

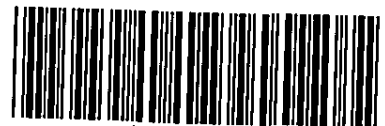
Company Registration No 430987

BNP PARIBAS FINANCE P L C

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 December 2009

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BNP PARIBAS FINANCE P L C

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

COMPANY INFORMATION

| | |
|---------------------------|--|
| Registered address | 10 Harewood Avenue London NW1 6AA United Kingdom |
| Directors | T Bernard Y Drieux V Menon R J Miles J R Unwin |
| Secretary | K A Schrod |
| Auditors | Deloitte LLP London |

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BNP PARIBAS FINANCE P L C

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their report and the audited financial statements of BNP Paribas Finance p l c (the 'Company'), for the year ended 31 December 2009

Principal activity and Business review

The Company is a wholly-owned subsidiary undertaking of BNP Paribas U K Holdings Limited. The ultimate parent undertaking is BNP Paribas S A , a company incorporated in France.

The principal activity of the Company is to provide financing activities to its customers.

As shown in the Company's income statement on page 8, profit before tax of £2,371,000 has decreased by £2,134,000 (2008 increased by £505,000) over the prior year. This is mainly due to decreases in other income of £726,000, other expenses increased by £835,000, and a drop in net interest income by £1,554,000, partially offset by an increase in net income from financial assets of £981,000. The profit after tax for the year amounted to £1,704,000 (2008 £3,194,000).

The balance sheet on page 9 of the financial statements shows that the Company's net assets at year end decreased by £1,535,000 from prior year to £33,748,000. Loans and receivables and available-for-sale investments decreased in the year by £37,764,000 to £5,857,000 and by £50,028,000 to £6,132,000 respectively. This was used to reduce the borrowings by £64,468,000 to £2,639,000 and resulted in a cash balance of £23,940,000 at the year end.

There have been no significant events since the balance sheet date.

During the year, the Directors recommended and paid an interim dividend on ordinary shares of £3,200,000 (2008 £2,700,000). The Directors do not recommend the payment of a final dividend (2008 £nil).

Key performance indicators

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

| | 2009 | 2008 |
|--|-------|-------|
| Return on capital employed ¹ | 5.05% | 9.32% |
| Interest received on loans and bonds | 5.26% | 5.99% |
| Interest paid on loans | 2.06% | 4.49% |
| Net interest margin ² | 3.2% | 1.50% |
| Net income from assets designated at fair value ³ | 2.89% | - |
| Other net income ⁴ | 0.79% | 4.37% |

¹ Return on capital employed – Profit attributable to equity shareholders as a percentage of net assets

² Net interest margin – Interest received as a percentage of loans and bonds less interest paid on loans

³ Net income from assets designated at fair value – Net income from assets at fair value as a percentage of net assets

⁴ Other net income – Other net income as a percentage of net assets

Return on capital employed has decreased by 4.27% from prior year due to decrease in the profits attributable to equity shareholders. This is largely due to decreases in net interest income and other net income. The other net income as a percentage of net assets dropped to 0.79% compared to 4.37% in the prior year. Despite the net interest margin increase from 1.5% to 3.2%, the net interest income earned is lower than last year by £1.55m.

Future developments

It is the Directors' belief that no significant developments are likely and that the Company will continue to provide financing activities to its customers.

BNP PARIBAS FINANCE P L C

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Principal risks, uncertainties and risk management policies

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(i) Foreign currency risk

The Company is exposed to currency risk as the available-for-sale financial assets and loans and receivables are exposed to fluctuations in foreign exchange rates. Other assets and liabilities are denominated in the Company's functional currency of sterling.

(ii) Price risk

The Company is exposed to securities price risk on available-for-sale financial assets held. The directors do not deem this to be a significant risk to the Company as they intend to hold these available-for-sale financial assets until close to maturity. The Company is not exposed to equity and commodity price risk.

(iii) Credit risk

The Company is exposed to credit risk because of loans to customers held by the Company which are classified on the balance sheet as loans and receivables. The Company has procedures in place to review potential clients' financial credibility – this will limit the amount of credit exposure to any financial institution and customer.

(iv) Liquidity risk

Liquidity risk is monitored centrally by Group Risk Management Department of the ultimate parent undertaking BNP Paribas S.A. In terms of the Group's policy, liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios.

(v) Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk from its floating rate cash balances. The Company is not significantly exposed to fair value interest rate risk. It is the Directors' opinion that the cash flow and fair value interest rate risk arising from these investments is insufficient to require hedging.

Going concern and Liquidity

The Company has considerable financial resources in the form of loans and receivables and financial assets which more than cover any payables under which it is currently obligated. As a consequence the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. This is discussed in note 1 on page 12.

After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Charitable and political donations

There were no charitable and political donations made during the year (2008: £Nil).

BNP PARIBAS FINANCE P L C

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

Directors

The Directors holding office during the year were

T Bernard
D J Byrne (resigned 16 April 2010)
Y Drieux
V Menon
R J Miles
J R Unwin

Directors indemnity

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

Supplier payment policy

The administrative expenses are paid by the ultimate parent undertaking and recharged to the Company on a quarterly basis. The Company settles the payment to the ultimate parent undertaking on receipt of the invoice.

Secretary

The Company Secretary holding office during the year and to the date of this report was

K A Schrod

Auditors

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

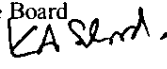
- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Registered Office

10 Harewood Avenue
London
NW1 6AA
United Kingdom

By Order of the Board

K A Schrod
Secretary

15 June 2010

BNP PARIBAS FINANCE P L.C

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard ('IAS') 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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 to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS FINANCE P L C

We have audited the financial statements of BNP Paribas Finance p l c for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flow, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BNP PARIBAS FINANCE P L C.**

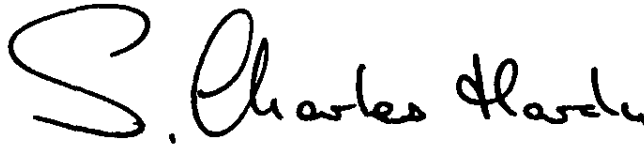
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Simon Hardy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
London
United Kingdom

15 June 2010

BNP PARIBAS FINANCE P L C
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

| | Notes | 2009 £'000 | 2008 £'000 |
|--|-------|---------------|---------------|
| Interest receivable | 3 | 1,899 | 5,980 |
| Interest payable | 4 | (488) | (3,015) |
| Net interest income | | 1,411 | 2,965 |
| Net income / (expense) from financial instruments designated at fair value | 5 | 976 | (5) |
| Other income | | 266 | 992 |
| Other expenses | | (282) | 553 |
| Profit before taxation | 6 | 2,371 | 4,505 |
| Taxation | 8 | (667) | (1,311) |
| Profit for the year | | 1,704 | 3,194 |

The results for both years are wholly derived from continuing operations

BNP PARIBAS FINANCE P L C
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

| | 2009 | 2008 |
|---|--------------|-------|
| | £'000 | £'000 |
| Profit for the year | 1,704 | 3,194 |
| Other comprehensive income | | |
| Net value gain / (loss) on available-for-sale financial assets | (39) | 25 |
| Total comprehensive income attributable to the equity shareholders | 1,665 | 3,219 |

BNP PARIBAS FINANCE P L C
BALANCE SHEET
AS AT 31 DECEMBER 2009

Company Registration No. 430987

| | Notes | 2009 £'000 | 2008 £'000 |
|--|-------|---------------|----------------|
| ASSETS | | | |
| Non Current assets | | | |
| Investments in subsidiaries and associate | 10 | - | 1 |
| Available-for-sale financial assets | 11 | 6,132 | 8,344 |
| Loans and receivables | 12 | 3,182 | 5,251 |
| Financial assets designated at fair value | 13 | 16,611 | 27,934 |
| Deferred tax asset | 15 | 234 | 292 |
| Non Current assets | | 26,159 | 41,822 |
| Current assets | | | |
| Available-for-sale financial assets | 11 | - | 47,816 |
| Loans and receivables | 12 | 2,675 | 38,370 |
| Other receivables | 16 | 7 | 1,803 |
| Cash and cash equivalents | 17 | 23,940 | - |
| Current assets | | 26,622 | 87,989 |
| TOTAL ASSETS | | 52,781 | 129,811 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Bank and other borrowings | 18 | 2,639 | 67,107 |
| Other payables | 20 | 365 | 876 |
| Current liabilities | | 3,004 | 67,983 |
| Non current liabilities | | | |
| Financial liabilities designated at fair value | 19 | 16,029 | 26,545 |
| Non current liabilities | | 16,029 | 26,545 |
| TOTAL LIABILITIES | | 19,033 | 94,528 |
| EQUITY | | | |
| Share capital | 21 | 32,000 | 32,000 |
| Available-for-sale reserves | | 16 | 55 |
| Retained reserves | | 1,732 | 3,228 |
| Total Equity | | 33,748 | 35,283 |
| TOTAL EQUITY AND LIABILITIES | | 52,781 | 129,811 |

Approved by the Board of Directors on 15 June 2010 and signed and authorised for issue on its behalf by

Director

d. J. Miles

R. J. MILES

15/6/10

BNP PARIBAS FINANCE P L C.

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2009**

| | Notes | 2009 £'000 | 2008 £'000 |
|---|-------|---------------|-----------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 22 | 5,673 | (11,630) |
| Interest received | | 3,690 | 4,651 |
| Interest paid | | (548) | (3,833) |
| Taxation paid | | (1,038) | (1,581) |
| Net cash generated from / (used in) operating activities | | 7,777 | (12,393) |
| Cash flows from financing activities | | | |
| Disposal of available-for-sale financial assets | | 44,284 | 14,836 |
| Dividends paid | | (3,200) | (2,700) |
| Loans and receivables repaid / (made) | | 37,764 | (5,397) |
| Borrowings made | | 53 | 36 |
| Financial assets designated at fair value | | 12,299 | (6,886) |
| Financial liabilities designated at fair value | | (10,516) | 6,492 |
| Net cash from financing activities | | 80,684 | 6,381 |
| Net increase / (decrease) in cash and cash equivalents | | 88,461 | (6,012) |
| Cash and cash equivalents at 1 January | | (64,521) | (58,509) |
| Cash and cash equivalents at 31 December | | 23,940 | (64,521) |
| Cash and cash equivalents consist of | | | |
| | | 2009 £'000 | 2008 £'000 |
| Cash with ultimate parent undertaking (Note 17/18) | | 23,940 | (64,521) |

BNP PARIBAS FINANCE P L C

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

| | Ordinary shares | Available- for-sale reserves | Retained earnings | Total equity |
|--|--------------------|------------------------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 January 2008 | 32,000 | 30 | 2,734 | 34,764 |
| Profit for the year | - | - | 3,194 | 3,194 |
| Interim dividend paid (note 9) | - | - | (2,700) | (2,700) |
| Other comprehensive income | | | | |
| - Transferred to profit and loss on disposal of available- for-sale investments | - | 49 | - | 49 |
| - Tax on items transferred to profit and loss | - | (13) | - | (13) |
| - Revaluation on available-for-sale investments | - | (15) | - | (15) |
| - Tax on revaluation on available-for-sale investments | - | 4 | - | 4 |
| At 31 December 2008 | 32,000 | 55 | 3,228 | 35,283 |
| Balance at 1 January 2009 | 32,000 | 55 | 3,228 | 35,283 |
| Profit for the year | - | - | 1,704 | 1,704 |
| Interim dividend paid (note 9) | - | - | (3,200) | (3,200) |
| Other comprehensive income | | | | |
| - Transferred to profit and loss on disposal of available- for-sale investments | - | (46) | - | (46) |
| - Tax on items transferred to profit and loss | - | 13 | - | 13 |
| - Revaluation on available-for-sale investments | - | (9) | - | (9) |
| - Tax on revaluation on available-for-sale investments | - | 3 | - | 3 |
| At 31 December 2009 | 32,000 | 16 | 1,732 | 33,748 |

The available-for-sale reserve arises from changes in the fair value of available-for-sale financial assets held by the Company, net of taxation, and is not distributable. These gains and losses are recognised in equity until the underlying financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

BNP PARIBAS FINANCE P.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

The principal activity of the Company is to provide financing activities to its customers. In 2007 the authorised banking sector activities of the Company were transferred to the ultimate holding company, as defined in note 25, and the Company relinquished its authorised status with the Financial Services Authority.

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

a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom law and European Union ('EU') adopted International Financial Reporting Standards ('IFRS'). These comprise standards issued by the International Accounting Standards Board (IASB) and its predecessor as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body to the extent adopted by the EU. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments, and other financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements:

- IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements which we have not adopted) and changes in the format and content of the financial statements
- The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk

At the date of authorisation of these financial statements there were new Standards or Interpretations in issue which were not effective or relevant to the Company. The Company has not chosen to adopt any new Standards or Interpretations early. The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company.

These separate financial statements contain information about BNP Paribas Finance plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, BNP Paribas S.A. See note 25 for more details.

The Directors have a reasonable expectation that the Company and its ultimate holding company, as defined in note 25, will continue to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. This is discussed in the Directors' Report on page 3 under the heading of 'Going concern and Liquidity'.

Once approved, the Financial Statements cannot be amended without re-presenting them for approval by the Board.

b) Accounting convention

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

c) Critical accounting estimates and judgements

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

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

d) Revenue recognition

Interest income and expense

Interest income arises from cash and cash equivalents, loans and receivables, and from interest earning available-for-sale investments. Interest expense arises from financing activities. Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate method is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's initial net carrying amount.

e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

f) Investments in subsidiaries and associate

Investments in subsidiaries and associate are stated at cost less impairment. Dividends receivable from subsidiaries are recognised in the income statement when the Company's right to receive payment is established. The Company has taken advantage of the exemption under International Accounting Standard ('IAS') 27, 'Consolidated and Separate Financial Statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, BNP Paribas S A.

g) Impairment of investments in subsidiaries and associate

At each balance sheet date, or more frequently where events or changes in circumstances dictate, investments in subsidiaries and associate are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount, higher of fair value less cost to sell or value in use.

The carrying values of investments in subsidiaries and associate are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs.

h) Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, payables, and available for sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

h) Financial instruments (continued)

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

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also included in this category unless in a designated hedging relationship. Assets or liabilities in this category are classified as current assets or current liabilities respectively, if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net', in the period in which they arise. Gains or losses arising from interest and dividend income are presented within interest or dividends, in the period in which they arise.

Fair value estimation

Fair values are obtained from quoted prices prevailing in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate.

(iii) Payables

Payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(iv) Available-for-sale financial assets

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

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

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

When available-for-sale financial assets are sold, impaired or derecognised, the accumulated fair value adjustments recognised in equity are included in the income statement. Dividend income from available-for-sale investments is recognised in the income statement when the Company's right to receive the dividend is established.

Fair value estimation

The fair value of available for sale financial instruments is calculated using a discounted cash flow techniques, since these relate to unlisted corporate bonds. These are reviewed for impairment as per accounting policy on "impairment of financial assets", note (1) part (i).

BNP PARIBAS FINANCE P.L.C.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

i) Impairment of financial assets

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

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

- Delinquency in contractual payments of principle or interest,
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales,
- Breach of loan covenants or conditions,
- Initiation of bankruptcy proceedings,
- Deteriorations of borrower's competitive position,
- Deterioration in the value of collateral, and
- Downgrading below investment grade level

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

j) Cash and cash equivalents

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

k) Share capital, capital contribution and debt instruments

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

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

l) Borrowings

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

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

m) Taxation

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

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

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

BNP PARIBAS FINANCE P L C.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

n) Dividend distribution

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

2 Financial risk management

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

a) Credit risk

The Company takes on exposure to credit risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally on the available-for-sale financial instruments and loans and receivables. Further credit risk arises on trade and other receivables.

Credit risk is monitored and managed centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas S A.

Maximum exposure to credit risk before collateral held or credit enhancements

| | 2009 | 2008 |
|--|--------|---------|
| | £'000 | £'000 |
| Credit risk exposure relating to on-balance sheet assets are as follows | | |
| Available-for-sale financial instruments | 6,132 | 56,160 |
| Loans and receivables | 5,857 | 43,621 |
| Financial assets designated at fair value | 16,611 | 27,934 |
| Other receivables | 7 | 1,803 |
| Credit risk exposure relating to off-balance sheet assets are as follows | | |
| Financial guarantees | 156 | 1,744 |
| Loan commitments and other credit related liabilities | 6,111 | 33 |
| | 34,873 | 131,295 |

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2009 and 2008, without taking into account collateral held or other credit enhancements attached. The exposures set out above are based on the carrying amounts as reported in the balance sheet.

(i) Credit enhancements

The Company has received credit enhancements in the form of collateral held, financial guarantees and export credit guarantees. The table showing the credit quality of financial assets that are neither past due nor impaired outlines the credit enhancements that the Company has received. The fair value of collateral is shown in note 19.

BNP PARIBAS FINANCE P L.C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2 Financial risk management (continued)

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

The table below presents an analysis of the credit quality of loans and receivables and debt securities at 31 December 2009

| 31 December 2009 | Available-for-sale financial assets £'000 | Loans to banks £'000 | Loans to customers £'000 | Assets designated at fair value £'000 | TOTAL £'000 |
|---------------------------------------|--|-------------------------------------|---|--|------------------------|
| Guaranteed by ultimate parent company | 6,132 | - | - | - | 6,132 |
| Export credit guarantee | - | - | 1,382 | 16,611 | 17,993 |
| Collateralised against borrowings | - | - | 3,575 | - | 3,575 |
| Investment grade | - | - | 900 | - | 900 |
| Total | 6,132 | - | 5,857 | 16,611 | 28,600 |

| 31 December 2008 | Available-for-sale financial assets £'000 | Loans to banks £'000 | Loans to customers £'000 | Assets designated at fair value £'000 | TOTAL £'000 |
|-----------------------------------|--|-------------------------------------|---|--|------------------------|
| Guaranteed by ultimate parent | 56,160 | 26,703 | 9,032 | - | 91,895 |
| Export credit guarantee | - | - | 2,551 | 27,934 | 30,485 |
| Collateralised against borrowings | - | - | 2,635 | - | 2,635 |
| Investment grade | - | - | 2,700 | - | 2,700 |
| Total | 56,160 | 26,703 | 16,918 | 27,934 | 127,715 |

(iii) Financial assets past due but not impaired

There were no financial assets that were past due but not impaired (2008 £nil)

BNP PARIBAS FINANCE P L C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****2 Financial risk management (continued)***(iv) Financial assets impaired*

Gross amounts of financial assets that were impaired were as follows

| 31 December 2009 | Loans to customers | Loans to banks | Total |
|----------------------------|---------------------------|-----------------------|--------------|
| | £'000 | £'000 | £'000 |
| Not past due | - | - | - |
| Past due up to 6 months | - | - | - |
| Past due 6 months – 1 year | - | - | - |
| Past due more than 1 year | 322 | - | 322 |
| Total | 322 | - | 322 |

| 31 December 2008 | Loans to customers | Loans to banks | Total |
|----------------------------|---------------------------|-----------------------|--------------|
| | £'000 | £'000 | £'000 |
| Not past due | - | - | - |
| Past due up to 6 months | - | - | - |
| Past due 6 months – 1 year | - | - | - |
| Past due more than 1 year | 322 | - | 322 |
| Total | 322 | - | 322 |

No financial assets have been renegotiated that would otherwise be impaired (2008 £nil) The Company holds no collateral against financial assets that are impaired (2008 £nil)

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2 Financial risk management (continued)

b) Liquidity risk

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

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

Liquidity risk is monitored centrally by Group Risk Management Department of the ultimate parent undertaking BNP Paribas S A. In terms of the Group's policy liquidity risk is managed through a global liquidity policy approved by Group Executive Management. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity situation is assessed on the basis of internal standards, warning flags and regulatory ratios. The table below presents the cash flows payable by the Company by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows

| | Up to 3 months £'000 | 3 – 6 months £'000 | 6 – 12 months £'000 | 1 – 5 years £'000 | Total £'000 |
|-------------------------------|----------------------------|--------------------------|---------------------------|-------------------------|----------------|
| As at 31 December 2009 | | | | | |
| Financial liabilities | | | | | |
| Designated at fair value | - | - | - | 16,029 | 16,029 |
| Trade and other payables | 408 | - | - | - | 408 |
| Borrowings | 2,639 | - | - | - | 2,639 |
| | 3,047 | - | - | 16,029 | 19,076 |
| As at 31 December 2008 | | | | | |
| Financial liabilities | | | | | |
| Designated at fair value | - | - | - | 26,545 | 26,545 |
| Trade and other payables | 876 | - | - | - | 876 |
| Borrowings | 67,107 | - | - | - | 67,107 |
| | 67,983 | - | - | 26,545 | 94,528 |

c) Market risk

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

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2 Financial risk management (continued)

(i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency risk is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas S.A.

The net carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | 2009 | 2008 |
|-----|-------|---------|
| | £'000 | £'000 |
| CHF | (470) | (5,434) |
| EUR | 2 | (204) |
| USD | (3) | 2,768 |

Foreign currency risk sensitivity

The Company is mainly exposed to the CHF, EUR and USD currencies. The following table details the Company's sensitivity to a 20% increase and decrease in the GBP against CHF and to a 15% increase and decrease in the GBP against EUR and USD currencies. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for changes in the foreign currency rates indicated above. The sensitivity analysis includes external balances as well as balances with other Group companies where the denomination of the year end balances are in a currency other than the functional currency of the Company. A positive number indicates an increase in profit or equity where the GBP strengthens against the relevant currency. Based on one year implied foreign exchange volatility the percentage increases/decreases indicated above are considered to be reasonable possible changes.

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

| | CHF impact | | EUR impact | | USD impact | |
|----------------|------------|---------|------------|-------|------------|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Profit or loss | (94) | (1,087) | - | (41) | - | 574 |

Due to a large rise in the implied foreign exchange volatility rates, the company's foreign exchange risk has significantly changed from the prior year. The foreign exchange risk will be minimised by transferring the foreign exchange exposure to the ultimate parent undertaking on a monthly basis.

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

2 Financial risk management (continued)

(ii) Interest rate risk management

The Company is exposed to interest rate risk as the Company's loans and receivables, borrowings and available-for-sale investments are at both fixed and floating interest rates

Interest rate risk is monitored centrally by the Group Risk Management Department of the ultimate parent undertaking BNP Paribas S A

Interest rate risk sensitivity

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

- the exposure to interest rates is on all financial instruments held at the balance sheet date,
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting period,
- instruments that are re-priced within a period of 6 months are considered variable while those that are re-priced after 6 months are considered fixed, and
- a reasonable possible rate change is based on implied volatility rates observed in the market

Based on the implied volatility rates observed, above, a 150 (2008 125) basis point increase or decrease in the year is considered a reasonable possible change in interest rates

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

If interest rates had been 150 basis points higher and all other variables were held constant, the Company's -

- profit for the year ended 31 December 2009 would increase by £145,079 (2008 increase by £88,675). This is mainly attributable to the Company's exposure to interest rates on its floating rate assets which exceed its floating rate liabilities, and
- equity reserves at 31 December 2009 would increase by £91,984 (2008 £712,013). This is attributable to the Company's exposure to fixed rate and floating rate available-for-sale financial assets

A 150 basis point decrease in interest rates would have an inverse effect on profit or loss and equity. The Company's sensitivity to interest rates has remained constant during the current period

(iii) Other price risks

The Company is exposed to securities price risk on available-for-sale financial assets held. The directors do not deem this to be a significant risk to the Company as they intend to hold these available-for-sale financial assets until close to maturity. The Company is not exposed to equity and commodity price risk

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

3 Interest receivable

| | 2009 | 2008 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Interest receivable on - | | |
| Cash and cash equivalents | 205 | 1,518 |
| Loans and receivables | 670 | 1,529 |
| Available-for-sale financial assets | 1,024 | 2,933 |
| | 1,899 | 5,980 |

4 Interest payable

| | 2009 | 2008 |
|---|------------|--------------|
| | £'000 | £'000 |
| Interest payable on bank overdraft and deposits from ultimate parent undertaking and fellow subsidiaries (note 23) | 483 | 2,639 |
| Interest payable on loans from ultimate parent undertaking and fellow subsidiaries (note 23) | 5 | 35 |
| Interest payable on deposits from customers | - | 341 |
| | 488 | 3,015 |

5 Net income / (expense) from financial instruments designated at fair value

| | 2009 | 2008 |
|---|------------|------------|
| | £'000 | £'000 |
| Net income / (expense) arising on | | |
| Loans and advances to customers | (4,929) | (2,093) |
| Loans and advances from ultimate parent undertaking | 5,905 | 2,088 |
| | 976 | (5) |

BNP PARIBAS FINANCE P L C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****6 Profit before taxation**

i) The Company had no employees during the year to 31 December 2009 (2008: none). All staffs are employed by BNP Paribas S A, the ultimate parent undertaking. Their staff costs and other administrative expenses are borne by BNP Paribas S A, the ultimate parent undertaking, and are recharged to the Company on a fully allocated basis.

ii) Services provided by the Company's auditors consisted of the statutory audit, at a cost of £17,590 (2008: £16,750) which will be borne by BNP Paribas SA, the ultimate parent undertaking.

7 Directors

The Directors' emoluments as stated above are paid by the ultimate parent undertaking. The highest paid Director received emoluments of £nil (2008: £nil) and contributions to pension schemes of £nil (2008: £nil).

The Directors also provide services to the ultimate parent undertaking and a number of fellow subsidiary undertakings which are paid by the ultimate parent undertaking. It is not practical to apportion these emoluments received and therefore they are not disclosed in respect of any Directors in these financial statements.

8 Taxation

| | 2009 | 2008 |
|--------------------------------------|-------|-------|
| Analysis of charge in the year | £'000 | £'000 |
| Current tax — continuing operations | 609 | 1,287 |
| Deferred tax — continuing operations | 58 | - |
| Adjustment in respect of prior years | - | 24 |
| | 667 | 1,311 |

Tax on items charged to equity as follows

| | 2009 | 2008 |
|--|-------|-------|
| | £'000 | £'000 |
| Current tax (credit)/charge on available-for-sale financial assets | (16) | 9 |

BNP PARIBAS FINANCE P L C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****8 Taxation (continued)**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 28% (2008 28.5%)

The differences are explained below

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 2,371 | 4,505 |
| Profit on ordinary activities multiplied by a blended rate of corporation tax in the UK of 28% (2008 28.5%) | 665 | 1,284 |
| Effects of | | |
| - Expenses not deductible for tax purposes | 3 | 3 |
| - Capital allowances in excess of depreciation | (58) | - |
| - Adjustments in prior years | - | 24 |
| - Deferred taxation | 58 | - |
| Total taxation | 667 | 1,311 |

9 Dividends

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Interim dividend paid 10 pence (2008 8.438) per share | 3,200 | 2,700 |

On 23 June 2009, the Company proposed and paid an interim dividend of 10 pence (2008 8.438 pence) per share, amounting to a total of £3,200,000 (2008 £2,700,000)

BNP PARIBAS FINANCE P L C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****10 Investments in subsidiaries**

| | 2009 | 2008 |
|----------------------------|------|------|
| | £ | £ |
| Subsidiary undertakings | | |
| BNP Leasing Limited | - | 300 |
| Comptonia Nominees Limited | 100 | 100 |
| Abyard Nominess Limited | 100 | 100 |
| | 200 | 500 |

In the opinion of the Directors the aggregate value of its investments in subsidiary undertakings (including amounts owned by subsidiary undertakings) is not less than the amount at which they are stated in the accounts. BNP Leasing Limited was disposed during the year.

The following are 100% subsidiary undertakings of the Company

| Subsidiary undertakings | Type of share | Nature of business | Share Capital £ |
|----------------------------|---------------|--------------------|--------------------|
| Comptonia Nominees Limited | Ordinary | Dormant | 100 |
| Abyard Nominess Limited | Ordinary | Dormant | 100 |

All subsidiary undertakings are incorporated in England and Wales. The subsidiaries have coterminous reporting periods from 1 January 2009 to 31 December 2009.

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

11. Available-for-sale financial assets

| | 2009 | 2008 |
|--|--------------|---------------|
| | £'000 | £'000 |
| Unlisted corporate bonds | | |
| Opening balance at 1 January | 56,160 | 56,961 |
| Exchange differences | (5,689) | 14,001 |
| Revaluation deficit transferred to equity | (46) | (15) |
| Release of revaluation (deficit)/surplus transferred to profit and loss on maturity / disposal | (9) | 49 |
| Matured | (42,720) | (11,791) |
| Disposed | (1,564) | (3,045) |
| Balance at 31 December | 6,132 | 56,160 |
| Less current portion | - | (47,816) |
| Non-current portion | 6,132 | 8,344 |

Corporate bonds were re-valued at year end at their fair value. This is a net present value calculation using a discount factor calculated to the maturity date. The deficit on revaluation of the Available-for-sale financial assets held at the year end and the release of revaluation on the matured and disposed of Available-for-sale financial assets amounted to £55,439 (2008 deficit of £34,435). This was taken to equity and is disclosed in 'Available-for-sale reserves' in the balance sheet.

12 Loans and receivables

| | 2009 | 2008 |
|--|--------------|---------------|
| | £'000 | £'000 |
| Loans to customers | 6,179 | 17,240 |
| Less provision for impairment of receivables | (322) | (322) |
| | 5,857 | 16,918 |
| Loans to banks | - | 26,703 |
| | - | 26,703 |
| | 5,857 | 43,621 |
| Final maturity of loans and receivables | | |
| - within one year or less | 2,675 | 38,370 |
| Final maturity of non-current assets | | |
| - more than one year but no more than five years | 3,182 | 5,251 |
| | 5,857 | 43,621 |

BNP PARIBAS FINANCE P.L.C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

The fair value of loans and receivables to customers was £4,383,543 (2008 £15,916,206) This is a net present value calculation using a discount factor at the maturity date

The fair value of loans and receivables to banks for 2009 is £nil (2008 £27,149,385) as all these have matured during the financial year

Reconciliation of impairment account for loans and receivables

| | 2009 | 2008 |
|-----------------------------------|-------|-------|
| | £'000 | £'000 |
| Balance at 1 January | 322 | 413 |
| Amounts recovered during the year | - | (91) |
| Balance at 31 December | 322 | 322 |

13 Financial assets designated at fair value

| | 2009 | 2008 |
|---------------------------------|--------|--------|
| | £'000 | £'000 |
| Loans and advances to customers | 16,611 | 27,934 |

| | 2009 | 2008 |
|--|--------|--------|
| | £'000 | £'000 |
| For loans and advances designated at fair value | | |
| - Maximum exposure to credit risk | 16,611 | 27,934 |
| - The cumulative changes in fair value arising from changes in credit risk | 6 | 6 |

The above change in the fair value of the loans and advances that is attributable to changes in the credit risk of the financial asset is determined as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk

The exposure to credit risk and cumulative loss in fair value arising from changes in credit risk is mitigated by the financial liabilities designated at fair value, with the exception of the margin

BNP PARIBAS FINANCE P L.C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

14 Available-for-sale financial assets and Financial assets designated at fair value

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

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

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|-----------------|
| <u>Financial assets designated at fair value</u> | | | | |
| Trading positions | - | 16,611 | - | 16,611 |
| At 31 December 2009 | - | 16,611 | - | 16,611 |
| <u>Available-for-sale financial assets</u> | | | | |
| Cost as at 1 January 2009 | - | 56,160 | - | 56,160 |
| Maturities | - | (49,973) | - | (49,973) |
| Cost as at 31 December 2009 | - | 6,187 | - | 6,187 |
| Revaluation transferred to equity as at 1 January 2009 | - | 63 | - | 63 |
| Revaluation transferred to equity | - | (118) | - | (118) |
| Revaluation transferred to equity as at 31 December 2009 | - | (55) | - | (55) |
| Fair value as at 31 December 2009 | - | 6,132 | - | 6,132 |
| <u>Financial liabilities designated at fair value</u> | | | | |
| Trading positions | - | - | (16,029) | (16,029) |
| At 31 December 2009 | - | - | (16,029) | (16,029) |

BNP PARIBAS FINANCE P L C

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 200914 Available-for-sale assets and financial assets designated at fair value (*continued*)

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|-----------------|
| <u>Financial assets designated at fair value</u> | | | | |
| Trading positions | - | 27 934 | - | 27 934 |
| At 31 December 2008 | - | 27,934 | - | 27,934 |
| <u>Available-for-sale financial assets</u> | | | | |
| Cost as at 1 January 2008 | - | 56 931 | - | 56 931 |
| Additions | - | 48,360 | - | 48 360 |
| Maturities | - | (49,194) | - | (49,194) |
| Cost as at 31 December 2008 | - | 56 097 | - | 56,097 |
| Revaluation transferred to equity as at 1 January 2008 | - | 30 | - | 30 |
| Revaluation transferred to equity | - | 33 | - | 33 |
| Revaluation transferred to equity as at 31 December 2008 | - | 63 | - | 63 |
| Fair value as at 31 December 2008 | - | 56,160 | - | 56,160 |
| <u>Financial liabilities designated at fair value</u> | | | | |
| Trading positions | - | - | (26 545) | (26 545) |
| At 31 December 2008 | - | - | (26,545) | (26,545) |

Reconciliation of Level 3 financial liabilities designated at fair value

| | Fair value through profit or loss | 31/12/2009 |
|--|---|----------------|
| | Trading positions £'000 | Total £'000 |
| <u>Trading liabilities</u> | | |
| Opening balance | 26,545 | 26 545 |
| Total gains or loss - in income statement | (10,516) | (10 516) |
| Closing balance | 16,029 | 16,029 |

BNP PARIBAS FINANCE P L C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****15 Deferred tax asset**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% for the year

| | 2009 | 2008 |
|------------------------|-------|-------|
| | £'000 | £'000 |
| At 1 January | 292 | 292 |
| Profit and loss charge | (58) | - |
| At 31 December | 234 | 292 |

Deferred tax asset has been recognised in respect of all tax losses and other temporary differences giving rise to the deferred tax asset because it is probable that these assets will be recovered. The Company has no liability to deferred tax.

16 Other receivables

| | 2009 | 2008 |
|--|-------|-------|
| | £'000 | £'000 |
| Interest receivable from ultimate parent undertaking (note 23) | 7 | 1,797 |
| Group relief receivable (note 23) | - | 6 |
| At 31 December | 7 | 1,803 |

17 Cash and cash equivalents

| | 2009 | 2008 |
|-------------------------------------|--------|-------|
| | £'000 | £'000 |
| Cash and cash equivalents (note 23) | 23,940 | - |

BNP PARIBAS FINANCE P.L.C**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009****18 Borrowings**

Bank overdrafts and deposits are denominated in a number of currencies and bear interest at a floating interest rate of Sterling LIBOR

| | 2009 | 2008 |
|--|---------|----------|
| | £'000 | £'000 |
| Bank overdrafts | | |
| - amounts payable to ultimate parent undertaking (note 23) | - | (64,521) |
| Deposits | | |
| - amounts payable to ultimate parent undertaking (note 23) | (2,639) | (2,586) |
| At 31 December | (2,639) | (67,107) |

Deposits from the ultimate parent undertaking are interest free and amounted to £2,639,251 (2008 £2,586,136)
The deposits are held as collateral against loans and receivables as shown in note 2

19 Financial liabilities designated at fair values

| | 2009 | 2008 |
|---|----------|----------|
| | £'000 | £'000 |
| Loans and advances from ultimate parent undertaking (note 23) | (16,029) | (26,545) |

There were no significant gains or losses attributable to changes in the credit risk for those financial liabilities designated at fair value in 2009

The loans and advances from ultimate parent undertaking designated at fair value of £16,029,000 is collateralised against financial assets designated at fair value of £16,611,000 through a participation agreement. The fair value of the collateral loan is based on a net present value calculation using a discount factor to the maturity date. The final maturity date for the collateral loan is on 28 December 2012, the same date as the receivable.

20 Other payables

| | 2009 | 2008 |
|-------------------------|-------|-------|
| | £'000 | £'000 |
| Accruals | - | (60) |
| Corporation tax payable | (365) | (816) |
| | (365) | (876) |

BNP PARIBAS FINANCE P L C

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

21 Called up share capital

| | No of shares 000's | 2009 £'000 | 2008 £'000 |
|---|-------------------------------|-----------------------|-----------------------|
| Authorised ordinary shares of £1 each | 40,000 | 40,000 | 40,000 |
| Allotted, called up and fully paid ordinary shares of £1 each | 32,000 | 32,000 | 32,000 |

The Company has in issue only one class of equity shares, which is non-redeemable, carries one vote per share and has no right to dividends other than those recommended by the Directors, and unlimited right to share in the surplus remaining on a winding up

22 Cash flow from operating activities

Reconciliation of profit for the year to net cash inflow from operating activities

| | 2009 £'000 | 2008 £'000 |
|--|-----------------------|-----------------------|
| Profit for the year | 1,704 | 3,194 |
| Adjustments for | | |
| — taxation | 667 | 1,311 |
| — interest income | (1,899) | (5,980) |
| — interest expense | 488 | 3,015 |
| — financial instruments designated at fair value | (976) | 5 |
| — foreign exchange on available for sale assets | 5,689 | (14,001) |
| — provision for bad debts | - | (604) |
| Changes in working capital excluding interest | | |
| — decrease in other receivables | - | 1,430 |
| Cash used in operations | 5,673 | (11,630) |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

23. Related party transactions

The following transactions were carried out with related parties

(i) Interest receivable

Interest receivable from ultimate parent undertaking amounted to £204,707 (2008 £1,518,251) in respect of cash equivalents bearing interest at an average rate of 0.60% (2008 4.71%)

(ii) Interest payable

Interest payable to ultimate parent undertaking and fellow subsidiaries amounted to £488,450 (2008 £2,673,666) in respect of overdrafts bearing interest at an average rate of 1.02% (2008 3.17%)

(iii) Net income from financial instruments designated at fair value

Net expense on loans from ultimate parent undertaking designated at fair value amounted to £5,904,742 (2008 £2,088,184)

In respect of these transactions, the outstanding balances receivable / (payable) as at 31 December 2009 were as follows

| Nature of transaction | Related party | 2009 £'000 | 2008 £'000 |
|--|-------------------|---------------|---------------|
| Cash and cash equivalents /(Bank overdraft) | Ultimate parent | 23,940 | (64,521) |
| Interest receivable | Ultimate parent | 7 | 1,797 |
| Borrowings | Ultimate parent | (2,639) | (2,586) |
| Financial liabilities designated at fair value | Ultimate parent | (16,029) | 26,545 |
| Group tax relief debtor | Fellow subsidiary | - | 6 |

Costs including Directors' fees and emoluments of £nil (note 6), other key management compensation and services provided by support functions of the ultimate parent undertaking, e.g. (finance, legal and secretarial services) which are incidental to the Company's operations, were borne by BNP Paribas London Branch and no re-charge was made to the Company

24. Capital management

The Company categorises capital as Shareholders' equity and as at 31 December, 2009, the value was £33,748,000 (2008 £35,283,000). Any changes to this total between prior year and current year are as a result of changes in the Company's income statement, revaluation of available-for-sale reserves and dividend paid

The Directors manage this by monitoring capital levels and where appropriate pay dividends to the parent undertaking. Additionally, as and when necessary the Directors will inject new capital by requesting funding from the ultimate parent undertaking

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**NOTES TO THE FINANCIAL STATEMENTS
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25 Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of BNP Paribas U K Holdings Limited, a company incorporated in Great Britain and registered in England and Wales

BNP Paribas S A , a company incorporated in France with limited liability, is the ultimate holding company, and is the parent undertaking of the largest and the smallest group for which group financial statements are prepared

Copies of the group financial statements can be obtained from BNP Paribas S A , 16 boulevard des Italiens, 75009 Paris, France