BNP Paribas Real Estate Advisory & Property Management UK Limited

Annual report and financial statements for the year to 31 December 2019

Registered number: 04176965

Registered office:

5 Aldermanbury Square

London

EC2V 7BP

BNP Paribas Real Estate Advisory & Property Management UK Limited

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BNP Paribas Real Estate Advisory & Property Management UK Limited

Strategic report for the year ended 31 December 2019 (Company No: 04176965)

The directors present their strategic report of the company for the year to 31 December 2019.

Business review and future developments

2019 was another challenging year as a consequence of continuing political uncertainly arising over Brexit. Whilst investors have remained cautious, the company demonstrated resilience by achieving a steady full-year performance at £152,994k, an increase of 1.13% on the prior year (2018: £151,184k). Despite a fall in market activity, our Commercial teams maintained their position due to strong performance by our Professional Services business. Residential Agency grew its market position mainly within the London area in both sales and lettings. Notwithstanding an overall decline in national volumes, it delivered 4% organic growth by comparison to the previous year. Rural Services have also reiterated their position as a market leader through the delivery of annual growth of 3% mostly associated with our land management offering.

Whilst our operating costs base have remained stable, 2019 saw the conclusion of the Strutt & Parker integration which started in 2018. Consequently, financial performance for the year has once again been negatively impacted by certain acquisition-related costs bringing the loss for the year to £8,468k (2018: 28,095k). Meanwhile 2019 has seen a continued focus upon on investing in and capitalising upon the integrated business, competitiveness and synergies with the wider Group across business lines and countries. BNP Paribas Real Estate Group has delivered a record year, breaking the €1bn in consolidated revenue for the first time, enhancing further its market-leading position in mainland Europe of which the UK subsidiary is keen to capitalise on in the future.

Throughout 2019 the UK remained a strategic and important location for our Group. Although the Brexit outcome and political climate have provided greater clarity and certainty, the exit negotiations are expected to disturb much of 2020 and until a clear road map is agreed with the EU.

The COVID-19 outbreak has been and remains the cause of significant disturbance to the company in the early part of 2020, and the consequences of this outbreak and its attendant restrictions upon operational and trading conditions are likely to be felt for the rest of the year. The company continues to monitor very closely the progress and impact of the pandemic. Our priority remains the safety and wellbeing of our employees and we continue to work to provide to our clients on a basis that is as close to our business-as-usual model as possible. We are monitoring and adhering to the government's guidance. The company's Business Continuity team is fully operational and meets frequently to consider the evolving requirements of the business in response to the crisis. As part of the implementation of the company's business continuity plans, a full and mandated working from home policy has been implemented across the company. Processes have also been adapted to the current situation in order to ensure our service delivery in a safe and compliant manner. It is too early to evaluate the likely impact of COVID-19 on our 2020 financials with any certainty but measures are being implemented to mitigate its effect upon the company's financial performance over the remainder of the 2020 financial year including measures to reduce costs to mitigate the impact on revenue.

The Directors expect 2020 to be challenging but with our parent company's support, we will continue to invest in efficiency and competitiveness. In doing so we will capitalise on our global vision, local skills and experience to transform the company in line with new customer trajectories that continue to evolve and are increasingly digital.

BNP Paribas Real Estate Advisory & Property Management UK Limited

Strategic report for the year ended 31 December 2019 (Company No: 04176965)

The Company has embarked on a long-term investment strategy to support the major technological, social and more importantly environmental changes serving our clients and the city of tomorrow.

Our key asset remains our people and 2020 will see a continued focus upon providing an increasingly diverse, collaborative and innovative environment to retain, attract and motivate the right people for our organisation and our clients.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires each director to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires that director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard include our employees, our clients, our suppliers, our shareholder, our regulators and those living in the communities in which the business operates and serves. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way.

a. Employees

In 2019, the company reinforced its methods of engagement with employees. Engagement was achieved through a variety of channels, including an annual employee opinion survey, the bi-annual business review briefings, a weekly newsletter, communications directly from the CEO (in the form of videos, podcasts, letters) and intranet updates. Further details about employee engagement are set out below.

b. Clients and Suppliers

As a service provider operating in a relationship-led sector, the directors place strong emphasis upon ensuring that client engagement is at the forefront of the company's service model. This is achieved through regular client meetings, events and other models of engagement to ensure that the company continues to remain relevant and optimises its service delivery and development.

In conjunction with support from BNP Paribas' Procurement function, the company's own procurement team works constantly to enhance its supply chain and to ensure the development of long-terms relationships that provide stability, viability and certainty. We continue to enhance how we engage with our clients and suppliers, enabling new technology, new communications and more secure solutions.

c. Shareholder

The business continues to hold an AGM each year, during which the company's shareholder is invited to discuss material matters, ask questions and engage with the Board and the senior management of the Company.

In addition to this, and as part of the BNP Paribas Real Estate group of companies, the company engages extensively and frequently with its shareholder throughout the course of each financial year. There is a multitude of themes to such engagement, including financial planning and reviews, strategic development, employee engagement and regulatory considerations. Such engagement is typically led by the Excom and/or the relevant subject matter leaders within the business.

Employee engagement

In 2019, the company reinforced its methods of engagement with employees. Engagement was achieved through a variety of channels, including an annual employee opinion survey, the bi-annual business review briefings, a weekly newsletter, communications directly from the CEO (in the form of videos, podcasts, letters) and intranet updates. In addition, the Company's primary office (5 Aldermanbury Square) benefitted from a wholesale refurbishment, enabling agile working. In addition to providing a significantly enhanced office environment, the upgraded office space has facilitated an increased number of forums and breakfast meetings to provide staff with updates. Given the company's large geographical coverage, roadshows were organised to share information and deliver training to local offices and also to canvas the opinions and ideas of employees based in the regional offices. The company will continue with these initiatives in 2020. It will also embark upon a comprehensive programme to modernise its intranet pages and company directory.

Business relationships

The company operates a framework that seeks to enhance our ability to deliver (and reputation for delivering) services that consistently meet clients' as well as statutory and regulatory requirements. This takes into account stakeholders' expectations (e.g. suppliers, counter-parties, neighbours, etc.). Our ISO 9001:2015 certificate covering our commercial activities (under the BNP Paribas Real estate brand) demonstrates our commitment to consistency, continual improvement and customer satisfaction. This voluntary initiative aligns with our CSR approach driving the responsibility of the company for the impacts of its decisions and activities on the society and the environment, through transparent and ethical behaviour.

Environment and Energy & Carbon reporting

As part of its environmental pillar within the CSR strategy, the company is committed to reducing its direct and indirect impact. The company has been reporting its carbon emissions annually in line with the CRC scheme and will continue to report its energy use under the new SECR regulations. To respond to the climate change issue, the company continues to increase its usage of renewable energy, whilst optimising the floor space per employee via its agile offices. It has taken and continues to take other measures such as the reduction in single-use plastic and optimisation of its car fleet. The environmental management system is ISO 14001:2015 certified under BNP Paribas CIB UK's umbrella (BNP Paribas Real Estate UK branded activities only).

Risk Management

The company's principal risks fall within the following categories: business and operational. The board recognises that there are other risks that remain unknown at any given point in time or which are known but which it does not consider to be material.

Business risks (market risks)

These relate to operating losses/decline in revenues due to a change in the economic environment, also potentially coupled with cost inefficiencies. In other words, it can be defined as the risk that volumes may decline or margins may shrink, with no or limited opportunity to offset the revenue decline with a reduction in costs.

The property market is cyclical by nature, being affected by a variety of economic factors and market sentiment. It is also highly competitive, and any economic downturn whether in the short or longer term can directly and quickly affect the company's revenues and cash flows. This is particularly the case in the majority of our transactional activities such as Commercial Market and Residential Agency that, by way of example, have shown themselves to be sensitive to changing sentiment arising from Brexit, inflation and movements in interest rates.

Operational risks

Operational risk is defined as the risk of financial loss and/or other negative impacts resulting from inadequate or failed internal processes, people and systems or from external events.

As a provider of professional real estate services the company's immediate operational risks are:

- claims for professional negligence or other forms of liability to third parties (such as public liability claims): A range of measures are adopted by the company to minimise the likelihood of any such claims and the recurrence of circumstances leading to claims (including ISO 9001:2015 Quality Management certification and compliance with ISAE 3402 statement for our Commercial Client Finance services, providing assurance to Clients);
- disruption of critical activities: the company is aware of the need to maintain business continuity and its extensive business continuity plans (focussing on critical facilities, activities, processes and skills) were maintained throughout 2019, and will continue to be maintained in 2020; and
- non-compliance with its know-your-client and regulatory obligations in an environment where the requirements placed upon the business continue to evolve.

The company is required to comply with BNP Paribas SA's strict risk management framework and procedures which operates a 3 lines of defence model. Furthermore, extensive insurance (professional indemnity, public liability, business interruption insurance, etc.) cover is maintained by the company.

BNP Paribas Real Estate Advisory & Property Management UK Limited

Strategic report for the year ended 31 December 2019 (Company No: 04176965)

Key performance indicators

	2019	**2018**
Revenue per professional	£170k	£179k
Gross profit margin	28%	15%
Salary as percentage of revenue	57%	71%

The strategic report is approved by the Board of Directors and signed by order of the Board.

5 Aldermanbury Square
London
EC2V 7BP
8 April 2020

Matthew Gasser

Matthew Gasser, Company Secretary

Directors' report for the year ended 31 December 2019 (Company No: 04176965)

The directors present their annual report on the affairs of the company, together with future developments, the audited financial statements and independent auditor's report, for the year to 31 December 2019. Future developments have been discussed within the strategic report.

The company has net current liabilities of £36,399k (2018: £458k). The ultimate parent company, BNP Paribas Real Estate SAS, has confirmed its willingness to make available sufficient funds to enable the company to continue for at least 12 months from the date of signing of the financial statements. The company has considerable financial resources together with sufficient long term contracts with clients and suppliers across various geographical locations. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The audited financial statements for the year ended 31 December 2019 are set out on pages 14 to 54. The loss for the year was £8,468k (2018 loss: £28,095k). The directors propose a final dividend for the year of £nil (2018: £nil). The final dividend for 2019 was £nil (2018: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Paul Abrey
Mark England
Andrew Martin
Etienne Prongué
Guy Robinson

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort would be made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the group intranet site.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between it and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2019, the company had an average of 36 (2018: 50) days' purchases outstanding in trade creditors. The decrease effectively reverses the increase reported last year which was primarily attributable to the acquisition of Strutt & Parker in 2017.

Treasury operations and financial instruments

The company operates a treasury function, which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

Liquidity risk

The company manages its cash and borrowing requirements to maximise interest income and minimise interest expense, whilst ensuring that it has sufficient liquid resources to meet the operating needs of its business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts, loans and loan notes.

Foreign currency risk

The company's principal foreign currency exposures arise from trading operations in overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies that must fulfil credit rating criteria approved by the Board.

All clients who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation and the consent of its Parent, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the company's directors.

Disclosure of information to auditors

The directors have taken all reasonable steps to make themselves aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

Independent auditors

The auditors, Mazars LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

5 Aldermanbury Square
London
EC2V 7BP

By order of the board

Matthew Gasser

8 April 2020

Matthew Gasser
Company Secretary

Independent auditor's report to the members of BNP Paribas Real Estate Advisory & Property Management UK Limited

Opinion

We have audited the financial statements of BNP Paribas Real Estate Advisory & Property Management UK Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position and the statement 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 2019 and of its loss 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.

The impact of uncertainties due to both the COVID-19 coronavirus and the United Kingdom exiting the European Union on our audit

The Directors' view on the impacts of the COVID-19 coronavirus and Brexit is disclosed on page 1 respectively. The full impact following the recent emergence of the global coronavirus is still unknown. It is therefore not currently possible to evaluate all the potential implications to the group and company's trade, customers, suppliers and the wider economy.

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the Group and Company's trade, customers, suppliers and the wider economy.

We considered the impacts of COVID-19 coronavirus and Brexit on the group and company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the company and this is particularly the case in relation to both COVID-19 coronavirus and Brexit.

Independent auditor's report to the members of BNP Paribas Real Estate Advisory & Property Management UK Limited

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 to the members of BNP Paribas Real Estate Advisory & Property Management UK Limited

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 8, 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.

Independent auditor's report to the members of BNP Paribas Real Estate Advisory & Property Management UK Limited

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.

Richard Metcalfe (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

8 April 2020

BNP Paribas Real Estate Advisory & Property Management UK Limited

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019	2018
		£'000	£'000
Revenue	4	152,994	151,284
Cost of sales		(109,825)	(128,932)
Gross profit		43,169	22,352
Administrative expenses		(54,293)	(54,948)
Operating loss		(11,124)	(32,596)
Income from group undertakings		-	2,006
Finance income	5	1,152	954
Finance costs	5	(2,112)	(701)
Loss on ordinary activities before taxation	6	(12,084)	(30,337)
Tax on loss on ordinary activities	9	3,616	2,242
Loss for the year		**(8,468)**	**(28,095)**
Other comprehensive expense: Items that will not be reclassified to profit or loss			
Pension actuarial gain/ (loss)	23	343	(1,796)
Deferred taxation on pension actuarial (loss)/ gain		(178)	367
Other comprehensive income/ (expense) for the year, net of tax		165	(1,429)
Total comprehensive expense for the year		**(8,303)**	**(29,524)**

All profits and losses are derived from continuing operations in both the current and preceding year.

The notes on pages 18 to 54 form part of these financial statements.

BNP Paribas Real Estate Advisory & Property Management UK Limited

Statement of financial position as at 31 December 2019

	Note	2019	2018
		£'000	£'000
Non-current assets			
Intangible assets	11	87,149	89,140
Property, plant and equipment	12	7,864	7,448
Right-of-use assets	18	29,315	-
Investment in subsidiaries	13	90	90
Equity Investments	14	335	428
Deferred tax assets	10	832	164
		125,585	97,270
Current assets			
Trade and other receivables	15	58,773	59,943
Cash and cash equivalents		820	1,351
		59,593	61,294
Current liabilities			
Trade and other payables	16	(47,903)	(54,652)
Lease liabilities	18	(5,089)	-
Borrowings	17	(43,000)	(7,100)
Net current liabilities		(36,399)	(458)
Non-current liabilities			
Trade and other payables	16	-	(3,184)
Lease liabilities	18	(28,523)	-
Borrowings	17	(15,000)	(30,000)
Provision for liabilities	19	(9,243)	(15,380)
Pension liability	19	(2,503)	(3,370)
Net assets		**33,917**	**44,878**
Capital and reserves			
Called up share capital	21	11,235	11,235
Share premium account		56,629	56,629
Capital reduction reserve		6,288	6,288
Accumulated losses		(40,235)	(29,274)
Total shareholders' funds		**33,917**	**44,878**

BNP Paribas Real Estate Advisory & Property Management UK Limited

Statement of financial position as at 31 December 2019

The financial statements on pages 14 to 54 were approved by the Board of Directors on the 8 April 2020 and signed on its behalf.

Andrew Martin
8 April 2020

BNP Paribas Real Estate Advisory & Property Management UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Notes	Called up share capital	Share premium account	Capital reduction reserve	Accumulated losses	Total shareholders' funds
		£'000	£'000	£'000	£'000	£'000
Balance as at 31 December 2018		11,235	56,629	6,288	(29,274)	44,878
Impact of change in accounting policy	25	-	-	-	(2,659)	(2,659)
Adjusted balance as at 1 January 2019		**11,235**	**56,629**	**6,288**	**(31,933)**	**42,219**
Loss for the year		-	-	-	(8,468)	(8,468)
Other comprehensive expense for the year						
Pension actuarial gain	23	-	-	-	343	343
Deferred taxation on pension actuarial loss	23	-	-	-	(177)	(177)
Total comprehensive expense for the year		-	-	-	(8,302)	(8,302)
Balance as at 31 December 2019		**11,235**	**56,629**	**6,288**	**(40,235)**	**33,917**

1 General information

BNP Paribas Real Estate Advisory & Property Management UK Limited ('the company') provides comprehensive and integrated property related advice and services (both transactional and advisory) to clients.

The company is a private company limited by shares and is incorporated and domiciled in the UK.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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 in note 3.

The following exemptions from the requirement of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

(a) IFRS 7, Financial Instruments: Disclosures;

(b) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;

(c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

(d) Paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, plant and equipment; and
(iii) paragraph 118(e) of IAS 38 Intangible Assets;

(e) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d) (statement of cash flows);
- 10 (f) (statement of financial position as at the beginning of the preceding period);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B–D (additional comparative information);
- 40A-40D (third statement of financial position);
- 111 (cash flow statement information); and
- 134–136 (capital management disclosures).

(f) IAS 7 Statement of Cash Flows;

(g) Paragraphs 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);

(h) Paragraph 17 and 18A of IAS 24 Related Party Disclosures (key management compensation);

(i) IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; and

(j) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

(k) Paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. Paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

2.1.1 Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 5. The company's borrowing facilities are described in note 17.

The company has net current liabilities of £36,399k (2018: £458k). The ultimate parent company, BNP Paribas Real Estate SAS, has confirmed its willingness to make available sufficient funds to enable the company to continue for at least 12 months from the date of signing of the financial statements. The company has considerable financial resources together with sufficient long term contracts with clients and suppliers across various geographical locations. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.1.2 New standards, amendments and IFRIC interpretations

IFRS 16 is the new accounting standards that is effective for the year ended 31 December 2019. The impact of the first adoption of IFRS 16 to the company financial statements is disclosed in note 24. No other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 have had a material impact on the company.

2.2 Consolidation

The Company is a wholly owned by BNP Paribas Real Estate SAS. The directors regard BNP Paribas SA, a company incorporated in France, as the ultimate parent company and controlling party. The smallest and largest group in which the financial statements of the company are consolidated is that headed by BNP Paribas SA. Copies of these financial statements are available from 16 Boulevard des Italiens, 75009 Paris, France. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The financial statements therefore contain information about BNP Paribas Real Estate Advisory & Property Management UK Limited as an individual company and do not contain consolidated financial information as the parent of a group.

2.3 Foreign currencies

(a) Functional and presentation currency

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.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 statement of comprehensive income within 'Other operating income/(loss)'.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Depreciation on all assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold Improvements	5 years or the remaining life of the lease
Office Equipment – Computers	4 – 5 years
Office Equipment – Other	4 – 5 years
Motor Vehicles	4 years
Assets in Progress	Not applicable

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.5 Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised.

Goodwill is carried at cost less accumulated impairment losses. Separately recognised goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. Impairment losses are reversed, if and only if, the reasons for impairment cease to apply.

The non-amortisation of goodwill is a departure from the requirement of paragraph 22 of Schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The company recognises goodwill at cost less any impairment losses in accordance with IFRS standards in order to maintain consistency of accounting policies throughout the group. The effect of this is to reduce the charge to the statement of comprehensive income by £4,899k (2018: £4,900k) and increase the value of non-current assets held on the statement of financial position by £20,071K (2018: £15,172k).

2.6 Intangible assets other than goodwill

Intangible assets acquired as part of business combinations and incremental contract costs are valued at fair value on acquisition and amortised over the useful life. Fair value on acquisition is determined by third-party valuation where the acquisition is significant. Acquisition related costs are expensed as incurred. Any contingent consideration to be transferred by the company is recognised at fair value at the acquisition date.

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 or sell it;
- there is an ability to use or sell 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 or sell 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. 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.

Measurement subsequent to initial recognition is at cost less accumulated amortisation and impairment.

Amortisation is charged to administrative expenses in the statement of comprehensive income on a straight-line basis over the period of the assets' estimated useful lives as follows:

Brand	15 years
Order backlog	3 - 7 months
Customer relationships	20 years
Operating leases: favourable	4.2 years
Operating leases: unfavourable	3 - 11 years
Computer software	2 - 10 years

2.6 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

The company classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

2.8 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses. Impairment is reviewed at the end of each reporting period.

2.9 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets 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 the 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 asset or group of financial assets that can be reliably estimated.

2.10 Trade and other receivables

Trade and other receivables are amounts due from clients for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade and other receivables are recognised at fair value, less provision for impairment. Group policy for provision for doubtful debts is a 100% provision on fees with aging profile of over 365 days, a 75% provision on fees with aging profile between 270 and 365 days, a 50% provision on fees with aging profile between 180 and 270 days and 25% provision on fees with aging profile between 90 and 180 days.

2.11 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 and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Share capital

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

2.13 Creditors

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

2.14 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.

2.15 Current and deferred income tax

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

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the company operates and generates taxable income. 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 bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have 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 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

a) Pension obligations

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.

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The pension costs are accounted for in accordance with IAS19. On 30 September 2006 this scheme was frozen with no further contributions to be made by employees.

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 periods.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Statement of financial position.

2.17 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate the risks specific to the liability. Provisions are not recognised for future operating losses.

Claims and litigation provisions comprise the amounts set aside to meet potential liabilities pursuant to claims by clients to the extent that such sums fall within the level of insurance excess under the relevant insurance policy. These arise from various legal actions, proceedings and other claims that are pending against the company.

2.18 Revenue

Revenue is measured based on the consideration specified in a contract with a client and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control over a product or service to a client. The company recognises revenue when or as the performance obligations have been satisfied in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

a) Residential

Commission earned on sales of residential property is recognised on unconditional exchange of contracts. If the services rendered by the company exceed the payment, a contract asset is recognised. For multi-unit new homes developments sold off-plan, the revenue is recognised in two stages: unconditional exchange and at the date of completion of the contract in line with the timing of payment.

The company provides lettings services including securing the letting for the landlord, which can include rent collection, and managing the letting on behalf of the landlord. If applicable, the proportion relating to rent collection is recognised over the duration of the lease term on a straight-line basis. The revenue in connection to securing the letting is recognised immediately up to the end of the lease term as the company has substantially satisfied all its obligations at the point of signing the contract. A percentage of the contracts have break clauses and an estimated break clause provision is recognised to reflect the average loss of future commission based on the historical data of exercised break clauses. A contract asset is recognised to reflect the revenue from securing the letting when the service is combined with the rent collection service as the payment is deduced from the monthly rent collected. The management fee is recognised monthly on a straight-line basis over the lease term.

b) Transactional

Revenue is recognised on unconditional exchange of contracts. The clients make payments in line with the payment schedule in the contract, if a proportion of the payment is payable after unconditional exchange a contract asset is recognised and if the payments precedes unconditional exchange a contract liability is recognised.

c) Consultancy

Revenue represents fees recognised on a time basis, fixed fee or percentage of completion as contracted and is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date. This is determined based on the actual time recorded or on milestones that represents the pattern of progress of transfer of the promised work to clients in an amount that reflects the revenue to which the entity expects to be entitled in exchange for those works.

In case of fixed-price contracts, the client pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Clients are invoiced on a monthly basis and consideration is payable when invoiced.

2.8 Revenue (continued)

d) Professional Services

Revenue is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. Either the client receives and uses the benefits simultaneously or the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date. This is determined based on the actual time recorded or on milestones that represents the pattern of progress of transfer of the promised work to clients in an amount that reflects the revenue to which the entity expects to be entitled in exchange for those works.

In case of fixed-price contracts, the client pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Clients are invoiced on a monthly basis and consideration is payable when invoiced.

2.19 Interest income

Interest income is recognised using the effective interest method.

2.20 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.22 Leases

The company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The impact of changes is disclosed in note 25.

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The company has applied this approach to contracts entered into or changed on or after 1 January 2019. The company's approach to other contracts is explained in note 24.

For leases of land and buildings in which it is a lessee, the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for a lease payments made at or before the commencement date. Plus, any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset would be periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate provided by the BNP Paribas Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments and;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (< £5,000). The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, inevitably, 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.

3.1 Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other trade receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

3.2 Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

3.3 Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

3.4 Provisions

The company is party to various legal claims from time to time. The provisions made within these financial statements and the methodology used in their determination are contained in note 19.

3.5 Valuation of intangible assets and useful life

The company has made assumptions in relation to the potential future cash flows to be determined from separate intangible assets acquired as part of business combinations. This assessment was conducted by external advisors and involves assumptions relating to potential future revenues, appropriate discount rates and the useful life of such assets. These assumptions impact the income statement over the useful life of the intangible asset.

3.6 Impairment of investment in subsidiaries

An impairment loss is recognised whenever recoverable amount is below carrying amount. The company has made assumptions in relation to the potential future cash flows when assessing the recoverable amount of its investment in subsidiaries. This assessment involves assumptions relating to potential future revenues and appropriate discount rates.

4 Revenue

Revenue of £152,994k (2018: £151,284k), is attributable the provision of property related advice and services, all of which materially arises in the United Kingdom.

Contract balances

The company has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	£'000	£'000
Receivables, which are included in Trade and other receivables	32,839	34,811
Contract assets, which are included in Trade and other receivables	10,662	8,777
Contract liabilities, which are included in Trade and other payables	(464)	(74)

The contract assets relate to the company's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities relate to the advance consideration received from customers. A provision for impairment of £751k (2018: £1,044k) against the receivables was recognised in the statement of comprehensive income, no impairment was recognised in relation to the other contract balances.

No assets have been recognised from costs to fulfil a contract.

No material revenue has been recognised in the year from performance obligations satisfied or partially satisfied in previous periods.

5 Net finance (cost)/income

	2019	2018
	£'000	£'000
Finance income		
- Bank interest	6	13
- Other interest	1,146	941
Finance income	1,152	954
Finance costs		
- Group company loan	(226)	(104)
- Bank charges	(191)	(164)
- Other finance costs	(1,695)	(433)
Finance costs	(2,112)	(701)
Net finance (cost)/income	**(960)**	**253**

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2019	2018
	£'000	£'000
Operating lease costs	1,670	2,551
Depreciation of property, plant and equipment	2,086	1,959
Depreciation of Right-of-Use Assets	6,541	
Impairment of Right-of-Use Asset	1,824	-
Amortisation of intangible fixed assets	2,215	2,901
Fees payable to the company's auditors for the audit of the company's financial statements	164	160
Fees charged for the audit of subsidiary undertakings pursuant to legislation	12	12

7 Staff costs

The average monthly number of employees (including executive directors) was as follows.

	2019	2018
	Number	Number
Professional	902	844
Administration	442	523
	1,344	**1,367**

Their aggregate remuneration comprised:

	2019	2018
	£'000	£'000
Wages and salaries	87,214	106,955
Social security costs	8,046	7,856
Other pension costs	5,157	5,250
	100,417	**120,061**

8 Directors' remuneration and transactions

Remuneration

The remuneration of the directors of the company and its subsidiaries was as follows:

	2019	2018
	£'000	*£'000*
Emoluments	3,085	2,778
Benefits in kind	172	102
Company contributions to Defined Contribution Schemes	53	39
	3,310	**2,919**

Pensions

The number of directors who were members of pension schemes was as follows:

	2019	2018
	Number	Number
Defined Contribution Schemes	6	6

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2019	2018
	£'000	£'000
Total emoluments	558	813

9 Tax on profit on ordinary activities

	2019	2018
	£'000	£'000
Current tax:		
- continuing operations	2,953	2,915
Adjustments in respect of prior years	(5)	(312)
Total current tax	2,948	2,603
Deferred tax		
- continuing operations	(306)	(361)
Prior year adjustment	974	-
Total deferred tax	668	(361)
Tax credit for the year	**3,616**	**2,242**

The deferred tax prior year adjustment of £974k relates to IFRS16 adjustments made on leases and pension.

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	2019	2018
	£'000	£'000
Loss on ordinary activities before taxation	(12,084)	(30,337)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	2,296	5,764
Effects of:		
Effect of tax rate changes on deferred tax balances	(80)	(550)
Deferred consideration	1,220	(1,945)
Expenses not deductible for tax purposes	(789)	(1,086)
Non-taxable income	-	371
Adjustments in respect of prior years	969	(312)
Tax credit for the year	**3,616**	**2,242**

10 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17.00% (2018: 19.00%) for the year.

Deferred tax assets

	Accelerated tax depreciation	Annuity provision	Bonuses	Pension	IFRS 16	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2018	410	122	21	(28)	-	525
Charged to profit and loss account in current year	(86)	(11)	(21)	(243)	-	(361)
As at 31 December 2018	**324**	**111**	**-**	**(271)**	**-**	**164**
Adjustments in respect of 2019 opening	194	-	5	271	504	974
As at 1 January 2019	518	111	5	-	504	1,138
Charged to profit and loss account in current year	(30)	(10)	26	(133)	(79)	(226)
Movement due to change in tax rate	(51)	(10)	(3)	30	(46)	(80)
As at 31 December 2019	**437**	**91**	**28**	**(103)**	**379**	**832**

BNP Paribas Real Estate Advisory & Property Management UK Limited

Year ended 31 December 2019

Notes to the financial statements

11 Intangible assets

	Goodwill	Software	Software - assets in progress	Brand	Order backlog	Customer relationships	Operating leases favourable	Operating leases unfavourable	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost									
At 1 January 2019	66,079	7,917	257	11,175	2,249	10,453	51	(851)	97,330
Additions	-	-	421	-	-	-	-	-	421
Transfers	-	416	(416)	-	-	-	-	-	-
Disposals	-	(835)	-	-	-	-	-	-	(835)
At 31 December 2019	66,079	7,498	262	11,175	2,249	10,453	51	(851)	96,916
Accumulated amortisation and impairment									
At 1 January 2019	-	(4,502)	-	(931)	(2,249)	(653)	(15)	160	(8,190)
Charge for the year	-	(1,062)	-	(745)	-	(523)	(13)	128	(2,215)
Disposals	-	638	-	-	-	-	-	-	638
At 31 December 2019	-	(4,926)	-	(1,676)	(2,249)	(1,176)	(28)	288	(9,767)
Net book value									
At 31 December 2018	66,079	3,415	257	10,244	-	9,800	36	(691)	89,140
At 31 December 2019	**66,079**	**2,572**	**262**	**9,499**	**-**	**9,277**	**23**	**(563)**	**87,149**

Intangible assets amortisation is recorded in administrative expenses in the statement of comprehensive income.

In accordance with IAS 36 an impairment review was carried out on 31 December 2019, which showed that the carrying value of goodwill has not exceeded its recoverable amount. The accounting treatment is a departure from the requirements of paragraph 22 of Schedule 1 to SI 2008/410 and is adopted in order to present a true and fair view of the company's results. The company recognises goodwill at cost less any impairment losses in accordance with IFRS standards in order to maintain consistency of accounting policies throughout the group.

12 Property, plant and equipment

	Leasehold Improvements £'000	Office Equipment: Computers £'000	Office Equipment: Other £'000	Motor Vehicles £'000	Assets in progress £'000	Total £'000
Cost						
At 1 January 2019	6,319	1,597	1,155	7	450	9,528
Additions	-	-	-	-	3,343	3,343
Transfers	2,687	663	203	-	(3,553)	-
Disposals	(381)	(142)	(53)	(2)	-	(578)
At 31 December 2019	8,625	2,118	1,305	5	240	12,293
Accumulated depreciation						
At 1 January 2019	(1,803)	(405)	(442)	(2)	-	(2,652)
Charge for the year	(1,300)	(455)	(330)	(1)	-	(2,086)
Disposals	160	129	20	-	-	309
At 31 December 2019	(2,943)	(731)	(752)	(3)	-	(4,429)
Net book value						
At 31 December 2018	4,516	1,191	712	5	450	6,875
At 31 December 2019	**5,682**	**1,387**	**553**	**2**	**240**	**7,864**

In the year, significant works were carried out at the head office to convert the office space into an agile working environment; this represents £2,936k of the additions in the year.

On the implementation of IFRS 16, IT Leases previously classed as office equipment have been reclassified under IFRS 16, see note 18.

13 Investments in subsidiaries

The registered address of all direct and indirect subsidiaries is 5 Aldermanbury Square, London, EC2V 7BP.

	2019	2018
	£'000	£'000
Subsidiary undertakings	90	90
	90	**90**

The company has direct investments in the following entities:

	Country of Incorporation	% Holding of Ordinary Shares
BNP Paribas Real Estate Facilities Management Limited	England	100%
BNP Paribas Real Estate Investment Management Limited	England	100%
BNP Paribas Real Estate Investment Management (UK) Limited	England	100%
BNP Paribas Property Development UK Limited	England	100%
BNP Paribas Business Assets Valuation Limited	England	100%

	Shares
	£'000
Cost/Valuation:	
At 1 January 2019	90
Impairment for the year	-
At 31 December 2019	**90**

The directors believe that the carrying value of its investments is supported by their underlying net assets.

The company has indirect investments in the following entities:

	Country of Incorporation	% Holding of Ordinary Shares
REPD Parker Limited	England	100%
Parker Tower Limited	England	100%

	Shares 2019 £'000	Shares 2018 £'000
Cost/Valuation:		
At 1 January	3,372	32,369
Additions in the year	3	12
Impairment in the year	(3,375)	(29,009)
At 31 December	-	3,372

Following year-end impairment testing using the Discounted Cash Flow model a £3,041k (2018: £14,343k) impairment loss has been recognised through the statement of comprehensive income relating to the indirect investment in REPD Parker Limited. A further impairment loss of £334k (2018: £14,666k) has been recognised in BNP Paribas Property Development UK Limited reflecting the reduction in the net asset value as a direct consequence of the impairment in REPD Parker Limited.

14 Equity investments

	2019 £'000	2018 £'000
At 1 January	428	1
Additions	-	702
Movement in fair value	(93)	(275)
At 31 December	**335**	**428**

On the Market Plc was listed on the London Stock Exchange in 2018 and the loan notes to Agents' Mutual, which were acquired as part of the acquisition of trade and assets of Strutt & Parker LLP in 2017, with a fair value of £282k, were converted to 474,572 shares as part of the listing.

15 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	32,088	33,767
Amounts owed by group undertakings	3,672	2,725
Corporation tax receivable	7,453	4,505
Other receivables	415	754
Prepayments	4,483	9,415
Contract assets	10,662	8,777
	58,773	**59,943**

Trade receivables are due within one year and are stated after provision for impairment of £751k (2018: £1,044k).

The amounts owed by group undertakings falling due within one year are unsecured, interest-free, has no fixed date of repayment and is repayable on demand. Of the amounts owed by group undertakings, £2,020k (2018: £1,400k), is an intercompany loan to BNP Paribas Real Estate Investment Management Limited. Interest is charged at the rate payable by the company under its own equivalent facility with BNP Paribas London Branch plus an administrative margin of 5 basis points. It is repayable on 30 April 2020.

16 Trade and other payables

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	122	1,893
Amounts owed to group undertakings	11,996	3,542
Other taxation and social security	9,615	9,878
Other creditors	3,267	3,753
Deferred consideration	3,268	3,268
Accruals	19,171	32,244
Contract liabilities	464	74
	47,903	**54,652**
Amounts falling due after one year:		
Deferred consideration	-	3,184
	-	**3,184**

Amounts owed to group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

17 Borrowings

	2019	2018
	£'000	£'000
Bank loan: amounts falling due within one year	43,000	7,100
Bank loan: amounts falling after one year	15,000	30,000
	58,000	**37,100**

A group revolving credit facility of £60m (2018: £35m) from BNP Paribas London Branch is available for immediate drawdown for all BNP Paribas Real Estate UK subsidiaries. As at the year-end £28m (2018: £nil) has been utilised by the company. The bank loan has no specific repayment date, is reviewed annually and the interest rate is charged at LIBOR plus the liquidity rating as defined by the Liquid Consumer (LC) grid at the borrowing date.

Of the total loans due within one year, £15,000k is from BNP Paribas with a variable rates ranging from of 1.019% to 1.002% and a maturity date of 24 March 2020. The £15,000k loan due after one year consists of two separate loans; £8,000k with a fixed interest rate of 1.965% and maturity date 24 March 2021 and £7,000k with a fixed interest of 2.08% and a maturity date of 24 September 2021.

18 Leases

Right-of-use assets

	Property	Vehicles	IT	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	71,788	2,266	970	75,024
Additions	1,953	335	-	2,288
At 31 December 2019	73,741	2,601	970	77,312
Accumulated depreciation				
At 1 January 2019	(38,347)	(887)	(398)	(39,632)
Charge for the year	(5,698)	(604)	(239)	(6,541)
At 31 December 2019	(44,045)	(1,491)	(637)	(46,173)
Carrying Amount				
Impairment	(1,824)	-	-	(1,824)
At 31 December 2019	**27,872**	**1,110**	**333**	**29,315**

Lease Liabilities

At 31 December 2019, the company is committed to £33,612k (2018: nil) in future lease payments, none of which relates to short-term leases. The carrying amount of the leases liabilities approximates the fair value.

The company does not face a liquidity risk with regard to its lease liabilities and these are monitored as part of the overall process of managing cash flows.

	2019
	£'000
Current	5,089
Non-current	28,523
At 31 December 2019	33,612

Amounts recognised in profit or loss	**2019**
	£'000
Depreciation of right-of-use assets	6,541
Interest expense on lease liabilities	891
Expenses relating to short-term leases	332
Expenses of low-value leases	585
Expense relating to variable lease payments not included in IFRS 16	753

19 Provision for liabilities

The company had the following provisions during the year:

	Annuity provision £'000	Litigation provision £'000	Pension provision £'000	Dilapidation provision £'000	Contractual provision £'000	Total £'000
At 1 January 2019	584	60	3,370	1,893	12,843	18,750
Additions to the statement of comprehensive income	23	53	384	413	-	873
Additions to other comprehensive income	-	-	178	-	-	178
Unused amounts reversed to the statement of comprehensive income	-	(42)	-	-	(6,422)	(6,464)
Utilised in the year	(77)	(42)	(1,086)	(43)	-	(1,248)
Actuarial loss	-	-	(343)	-	-	(343)
At 31 December 2019	**530**	**29**	**2,503**	**2,263**	**6,421**	**11,746**

a) Annuity provision

The provision relates to the actuarial value of annuities payable to the spouses of former partners of the Weatherall Green and Smith Partnership. This was revalued at 31 December 2019.

b) Pension provision

Relates to the pension deficit on the defined benefit pension scheme (note 22).

c) Litigation provision

Claims and litigation provisions comprise the amounts set aside to meet potential liabilities of the company pursuant to such claims to the extent they would not be met by the company's insurance policies (for example by way of insurance deductibles). These provisions arise from various legal actions, proceedings and other claims that are pending or may be taken against the Company. Where there is insufficient information on which to assess the potential losses (or to determine if there will be any losses), initial reserves may be set at a level to cover the company's costs or nil. In such cases, the excess of the claim will be recognised, however given the uncertain nature and outcome of the claims, no further provision is recognised. In the year and based upon these principles.

d) Dilapidation provision

The company is required to perform dilapidations repairs and in certain instances restore properties to the agreed specifications prior to the properties being vacated at the end of the lease term. These amounts are based on estimates of repair and restoration costs at a future date and therefore a degree of uncertainty exists over the future outflows.

e) Contractual provisions

Contractual provisions include provisions arising from business combinations.

20 Related party transactions

Under the provisions of FRS 101, no related party transactions are disclosed since all such transactions are with entities that are 100% controlled by the group and included in the consolidated financial statements of the ultimate parent company, BNP Paribas SA.

21 Called up share capital

	2019	2018
	£'000	£'000
Authorised		
11,235,260 (2018: 11,235,260) ordinary shares of £1 each	**11,235**	**11,235**
Allotted, called-up and fully-paid		
11,235,260 (2018: 11,235,260) ordinary shares of £1 each	**11,235**	**11,235**

22 Financial commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods at 31 December:

	2019	2018
	£'000	£'000
- within one year	8,315	8,522
- between two and five years	26,767	29,608
- more than five years	5,834	9,658
	40,916	**47,788**

23 Pension arrangements

Throughout the year, BNP Paribas Real Estate Advisory & Property Management UK Limited provided pension arrangements for the majority of eligible full time employees through the pension schemes outlined below.

From 1 May 2000, a defined contribution scheme was introduced and made available to all staff who were over 25 years of age but not of retirement age. This has decreased to employees over 22 years old, in line with Auto Enrolment legislation. The pension charge for the year to 31 December 2019 was £5,157k (2018: £5,251k), which was equal to the cash contributions paid. There were no outstanding or prepaid contributions at 31 December 2019.

The company continues to maintain a defined benefit pension scheme. On 30 April 2000, this scheme was closed to new employees. On 30 September 2006, this scheme was frozen with no further years of pensionable service to be accrued by members; however, the annual increase to pensionable salaries is applied throughout the remainder of their employment. The company contributed £1,086k into the scheme during 2019 (2018: £863k) and expects to make further contributions over the year ending 31 December 2020.

The assets of the scheme are held in a fund separately from those of the company. The contributions are determined by an independent qualified actuary based on triennial valuations using the Projected Unit method. The most recent formal actuarial valuation was carried out at 1 May 2017 and the results of that valuation have been projected to 31 December 2019 by a qualified independent actuary.

Sensitivity Analysis

The results are highly sensitive both to the actuarial assumptions used and to the market conditions. The disclosures under IAS19 are likely to remain volatile in future years. This is because the liabilities are discounted by reference to bond yields whereas the scheme invests a significant proportion of its assets in equities.

Discount rate - If the discount rate was 0.1% higher (lower), the scheme liabilities would decrease by £1,337k (increase by £1,719k) if all the other assumptions remained unchanged.

Inflation rate - If the inflation assumption were 0.1% higher, the scheme liabilities would increase by £844k. In this calculation, all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

Mortality - If mortality rates were to decrease by 20%, the scheme liabilities would increase by £7,890k if all the other assumptions remained unchanged.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
	£'000	£'000
Present value of scheme liabilities	(84,916)	(75,974)
Fair value of scheme assets	81,901	71,914
Funded Status	(3,015)	(4,060)
Net amount recognised at year end *(before any adjustment for deferred tax)*	(3,015)	(4,060)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Re-measurements of the net defined benefit liability are included in other comprehensive income.

	2019	2018
	£'000	£'000
Past service cost (including curtailments)	-	1,300
Administration expenses	281	94
Net interest expense	103	35
Charge recognised in the statement of comprehensive income	**384**	**1,429**

Re-measurements of the net liability:

	2019	2018
	£'000	£'000
Re-measurement (gain)/loss on scheme assets (excluding amount included in interest expense)	(9,792)	3,172
Loss/(gain) arising from changes in financial assumptions	8,689	(2,314)
Loss arising from changes in demographic assumptions	1,210	282
Experience (gain)/loss	(450)	656
(Credit)/charge recorded in other comprehensive income	(343)	1,796
Total defined benefit cost	41	3,225

The principal actuarial assumptions used were:

	2019	2018
Liability discount rate	2.00%	2.80%
Inflation assumption - RPI	3.20%	3.55%
Inflation assumption - CPI	2.30%	2.45%
Rate of increase in salaries	3.20%	3.55%
Revaluation of deferred pensions:		
All benefits	2.30%	2.45%
Increases for pensions in payment:		
Benefits accrued prior to 1 May 1995 (Fixed 5%)	5.00%	5.00%
Benefits accrued after to 1 May 1995 (LPI 5%)	3.10%	3.40%
Proportion of employees opting for early retirement	100%	100%

* It is assumed that all members retire at age 64

Proportion of employees commuting pension for cash	100% of members will commute 25% of their pension for a cash sum at retirement	100% of members will commute 25% of their pension for a cash sum at retirement
Transfer take-up	10% of members transfer at retirement on a cost-neutral basis to IAS19	10% of members transfer at retirement on a cost-neutral basis to IAS19
Mortality assumption	88% SAPS S2 PxA mortality tables using CMI 2019 improvements (Sk=7.0, A=0.5%) with a 1.25% long term trend	85% SAPS S2 PxA mortality tables using CMI 2018 improvements (Sk=7.5) with a 1.25% long term trend

	2019	2018
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end:	88.0	88.2
Female aged 65 at year end:	89.9	90.1
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end:	89.4	89.6
Female aged 45 at year end:	91.4	91.6

Changes in the present value of assets over the year:

	2019	2018
	£'000	£'000
Fair value of assets at start of year	71,914	74,370
Interest income	1,988	1,769
Return on assets (excluding amount included in net interest expense)	9,792	(3,172)
Contributions by the employer	1,086	863
Benefits paid	(2,598)	(1,822)
Administration costs incurred	(281)	(94)
Fair value of assets at end of year	**81,901**	**71,914**
Actual return on assets over the year	(11,780)	(1,403)

Changes in the present value of liabilities over the year:

	2019	2018
	£'000	£'000
Liabilities at start of year	75,974	76,068
Interest cost	2,091	1,804
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	8,689	(2,314)
Actuarial gains and losses arising from changes in demographic assumptions	1,210	282
Other experience items	(450)	656
Benefits paid	(2,598)	(1,822)
Past service cost (including curtailments)	-	1,300
Liabilities at end of year	**84,916**	**75,974**
Duration of the scheme's liabilities at the end of the period (years)	18	19

The major categories of scheme assets are as follows:

	2019	2018
	£'000	£'000
Equities	22,950	25,271
Government Bonds	45,187	31,511
Corporate Bonds	5,440	5,055
Cash and Cash Equivalents	913	2,421
Other (Diversified Growth Funds)	7,411	7,656
Total market value of assets	**81,901**	**71,914**

The Scheme has no investments in the Company or in property occupied by the Company.

The results of the 1 May 2017 actuarial valuation showed a deficit of £4,300k on the Trustee's Technical Provisions basis. In order to address this deficit, the Trustee and the Company have established a Recovery Plan. As per the Schedule of Contributions, contributions of the following amounts will be paid:

- £863k in 2018 in respect of the deficit and contributions to cover scheme expenses
- £846k per annum from 1 January 2019 to 31 January 2024 in respect of the deficit
- £550k per annum from 1 February 2024 to 31 December 2025 in respect of the deficit
- £240k per annum from 1 January 2019 to 31 December 2025 to cover scheme expenses (not including levies)

The next actuarial valuation of the Scheme is due as at 1 May 2020 and the contributions above will be reviewed.

24 Subsequent events

On the loan maturity date, 24 March 2020, the £15,000k loan was extended to 26 May 2020.

The group revolving credit facility of £60,00k was increased to £80,000k on 6 March 2020.

25 Changes in accounting policies

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these financial statements.

The company has applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the company has changed its accounting policy for lease contracts as detailed below.

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

Previously, the company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the company assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 2.22.

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. There, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The company decided to apply recognition exemptions to short-term or low value leases, see notes 2.22.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application.

The company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

Leases previously classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Sale and Leaseback

Under IFRS 16, the company continues to account for the sale-and-lease back transactions for all IT Leases as sale-and-leaseback transactions. The company recognised a right-of-use asset and a lease liability from the leaseback on 1 January 2019, measured in the same way as the other right-of-use assets and lease liabilities at that date.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:
Right-of-use assets – increase by 34,819k
Lease liabilities – increase by £37,477k
Deferred tax assets – increase by £504k

The net impact on retained earnings on 1 January 2019 was a decrease of £2,659k

When measuring lease liabilities, the company discounted lease payments using BNP Paribas Group's incremental borrowing rate at 1 January 2019.

	1 January 2019 £'000
Operating lease commitment at 31 December 2018 as disclosed in the Financial Statements	33,720
Adjustment to opening lease commitments	14,068
Recognition exemptions:	
- Leases of low value assets	(871)
- Leases with remaining lease term of less than 12 months	(39)
Operating Lease Liabilities before discounting	46,878
Discounted using the incremental borrowing rate	37,477
Lease Liabilities recognised at 1 January 2019	37,477