

**CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

**Company Registration Number: 2729650**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2008**

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**CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

**Directors:** K J Byrne B.Sc(Hons), F.I.A, M.B.A  
P E Glen ACA, B.Sc  
A D Swain B.Ed, Cert Ed  
A J Golding FCA, B.Sc (Hons)  
Cardif Assurance Vie \*

\* Non – Executive Director

**Secretary:** M J Lorimer LL.B. (Hons), Solicitor

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

**Auditor:** Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

**Banker:** 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 31 December 2008.

### **Principal activity**

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

### **Business review**

The Company has maintained a similar level of turnover to 2007, which in itself reflected a 6% increase in administration expenses compared to 2006. The increase in expenses is due to the continual investment by the Directors in strengthening and improving the infrastructure. This investment is subsequently recovered, with an appropriate value added mark up, from the companies serviced.

The main risk and uncertainty to the Company is being able to retain and recruit good quality staff, however the Company mitigates this by offering a good employment and staff benefits proposition.

### **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 22.42 (2007: 26.25).

### **Results and dividends**

The Company's profit for the financial year is £3,430,852 (2007: £3,318,078). During the year, total dividends of £182,000 (2007: £153,220) on the preference shares and £8,930,000 (2007: £2,846,780) on the ordinary shares were recommended and paid.

### **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.

## **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

### **Directors' Report (Continued)**

#### **Directors**

The Directors who held office during the year were:

A W Dreyer B.A. (Hons), F.C.C.A. (resigned 10 July 2008)

K J Byrne B.Sc (Hons), F.I.A. M.B.A

P J Bloxham F.C.I.I (resigned 31 March 2008)

P E Glen ACA, B.Sc

A D Swain B. Ed, Cert Ed

A J Golding FCA B.Sc (Hons) (appointed 10 July 2008)

Cardif Assurance Vie \*

\* Non – Executive Director

#### **Treasury Operations**

The Company operates a centralised treasury function which is responsible for managing the liquidity risks associated with the Company's activities.

#### **Risk Management**

The Company's activities expose the business to a number of key risks which have the potential to affect the Company's ability to achieve its business objectives. The Board is responsible for ensuring that an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below:

##### **Liquidity Risk**

Liquidity risk is risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company, through the Board, seeks to limit exposure to liquidity risk by ensuring liquidity is optimally managed and that all known cash flows can be met out of readily available sources of funding. The Company maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, and call accounts, the proceeds of much of which are readily realisable.

##### **Credit Risk**

The Company, through the Board, seeks to limit exposure to credit risk as far as is practical, and has established guidelines, procedures and monitoring requirements to manage credit risk. Particular attention has been paid to the quality of investment counterparties in the light of market developments during 2008.

##### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate internal processes, people or systems, or from external events. The Company seeks to mitigate this risk exposure through continual enhancement of the systems and controls, and ensuring appropriately experienced personnel are in place throughout the organisation. Incident reporting and investigation procedures are well established.


## CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

### Directors' Report (Continued)

#### Auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

#### Approved by the Board

 P. E. GLEN

Date 24.7.09.

## **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

### **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial period, 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.

### **Disclosure of information to Auditors**

Under the Companies Act 1985 section 234ZA, we confirm that:

- (a) so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) we have taken all the steps that we ought to have taken as Directors in order to make us aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

# **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

## **Independent Auditors' Report to the Members of Cardif Plinnacle Insurance Management Services plc**

We have audited the financial statements of Cardif Pinnacle Insurance Management Services plc for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under 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 the 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 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.

### **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 (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) 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 Plinnacle Insurance Management Services plc (Continued)

#### Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP  
Chartered Accountants  
Registered Auditor  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

Date July 24, 2009



**CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

**Profit and Loss Account  
for the year ended 31 December 2008**

	<b>Note</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Turnover</b>	2	38,902	38,955
<b>Administrative expenses</b>		(35,319)	(34,583)
<b>Operating profit</b>		<u>3,583</u>	<u>4,372</u>
Interest receivable and similar income	5	974	1,017
Interest payable and similar charges	6	(221)	(197)
<b>Profit on ordinary activities before taxation</b>	3	<u>4,336</u>	<u>5,192</u>
Tax on profit on ordinary activities	7	(905)	(1,874)
<b>Net profit for the financial year</b>	13	<u><u>3,431</u></u>	<u><u>3,318</u></u>

There were no recognised gains and losses other than those passing through the profit and loss account.

All the Company's activities relate to continuing operations.

## CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC


## Balance Sheet as at 31 December 2008

		2008		2007	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	9		2,555		2,738
<b>Current assets</b>					
Debtors	10	6,851		13,667	
Cash at bank and in hand		17,823		11,709	
		24,674		25,376	
<b>Creditors</b>					
Amounts falling due within one year	11	(21,046)		(16,432)	
<b>Net current assets</b>			3,628		8,944
<b>Total assets less current liabilities</b>			6,183		11,682
<b>Net assets</b>			6,183		11,682
<b>Capital and reserves</b>					
Equity shareholders' funds					
Called up share capital	12		250		250
Retained profit			3,433		8,932
<b>Total equity shareholders' funds</b>			3,683		9,182
<b>Non-equity shareholders' funds</b>					
Called up preference share capital	12		2,500		2,500
<b>Total shareholders' funds</b>	13		6,183		11,682

These financial statements were approved by the Board of Directors on 24.7.09

Signed on behalf of the Board by:

Director

  
A. J. GOLDING

## **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

### **Notes to the Financial Statements for the Year Ended 31 December 2008**

#### **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 the Companies Act 1985, and under the historical cost convention and on a going concern basis.

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 <sup>1</sup> / <sub>3</sub> % per annum

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) 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, however it does not act as principal for premiums due to Pinnacle Insurance plc or for premiums payable to clients. In practice, premiums and claims monies flow through the Company, and cash received and creditors relating to the insurance transactions are accounted for as assets and liabilities of the Company itself.

# CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements for the Year Ended 31 December 2008 (Continued)

### 1. Accounting policies (Continued)

#### 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.

#### 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. It also covers 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):	2008 £'000	2007 £'000
Auditors' remuneration	35	15
Depreciation on owned tangible fixed assets	1,510	1,887
Operating lease rentals	1,082	1,082
Profit on sale of fixed assets	(42)	(42)
	<u>2,585</u>	<u>2,942</u>

### 4. (a) Employees

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

	2008 Number	2007 Number
Sales	69	50
Administration	406	457
	<u>475</u>	<u>507</u>

Employment costs	2008 £'000	2007 £'000
Wages and salaries	16,354	15,985
Social security costs	1,914	1,806
Other pension costs	1,471	1,438
	<u>19,739</u>	<u>19,229</u>

# **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

## **Notes to the Financial Statements** **for the Year Ended 31 December 2008 (Continued)**

### **4. (b) Directors' remuneration**

The Directors received the following emoluments paid in respect of their service as Directors of this Company:

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Emoluments	235	207
Pension contributions	25	29
	<u>260</u>	<u>236</u>
 Emoluments of highest paid Director	 197	 140
Pension contributions of highest paid Director	19	17
	<u>216</u>	<u>157</u>

The numbers of Directors to whom retirement benefits are accruing under defined contribution schemes as at the balance sheet date were 5 (2007: 5).

### **5. Interest receivable and similar income**

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

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Bank Deposits	708	628
Loans with immediate parent company	266	389
	<u>974</u>	<u>1,017</u>

# **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

## **Notes to the Financial Statements** **for the Year Ended 31 December 2008 (Continued)**

### **6. Interest payable and similar charges**

This represents interest payable and dividends paid on preferred shares.

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Bank interest and charges	39	44
Dividends paid on preference shares (note 14)	182	153
	<u>221</u>	<u>197</u>

### **7. Taxation on profits on ordinary activities**

#### **Analysis of charge for period**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Current tax:		
Corporation tax	1,265	1,870
Adjustment in respect of prior years	(64)	102
Total current tax	<u>1,201</u>	<u>1,972</u>
Deferred taxation (note 8)	<u>(296)</u>	<u>(98)</u>
Tax on profits on ordinary activities	<u>905</u>	<u>1,874</u>

#### **Factors affecting tax charge for period**

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Profit on ordinary activities before tax	<u>4,336</u>	<u>5,192</u>
Profit on ordinary activities multiplied by standard rate in the UK 28.5% (2007: 30%)	1,236	1,557
<u>Effects of:</u>		
Expenses and dividends not deductible for tax purposes	(18)	221
Capital Allowances in excess of depreciation	35	102
Profit on sale of fixed assets	12	(10)
Adjustment in respect of prior years	(64)	102
Current tax charge (analysis above)	<u>1,201</u>	<u>1,972</u>

# CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements for the Year Ended 31 December 2008 (Continued)

### 8. Deferred taxation

	2008 £'000	2007 £'000
Deferred tax asset at the beginning of the year	559	461
Charge for accelerated capital allowances	296	98
Deferred tax asset at the end of year	<u>855</u>	<u>559</u>

The deferred tax asset arises from accelerated capital allowances on all eligible assets. There is no unprovided deferred tax for 2008 (2007: Nil). The deferred tax asset is included within prepayments and accrued income due within one year under note 10.

### 9. Tangible fixed assets

	Fixtures and Fittings £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
<b>Cost at 1 January 2008</b>	6,710	1,797	7,683	16,190
Additions	454	549	439	1,442
Disposals	-	(520)	(11)	(531)
<b>Cost at 31 December 2008</b>	<u>7,164</u>	<u>1,826</u>	<u>8,111</u>	<u>17,101</u>
<b>Depreciation at 1 January 2008</b>	5,524	910	7,016	13,450
Charge for Year	606	408	496	1,510
Disposals	-	(413)	(1)	(414)
<b>Depreciation at 31 December 2008</b>	<u>6,130</u>	<u>905</u>	<u>7,511</u>	<u>14,546</u>
<b>Net book value at 31 December 2008</b>	<u>1,034</u>	<u>921</u>	<u>600</u>	<u>2,555</u>
<b>Net book value at 1 January 2008</b>	<u>1,185</u>	<u>887</u>	<u>666</u>	<u>2,738</u>

# **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

## **Notes to the Financial Statements** **for the Year Ended 31st December 2008 (Continued)**

### **10. Debtors**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due within one year</b>		
Amounts owed by Group undertakings	2,070	3,920
Prepayments and accrued income	2,998	2,297
Corporation Tax	-	660
Other debtors	1,783	790
	<u>6,851</u>	<u>7,667</u>
<b>Due after one year</b>		
Amounts owed by Group undertakings	<u>-</u>	<u>6,000</u>
<b>Total debtors</b>	<u>6,851</u>	<u>13,667</u>

### **11. Creditors: Amounts falling due within one year**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Other amounts owed to Group undertakings	13,960	10,910
Corporation tax	540	-
Other taxation and social security costs	669	688
Other creditors and accruals	5,877	4,834
	<u>21,046</u>	<u>16,432</u>



# CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements for the Year Ended 31 December 2008 (Continued)

### 12. Called Up Share Capital

	2008 £'000	2007 £'000
<b>Authorised share capital:</b>		
Ordinary shares of £1 each	1,000	1,000
Redeemable floating rate cumulative	-	-
Preference shares of £1 each	2,500	2,500
	<u>3,500</u>	<u>3,500</u>
<b>Issued, called up and fully paid:</b>		
Equity share capital	-	-
Ordinary shares of £1 each	250	250
Non-equity share capital	-	-
Redeemable floating rate cumulative	-	-
Preference shares of £1 each	2,500	2,500
	<u>2,750</u>	<u>2,750</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.

### 13. Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net profit for the financial year		3,431	3,318
Dividends	14	(8,930)	(2,847)
Net (reduction)/addition to shareholders' funds		<u>(5,499)</u>	<u>471</u>
Opening shareholders' funds		11,682	11,211
Closing shareholders' funds		<u>6,183</u>	<u>11,682</u>

# **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

## **Notes to the Financial Statements** **for the Year Ended 31 December 2008 (Continued)**

### **14. Dividends**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
(a) Ordinary dividends paid	8,930	2,847
(b) Preference dividends paid	182	153
	<u>9,112</u>	<u>3,000</u>

### **15. 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 £1,470,585 (2007: £1,437,885).

### **16. 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:

	<b>Land and Buildings</b>	
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Operating Leases which expire:</b>		
Within 1 year	-	-
2 – 5 years	-	-
After 5 years	1,082	1,082
	<u>1,082</u>	<u>1,082</u>

### **17. 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.

## **CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

### **Notes to the Financial Statements for the Year Ended 31 December 2008 (Continued)**

#### **18. Ultimate parent undertaking**

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.