

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC
(Formerly PINNACLE INSURANCE MANAGEMENT SERVICES PLC)

Company Registration Number: 2729650

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st December 2004



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CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Directors: C J Schwick M.B.A.
N A Shuker B.A., A.S.A., F.I.A.
C S Mills LL.B. (Hons), Solicitor
A W Dreyer B.A.(Hons), F.C.C.A.
S D Williams F.I.M.I
K J Byrne B.Sc(Hons), F.I.A.
R T Humber M.C.I.M.
Cardif Assurance Vie

Secretary: K Cranston LL.B. (Hons), Solicitor

Registered Office: Pinnacle House
A1 Barnet Way
Borehamwood
Hertfordshire
WD6 2XX

Auditors: Mazars
24 Bevis Marks
London
EC3A 7NR

Bankers: Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31st December 2004.

Principal Activity

The principal activity of the company is the provision of management services to its related companies.

Business Review

The company has continued to trade profitably and continues to undertake the provision of management services to the holding company and its subsidiaries. The company intends to continue with this activity in 2005 and providing services to other insurers. As the company is now deemed to be making arrangements with a view to transactions in insurance, that is concluding contracts and collecting premiums, it is required to become a company authorised for these purposes from 14 January 2005 and has duly submitted an application to the FSA for authorisation.

Payment of suppliers

It is the company's general policy to pay trade creditors when they fall due for payment. The number of creditor days for the financial year was 29.86 (2003: 24.42).

Proposed Dividend and Transfer To Reserves

The results for the period are set out on page 7. During the year, total dividends of £138,375 (2003: £137,861) on the preference shares and £1,861,625 (2003: £2,000,000) on the ordinary shares were paid.

After deducting the total dividends, it is proposed that the profit of £444,724 (2003: £143,047 loss) is transferred to reserves.

Disabled Persons and Employee Involvement

The company's policy is to give consideration to applications for employment made by disabled persons, having regard to their particular aptitude and abilities.

Disabled employees receive appropriate training to promote their career within the company. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Employees are kept well informed about the progress and position of the company by means of regular departmental meetings, newsletters, and journals, which are regularly published on the company's intranet.

Directors and their Interests

The directors who held office during the year were: -

C J Schwick M.B.A.
N A Shuker B.A., A.S.A., F.I.A.
C S Mills LL.B. (Hons), Solicitor
A W Dreyer B.A.(Hons), F.C.C.A.
A Claytor B.A.(Hons), A.C.I.B. (resigned 12 January 2005)
S D Williams F.I.M.I.
K J Byrne B.Sc(Hons), F.I.A.
A J Piper B.Sc(Hons) (resigned 12 January 2005)
R T Humber M.C.I.M.
Cardif Assurance Vie

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Directors' Report (Continued)

The interest of the directors in the ordinary shares of the parent company, Cardif Pinnacle Insurance Holdings plc at 31st December 2004 and 2003 were as follows: -

	2004 Shares	2003 Shares
Mr N A Shuker	25,000	25,000
Ms K J Byrne	660	660
Mr R T Humber	26	26

The following directors have options to subscribe for ordinary shares in a Share Option Scheme in Cardif Pinnacle Insurance Holdings plc.

	Number of Options 1 January 2004	Options Issued During 2004	Options Exercised During 2004	Number of Options 31 December 2004
Mr N A Shuker	877	849	-	1,726
Mr C J Schwick	877	424	-	1,301
Mr C S Mills	516	522	-	1,038
Mr A W Dreyer	443	448	-	891
Mr A Claytor	419	412	-	831
Mr S Williams	516	522	-	1,038
Ms K J Byrne	943	422	-	1,365
Mr R T Humber	1,408	418	-	1,826
Mr A J Piper	1,410	403	-	1,813

The interests of the directors in ordinary shares of BNP Paribas SA at 31st December 2004 and 2003 were as follows:

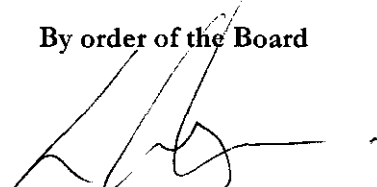
		2004	2003
Ordinary shares held	Ms K J Byrne	1,003	1,003
	Mr A Claytor	1,227	1,127

Other directors' interests in ordinary shares of BNP Paribas SA are disclosed in the statutory accounts of the immediate holding company, Cardif Pinnacle Insurance Holdings plc.

Auditors

Mazars LLP replaced Mazars as an independent auditor to the Company during 2004. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Mazars LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the Board



K Cranston
Company Secretary

Date: 23 JUN 2005

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which 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 those financial statements, the directors are required to: -

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

We have audited the financial statements of Cardif Pinnacle Insurance Management Services plc for the year ended 31 December 2004, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. Our responsibilities do not extend to any other information.

We read the Directors' Report and consider the implications for our report if we become aware of any misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARDIF PINNACLE
INSURANCE MANAGEMENT SERVICES PLC (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP

Mazars LLP
Chartered Accountants
Registered Auditors
24 Bevis Marks
London EC3A 7NR

Date: *24 June 2005*

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Profit and Loss Account
for the year ended 31st December 2004

	Note	2004 £	2003 £
Turnover	2	31,458,554	27,316,606
Administrative expenses	16	(27,919,369)	(24,166,274)
Operating profit		3,539,185	3,150,332
Interest receivable and similar income	5	368,967	334,474
Interest payable and similar charges	6	(112,519)	(362,707)
Profit on ordinary activities before taxation	3	3,795,633	3,122,099
Tax on profit on ordinary activities	7	(1,350,909)	(1,127,285)
Profit on ordinary activities after taxation		2,444,724	1,994,814
Dividends:			
Equity & Non Equity	14	(2,000,000)	(2,137,861)
Retained profit/(loss) for the financial year	15	444,724	(143,047)

There were no recognised gains or losses other than those passing thorough the profit and loss account.
All the company's activities relate to continuing operations.

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

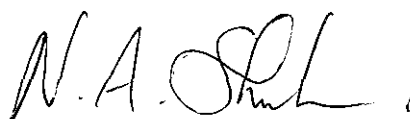
Balance Sheet as at 31st December 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	9		4,238,702		3,041,257
Current assets					
Debtors	10	19,060,797		17,473,359	
Cash at bank and in hand		135,281		88,944	
		<u>19,196,078</u>		<u>17,562,303</u>	
Creditors : Amounts falling due within one year	11	<u>(12,670,062)</u>		<u>(10,283,566)</u>	
Net current assets			6,526,016		7,278,737
Total assets less current liabilities			10,764,718		10,319,994
			<u>10,764,718</u>		<u>10,319,994</u>
Capital and reserves					
Equity shareholders' funds					
Called up share capital	13		250,000		250,000
Profit and loss account	15		8,014,718		7,569,994
Total equity shareholders' funds			8,264,718		7,819,994
Non-equity shareholders' funds					
Called up preference share capital	13		2,500,000		2,500,000
Total shareholders' funds			<u>10,764,718</u>		<u>10,319,994</u>

These financial statements were approved by the Board of directors on

23 JUN 2005

On behalf of the Board:


 N A Shuker


 C J Schwick

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements for the Year Ended 31st December 2004

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention.

The company has relied on the exemption given in Financial Reporting Standard 1 not to disclose a separate cash flow statement on the grounds that it is a wholly owned subsidiary of a parent undertaking established under the law of an EC member state.

The parent undertaking publishes consolidated financial statements which include the accounts of the company, drawn up in accordance with the provisions of the EC Seventh Directive and which include a consolidated cash flow statement dealing with the cash flows of the group.

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that the company is included in publicly available consolidated accounts.

Fixed Assets and Depreciation

Tangible fixed assets are stated at historical cost. Depreciation is provided by the company to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	20% per annum
Motor vehicles	25% per annum
Computer equipment	33 $\frac{1}{3}$ % per annum

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements by the balance sheet date.

Insurance Transactions

The company acts as an agent of Pinnacle Insurance plc in the arrangement of insurance with clients and does not act as principal for premiums due to that company or for premiums payable to clients. However, as in practice premiums and claims monies flow through the company, cash received and creditors relating to this business are accounted for as assets and liabilities of the company itself.

Pension Costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004**Finance Leases**

Gross earnings under finance leases are apportioned over the life of the agreements to give a constant periodic rate of return on the net investment in those agreements.

Operating Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

2. Turnover

This primarily represents fees charged to fellow UK subsidiary undertakings for the provision of management services, and also fees charged to external clients for services provided.

3. Profits on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	2004 £	2003 £
Auditors' remuneration	12,000	8,561
Auditors' remuneration over provision for prior years	-	(50,000)
Depreciation of owned tangible fixed assets	1,422,968	1,231,797
Finance lease income	(1,748)	(3,688)
Operating lease rentals	1,114,000	1,114,000
Profit on sale of fixed assets	<u>(37,817)</u>	<u>(41,945)</u>

4. (a) Employees

The average number of employees (including directors) during the year was:

	2004	2003
Sales	38	35
Administration	419	390
	<u>457</u>	<u>425</u>

Employment Costs

	2004 £	2003 £
Wages and salaries	12,843,957	11,202,339
Social security costs	1,417,029	1,391,166
Other pension costs	1,168,176	1,116,909
	<u>15,429,162</u>	<u>13,710,414</u>

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004

4. (b) Directors' Remuneration

The directors received the following emoluments paid in respect of their service as directors of this company:

	2004 £	2003 £
Emoluments	579,630	595,010
Pension contributions	88,930	87,313
	<u>668,560</u>	<u>682,323</u>
Emoluments of highest paid director	144,837	151,115
Pension contributions of highest paid director	15,150	14,683
	<u>159,987</u>	<u>165,798</u>

The numbers of directors to whom retirement benefits are accruing under defined contribution schemes as at the balance sheet date are 9 (2003: 9).

4. (c) Directors' compensation due to loss of office

No compensation has been paid to the directors who have suffered loss of office during this year or the prior year.

5. Interest Receivable and Similar Income

This represents interest receivable on bank deposits and inter-company loans

	2004 £	2003 £
Bank Deposits	66,867	23,649
Loans with immediate parent company	302,100	300,867
Loans with other fellow group undertakings	-	9,958
	<u>368,967</u>	<u>334,474</u>

6. Interest Payable and Similar Charges

This represents interest payable on loans with fellow group undertakings.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004

7. Taxation on profits on ordinary activities

Analysis of charge for period

	2004 £	2003 £
Tax on the company's profit:		
Corporation tax	1,190,161	953,547
Adjustment in respect of prior years	79,888	56,075
Total current tax (factors below)	<u>1,270,049</u>	<u>1,009,622</u>
Deferred taxation (note 8)	80,860	117,663
Tax on profits on ordinary activities	<u>1,350,909</u>	<u>1,127,285</u>

Factors affecting tax charge for period

	2004 £	2003 £
Profit on ordinary activities	<u>3,795,632</u>	<u>3,122,099</u>
Assessment at standard rate of UK corporation tax (30%)	1,138,690	936,630
<u>Effects of:</u>		
Expenses not deductible for tax purposes	142,561	129,483
Capital Allowances in excess of depreciation	(79,745)	(71,262)
Sales proceeds of leased assets	-	(28,720)
Profit on sale of fixed assets	(11,345)	(12,584)
Adjustment in respect of prior years	79,888	56,075
Current tax charge (analysis above)	<u>1,270,049</u>	<u>1,009,622</u>

8. Deferred Taxation

	2004 £	2003 £
Deferred tax asset at the beginning of the year	432,498	550,161
Charge for accelerated capital allowances	(80,860)	(117,663)
Deferred tax asset at the end of year	<u>351,638</u>	<u>432,498</u>

The deferred tax asset arises from accelerated capital allowances on all eligible assets. There is no unprovided deferred tax for 2004. The deferred tax asset is included within prepayments and accrued income due within one year under note 10.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004

9. Tangible Fixed Assets

	Fixtures and Fittings £	Motor Vehicles £	Computer Equipment £	Total £
Cost at 1st January 2004	4,224,008	1,765,454	4,861,845	10,851,307
Additions	1,007,485	439,159	1,227,878	2,674,522
Disposals	-	(266,710)	-	(266,710)
Cost at 31st December 2004	<u>5,231,493</u>	<u>1,937,903</u>	<u>6,089,723</u>	<u>13,259,119</u>
Depreciation at 1st January 2004	3,059,271	770,312	3,980,467	7,810,050
Charge for Year	425,774	421,947	575,247	1,422,968
Disposals	-	(212,601)	-	(212,601)
Depreciation at 31st December 2004	<u>3,485,045</u>	<u>979,658</u>	<u>4,555,714</u>	<u>9,020,417</u>
Net book value at 31st December 2004	<u>1,746,448</u>	<u>958,245</u>	<u>1,534,009</u>	<u>4,238,702</u>
Net book value at 1st January 2004	<u>1,164,737</u>	<u>995,142</u>	<u>881,378</u>	<u>3,041,257</u>

10. Debtors

	2004 £	2003 £
Due within one year		
Amounts owed by group undertakings	5,102,629	1,959,911
Prepayments and accrued income	<u>5,497,377</u>	<u>4,908,974</u>
	<u>10,600,006</u>	<u>6,868,885</u>
Due after year		
Amounts owed by group undertakings	6,000,000	6,000,000
Prepayments and accrued income	<u>2,460,791</u>	<u>4,604,474</u>
	<u>8,460,791</u>	<u>10,604,474</u>
Total debtors	<u>19,060,797</u>	<u>17,473,359</u>

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004

11. Creditors: Amounts Falling Due Within One Year

	2004 £	2003 £
Loan repayable to group undertakings	1,500,000	4,500,000
Other amounts owed to group undertakings	7,231,592	2,998,536
Corporation tax payable	484,283	605,094
Other taxation and social security costs	486,884	538,978
Other creditors and accruals	2,967,303	1,640,958
	<u>12,670,062</u>	<u>10,283,566</u>

12. Borrowings

	2004 £	2003 £
Analysis of maturity of loans repayable to group undertakings		
In one year or less	<u>1,500,000</u>	<u>4,500,000</u>
	<u>1,500,000</u>	<u>4,500,000</u>

13. Called Up Share Capital

	2004 £	2003 £
Authorised share capital:		
Ordinary shares (1 million) of £1 each	1,000,000	1,000,000
Redeemable floating rate cumulative		
Preference shares (2.5 million) of £1 each	2,500,000	2,500,000
	<u>3,500,000</u>	<u>3,500,000</u>
Issued, called up and fully paid:		
Equity share capital		
Ordinary shares (250,000) of £1 each	250,000	250,000
Non-equity share capital		
Redeemable floating rate cumulative		
Preference shares (2.5 million) of £1 each	2,500,000	2,500,000
	<u>2,750,000</u>	<u>2,750,000</u>

The preference shares are redeemable at par, at any time by the company giving one month's notice. The preference shares carry a dividend of 1.5% above Barclays Bank plc Interbank rate on the first business day of each calendar year.

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2004

14. Dividends

	2004 £	2003 £
Preference shares dividends paid	138,375	137,861
Ordinary shares dividends paid	1,861,625	2,000,000
	<u>2,000,000</u>	<u>2,137,861</u>

15. Reconciliation of Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total shareholders' funds £
At 1 January 2003	2,750,000	7,713,041	10,463,041
Profit for the year	-	1,994,814	1,994,814
Dividends paid	-	(2,137,861)	(2,137,831)
At 31 December 2003	<u>2,750,000</u>	<u>7,569,994</u>	<u>10,319,994</u>
Profit for the year	-	2,444,724	2,444,724
Dividends paid	-	(2,000,000)	(2,000,000)
At 31 December 2004	<u>2,750,000</u>	<u>8,014,718</u>	<u>10,764,718</u>

16. Pensions

The company participates in a defined contribution pension scheme. The cost of pension contributions for the year, as part of the administrative expenses was £1,168,176 (2003: £1,116,909).

17. Financial Commitments

As at the end of the year, the company was committed to make the following payments over the following year under non-cancellable operating leases:

	Land and Buildings	
	2004 £	2003 £
Operating Leases which expire:		
Within 1 year	-	-
Within 2 to 5 years	1,114,000	1,114,000
After 5 years	-	-
	<u>1,114,000</u>	<u>1,114,000</u>

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements for the Year Ended 31st December 2004

18. Related Party Transactions

The company has relied on the exemption given in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group and qualify as related parties, on the grounds that its voting rights are more than 90% controlled within the group and the parent undertaking publishes consolidated financial statements which include the financial statements of the company.

The following non group entity related party transactions have existed during the year:

Related party	Description of relationship	Description of transactions	Expenditure/ (income) £	Balance at year end debtor/(creditor) £
Driven Leasing & Finance Ltd	Common control	Rentals on premises	2004 : (17,421) (2003 : (12,614))	2004 : (6,335) (2003 : (9,503))

19. Ultimate Parent Undertaking

At 31st December 2004, the directors regarded BNP Paribas SA (incorporated in France), as being the company's ultimate parent undertaking and ultimate controlling party and Cardif Pinnacle Insurance Holdings plc (incorporated in England) as being the immediate parent undertaking.

The parent company of the largest group to include the company in its consolidated financial statements is BNP Paribas SA. Copies of these financial statements are available from 3 rue d'Antin, BP 141, 75078 Paris Cedex 02, France.

The parent company of the smallest group to include the company in its consolidated financial statements is Cardif Pinnacle Insurance Holdings plc. Copies of these financial statements are available from Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.