhancements are held as security.

Management carefully manages its exposure to credit risk, and this is monitored by the risk department who work closely with the finance department. In addition, the Company continues to implement policies to ensure appropriate credit checks are carried out on potential customers. The utilisation of credit limits is regularly monitored. No credit risk limits were exceeded during the reporting period. Management has provided against loan receivables on an incurred loss basis and does not expect any losses from non-performance by other counterparties.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. At the reporting date all cash is held with 'AA' rated or higher institutions. None of the loans to fellow group undertakings is past due but not impaired.

The maximum exposure to credit risk is best represented by the carrying value of financial instrument reflecting the nature of cash balances and the unsecured nature of loan receivables, intergroup balances, other receivables and accrued income held. No collateral or credit enhancements are held as security.

Notes to the financial statements (continued)

26. Risk management (continued)

Finance risk factors (continued)

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the continued support of the ultimate parent company, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual cash flows.

	Due within one year £'000	Due after more than one year £'000	Total £'000
Bank loans and overdraft	2,646	-	2,646
Funding	658,076	517,039	1,175,115
Trade and other payable	20,756	-	20,756
At 31 December 2016	681,478	517,039	1,198,517
Bank loans and overdraft	3,704	-	3,704
Funding	659,574	312,886	972,460
Trade and other payable	18,200	-	18,200
At 31 December 2015	681,478	312,886	994,364

(c) Interest rate risk

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

There are no changes to the prior year in the exposures to risk and how they arise. Accordingly there are no changes in the Company's objectives, policies and processes for managing the risks the methods used to measure it.

No (2015: no) instruments are held at fair value in the Company's statement of financial position.

(d) Foreign exchange risk

The Company is exposed to foreign currency risks arising from Euro receivables and Euro funding. It is the Company's policy to match the value of Euro assets with Euro borrowings to mitigate impact of foreign exchange fluctuations.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements on the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the prior year and wider BNP Personal Finance SA group, the company monitors capital on the Return on Equity (ROE). This ratio is calculated as profit before tax divided by capital employed. Capital employed is 'equity' as shown in the statement of financial position.

There are no changes to the Company's objectives, policies or processes for managing capital, or in what the Company manages as capital, from the previous year.