Company Registration Number: NI032565

Creation Consumer Finance Limited

Annual Report and Financial Statements
for the year ended 31 December 2017

BNP PARIBAS
PERSONAL FINANCE

Creation Consumer Finance Limited

Annual Report and Financial Statements for the year ended 31 December 2017

Contents **Page**

Strategic Report

The directors have pleasure in presenting their strategic report for the year ended 31 December 2017.

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 in 2017. 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 2018 and beyond.

Organic business development opportunities in the year have led to increased turnover. 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	2017	2016	Comments
Cost income ratio exlcuding interest expense and Cost of risk	34.5%	39.3%	The improved cost ratio in 2017 was driven by cost reductions and effeciency projects in the company.
Cost of Risk	£42.7m	£25.8m	2016 included once off debt sale, excluding the debt sale in 2016 the increase is in line with expectation and growth in the company.
Post tax return on assets	1.4%	1.9%	2016 included once off debt sale income, excluding debt sale income in 2016 Post tax return on assets in inline with expectations.
Total assets	£2,075m	£1,366m	Asset growth reported in 2017 resulted from increased consumer loans through higher demand for consumer credit and additional funding through securitisation activities.

The results for the year are set out in the statement of comprehensive income on page 9. Total assets amounted to £2,074,991,000 (2016: £1,366,384,000).

Results and dividend

The profit for the financial year, after taxation, amounted to £29,541,000 (2016: £25,807,000). The directors have paid a dividend of £30,859,410 in the year (2016: £ £50,652,090).

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 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.

For further detail to provisions held see note 23 for further details.

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, the ability to close out market positions, diversity of source funding and group funding provided on a non-recourse basis to the company. Due to the continued support of the ultimate parent company, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

To further manage liquidity risk the business utilises securitisation activities to maintain the working capital cycle.

Signed by order of the board

S A R Hunt

Chief executive officer

Approved by the Board on 28 September 2018

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 2017.

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 Paribas 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 2017 are described in the accompanying financial statements and risk management notes are disclosed in note 28 and discussed in the strategic report.

3. Securitisation transaction

During the year the company entered into two separate agreements which resulted in it selling a portion of the loan receivables as part of a securitisation transactions. These agreements were completed on 16th March 2017 and 22 September 2017 respectively.

The total amount of assets held as at 31 December 2017 relating to securitised assets amounted to £528.5m (2016 £nil).

As the Company has retained substantially all the risks and rewards of the underlying assets, such financial instruments continue to be recognised on the balance sheet, and a liability recognised for the proceeds of the funding transaction.

4.

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.

5. Distribution to shareholder

No distribution to shareholders was declared after the date of the reporting period but before the financial statements were authorised for issue (2016: £30.9m).

Directors' report (continued)

6. Directors

The directors in office throughout the financial year:

Executive directors

J S Uppal	
S A R Hunt	
B Cavelier	(Terminated 26 June 2018)
B C Y Dilly	(Terminated 19 December 2017)
X Antiglio	(Terminated 19 December 2017)
G Zeitoun	(Appointed 19 December 2017)
J J Snyman	(Appointed 31 March 2017)
M L Griffin	(Appointed 19 December 2017)
A M O A Verstraeten	(Appointed 01 June 2018)

7. Company secretary

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

8. Registered office

Wellington Building 6th Floor
2-4 Wellington Street
Belfast
BT1 6HT

9. 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.

10. 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.

11. Auditors

The independent auditing firm Mazars LLP, who 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

Approved by the Board on 28 September 2018

Independent auditor's report

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

Opinion

We have audited the financial statements of Creation Consumer Finance Limited (the 'company') for the year ended 31 December 2017 which comprise statement of comprehensive income, statement of financial position, statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

• give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Greg Simpson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD
Date: 28 September 2018

Statement of comprehensive income

	Note	2017 £'000	2016 £'000
Interest income		127,785	108,152
Interest expense		(30,753)	(39,021)
Net interest income		97,032	69,131
Other income	3	54,523	52,229
Transaction and commission expense		(37,656)	(34,552)
Net trading income		113,899	86,808
Operating costs		(32,164)	(28,408)
Cost of risk	4	(42,704)	(25,838)
Change in fair value of derivatives	8	(2,266)	-
Profit before taxation	5	36,765	32,562
Taxation	9	(7,224)	(6,755)
Profit for the financial year		29,541	25,807
Other comprehensive income, net of taxation		-	-
Total comprehensive income for the year		29,541	25,807

The notes on pages 12 to 34 form part of these financial statements

Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Cash and cash equivalents	10	**15,011**	104
Loan receivables	11	**1,568,210**	1,308,852
Amount owing from group company	12	**475,220**	48,547
Other receivables	13	**4,635**	4,153
Inventory	14	**24**	15
Property and equipment	15	**4,256**	103
Intangible assets	16	**7,335**	4,077
Deferred taxation	17	**300**	533
Total assets		**2,074,991**	1,366,384
Equity			
Share capital	18	**15,000**	15,000
Capital reserves	19	**50,179**	50,179
Accumulated profit		**93,438**	94,757
Total equity		**158,617**	159,936
Liabilities			
Bank overdraft	10	**2,476**	2,646
Funding	20	**1,344,058**	1,175,115
Debt arrangements with Group entities	22	**528,508**	-
Trade and other payables	21	**29,665**	20,798
Derivative financial instruments	8	**2,266**	-
Provisions for liabilities	23	**5,357**	4,661
Taxation		**4,044**	3,228
Total liabilities		**1,916,374**	1,206,448
Total equity and liabilities		**2,074,991**	1,366,384

These financial statements were approved by the board of directors and authorised for issue on 28 September 2018 and are signed on its behalf by:

S A R Hunt
Chief executive officer

The notes on pages 12 to 34 form part of these financial statements

Creation Consumer Finance Limited

Annual Report and Financial Statements for the year ended 31 December 2017

Statement of changes in equity

	Share capital £'000	Capital reserve £'000	Accumulated profit £'000	Total equity attributable to parent £'000
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
Balance at 1 January 2017	**15,000**	**50,179**	**94,757**	**159,936**
Total comprehensive income for the year	-	-	**29,541**	**29,541**
Profit for the year	-	-	29,541	29,541
Other comprehensive income, net of taxation	-	-	-	-
Transactions with shareholder	-	-	**(30,860)**	**(30,860)**
Dividend paid in the year	-	-	(30,860)	(30,860)
Balance at 31 December 2017	**15,000**	**50,179**	**93,438**	**158,617**

The notes on pages 12 to 34 form part of these financial statements

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 except for derivatives that are carried at fair value through profit and loss and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

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

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 20.

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.

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 25.

(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 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 there are identifiable cash flows. Impairment is assessed by comparing the carrying value of the asset to the higher of net present value of future cash flows derived from the underlying assets or their recoverable amount.

1.8 Inventory

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

1.9 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.

1.10 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.11 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.

1.12 Financial instruments

The Company classifies all its financial assets as loan receivables,carried at amortized cost, or derivatives, carried at fair value through profit and loss. 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)

1.12 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'.

(e) Derivative financial instruments

The derivative instruments utilised by the Company are interest rate swaps. Such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policy. Derivative financial instruments are classified as held for trading and recorded at fair value, with any gain or loss on re-measurement being recognised in the statement of comprehensive income. The Company does not enter into speculative derivative contracts. The Company does not apply hedge accounting. The fair values of derivative instruments are estimated using discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties.

1. Accounting policies (continued)

1.13 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.

1.14 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.

1.15 Dividends

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

1.16 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.

1.17 Interest expense

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

1. Accounting policies (continued)

1.18 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.

1.19 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.

1.20 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 and securitisation transaction 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.

1.21 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.

1.22 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.

1.23 Securitised assets

The company has entered into funding agreements with lenders in order to refinance existing assets. These obligations are secured on the assets of the undertakings through non-recourse finance arrangements and are included as liabilities within the creditors note.

The company securitises retail assets, the details of which are given in note 22. These assets are recognised on the balance sheet as certain risks and rewards attributable to owning such assets are retained and not transferred to the lenders of such securitised funding, including the risk of delinquency and the suffering of losses on such assets.

Notes to the financial statements (continued)

2. New standards and Interpretations

2.1 Standards and Interpretations not yet effective

The following Adopted IFRSs have been issued but have not been applied in these 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018.

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.

Notes to the financial statements (continued)

		2017	2016
3.	**Other income**	£'000	£'000
	Collection income	4,906	6,528
	Fee income	1,812	4,865
	Other income	47,805	40,836
		54,523	52,229

		2017	2016
4.	**Cost of risk**	£'000	£'000
	Movement in allowance for impairment	8,804	(26,967)
	Recoveries on loans and receivables previously written off	(6,655)	(11,807)
	Bad debt and other write off	40,555	64,612
		42,704	25,838

5. Profit before tax

Included within profit before tax are the following items:

Deprecation of property and equipment	32	151
Amortisation of intangible assets	1,098	823
Operating lease charges:		
- Premises costs	164	160
Auditors' remuneration:		
- audit of financial statements (excluding VAT)	86	60
- 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 £16,129,000 (2016: £15,184,000) 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 2017 (2016: £nil).

		2017	2016
8.	**Charge in fair value of derivatives**	£'000	£'000
	Interest rate swap	(2,266)	-

On 16 March 2017 the Company entered into two interest rate swap agreements with BNP Paribas totalling a notional amount of £506m as at 31 December 2017.

Notes to the financial statements (continued)

9. Taxation

	2017 £'000	2016 £'000
(a) Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year	7,077	6,765
Adjustment in respect of prior years	-	-
Total current tax	7,077	6,765
Deferred tax:		
Origination and reversal of timing differences	24	(11)
Change of rate	-	1
Adjustment in respect of prior years	123	-
Total deferred tax	147	(10)
Tax on profit on ordinary activities	7,224	6,755

(b) Reconciliation of taxation expense

	2017	2016
Standard taxation rate	19.25%	20.00%
Non-deductible expense	0.03%,	0.74%
Non-taxable dividend income	0.00%	0.00%
Other	0.37%	0.00%
	19.65%	20.74%

(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.

10. Cash and cash equivalents

	2017 £'000	2016 £'000
Bank balances	15,011	104
Bank overdraft	(2,476)	(2,646)

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

Notes to the financial statements (continued)

	2017 £'000	2016 £'000
11. Loan receivables		
Due within one year	325,063	337,395
Due after more than one year	1,356,746	1,076,252
Gross loan receivables	1,681,809	1,413,647
Less: allowance for impaired loan receivables	(113,599)	(104,795)
Net loan receivables	1,568,210	1,308,852

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

The amounts held relating to securtised activities of £533,877,000 (2016 £nil) is included within Net loan recivables of which £553,345,000 (2016 £nil) relates to Gross loans recivables and £19,468,000 relates to allowance for impaired loan recivables. See note 22 for more detail.

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 28.

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

Analysis of overdue	2017 £'000	2016 £'000
Not past due	1,538,410	1,285,453
Past due demand to one month	6,936	6,822
Past due one to two months	941	543
Past due two to three months	2,104	1,921
Past due more than three months	19,819	14,113
	1,568,210	1,308,852

A 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:

	2017 £'000	2016 £'000
Balance at the beginning of the year	104,795	131,762
Allowance for impairment raised	42,704	27,496
Release of net impairment on loans written off	(33,900)	(54,463)
Balance at the end of the year	113,599	104,795
As percentage of gross loan receivable book	6.75%	7.41%

Notes to the financial statements (continued)

12. Related parties

	2017	2016
Ultimate shareholder		
BNP Paribas Personal Finance SA	100%	100%
Immediate shareholder		
Creation Financial Services Limited	100%	100%

LaSer ABS 2017 plc is an entity under comon control. Further details of transactions have been included in note 22.

The company entered into an interest rate swap during the year with BNP Paribas an entity under comon control. For further details see note 8.

	2017	2016
	£'000	£'000
Amounts owing from group company		
Creation Financial Services Limited	72,420	48,547
BNP Paribas SA	402,800	-
	475,220	48,547

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

	2017	2016
Funding owing to group company	£'000	£'000
Funding as disclosed in note 20 includes funding owing to the following group company:		
	1,344,058	1,175,115
Creation Financial Services Limited	1,344,058	1,175,115

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

Related party transactions

	2017	2016
Transactions with Creation Financial Services Limited		
Dividend paid	30,860	50,652
Interest expense	29,394	38,024
Management service charge	16,129	15,184
	76,383	103,860
Transactions with LaSer Cofinoga SA		
Commitment fees	-	1,230

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.

	2017	2016
	£'000	£'000
13. Other receivables		
Other receivables	3,647	3,315
Prepayments	988	838
	4,635	4,153
14. Inventory		
Printed materials	24	15