

CARDIF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Company Registration Number: 2729650

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2011



Directors
N J Atkinson B Sc (Hons) M Sc, F I A
Cardif Assurance Vie *
P E Glen B Sc, FCA

* 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

Bankers,
Barclays Bank Plc
54 Lombard Street
London
EC3P 3AH

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011. The company registration number is 2729650.

Principal activity

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

Business review

The Company's turnover has increased by 9.0%, and administrative expenses have reduced by 0.2% compared with 2010. Expenses incurred in order to strengthen and improve infrastructure are 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 21.17 (2010: 25.75).

Results and dividends

The Company retained a profit after taxation for the financial year of £2,561,000 (2010: £614,000 loss). During the year, total dividends of £75,000 (2010: £73,000) on the preference shares and £nil (2010: £3,400,000) 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.

Directors' Report (Continued)**Directors**

The Directors who held office during the year were

Cardif Assurance Vie *

N J Atkinson B Sc, (Hons) M Sc, F I A (appointed 28 July 2011)

P E Glen B Sc (Hons), FCA

A J Golding B Sc (Hons), FCA (resigned 10 June 2012)

A D Swain B Ed, Cert Ed (resigned 31 December 2011)

* 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, of which much of the proceeds 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 2010

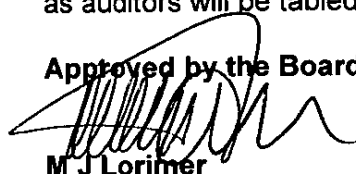
Operational Risk

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

Auditor

Mazars LLP have signified their willingness to continue in office. A resolution regarding their appointment as auditors will be tabled at the Annual General Meeting

Approved by the Board and signed on its behalf by



M J Lorimer

Company Secretary

Date: 21.6.2012.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

Under the Companies Act 2006 section 418, 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

Independent auditor's report to the member 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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's member, 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 member 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 member as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at <http://www.frc.org.uk/apb/scope/private.cfm>.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

**Independent auditors report to the member of Cardif Pinnacle Insurance Management Services plc
(Continued)**

Matters on which we are required to report by exception

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

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



Andrew Heffron (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

Date *June 21, 2011*

Profit and Loss Account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	2	38,171	35,011
Administrative expenses		(34,994)	(35,077)
Operating profit/(loss)		3,177	(66)
Interest receivable and similar income	5	16	29
Interest payable and similar charges	6	(83)	(73)
Profit/(loss) on ordinary activities before taxation	3	3,110	(110)
Taxation on ordinary activities	7	(549)	(504)
Net profit/(loss) for the financial year		<u>2,561</u>	<u>(614)</u>

All of the Company's activities relate to continuing operations

The Company has no recognised gains and loss other than those passing through the profit and loss account

The notes on pages 9 to 16 form part of the financial statements

Balance Sheet as at 31 December 2011

		2011		2010	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	9		7,563		9,690
Current assets					
Debtors	10	12,524		7,410	
Cash at bank and in hand		3,135		4,108	
		<u>15,659</u>		<u>11,518</u>	
Creditors					
Amounts falling due within one year	11	(18,301)		(18,848)	
Net current assets			<u>(2,642)</u>		<u>(7,330)</u>
Total assets less current liabilities			<u>4,921</u>		<u>2,360</u>
Net Assets			<u><u>4,921</u></u>		<u><u>2,360</u></u>
Capital and reserves					
Equity shareholder's funds					
Called up share capital	12		250		250
Retained profit			2,171		(390)
Total equity shareholder's funds			<u>2,421</u>		<u>(140)</u>
Non-equity shareholder's funds					
Called up preference share capital	12		2,500		2,500
Total shareholder's funds	13		<u><u>4,921</u></u>		<u><u>2,360</u></u>

These financial statements were approved by the Board of Directors on 21 JUNE 2012

Signed on behalf of the Board by:



Director

P.E GLEN 21 JUNE 2012

The notes on pages 9 to 16 form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2011**

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

Going concern

The financial statements have been prepared on the going concern basis

Basis of preparation

The financial statements have been prepared in accordance with Companies Act 2006, with United Kingdom Applicable Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 its voting rights are 100% controlled within the Group

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

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	20% - 33 ¹ / ₃ % 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

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (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. Profit /(loss) on ordinary activities before taxation is stated after charging:

	2011	2010
	£'000	£'000
Auditors' remuneration	44	51
Depreciation on owned tangible fixed assets	2,970	2,967
Operating lease rentals	1,082	1,082
Profit on disposal of fixed assets	(20)	(23)
	<u> </u>	<u> </u>

4. (a) Employees

	2011	2010
	Number	Number
Sales	26	34
Administration	368	373
	<u>394</u>	<u>407</u>
	<u> </u>	<u> </u>
Employment costs	2011	2010
	£'000	£'000
Wages and salaries	16,120	15,800
Social security costs	1,890	1,664
Other pension costs	1,528	1,550
	<u>19,538</u>	<u>19,014</u>
	<u> </u>	<u> </u>

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

4. (b) Directors' remuneration

	2011 £'000	2010 £'000
Emoluments	81	68
Pension contributions	9	6
	<u>90</u>	<u>74</u>
Emoluments of highest paid Director	54	48
Pension contributions of highest paid Director	7	4
	<u>61</u>	<u>52</u>

The number of Director's to whom retirement benefits are accruing under defined contribution schemes is 2 (2010 3)

5. Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest and charges	16	22
Bank deposits	0	7
	<u>16</u>	<u>29</u>

6. Interest payable and similar charges

	2011 £'000	2010 £'000
Bank interest and charges	8	0
Dividends paid on preference shares (note 14)	75	73
	<u>83</u>	<u>73</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

7. Taxation on profits/(losses) on ordinary activities

(a) Analysis of tax charge for the year

	2011 £'000	2010 £'000
Current tax		
Corporation tax	1,008	412
Adjustment in respect of prior years	(479)	98
Total current tax	<u>529</u>	<u>510</u>
Deferred taxation	(100)	18
Timing differences, origination and reversal	120	(24)
Total deferred tax	<u>20</u>	<u>(6)</u>
Total Taxation	<u><u>549</u></u>	<u><u>504</u></u>

(b) Factors affecting tax charging for the year

	2011 £'000	2010 £'000
Profit / (Loss) on ordinary activities before tax	<u>3,110</u>	<u>(110)</u>
Profit / (Loss) on ordinary activities multiplied by standard rate in the UK 26.5% (2010 28%)	824	(31)
<u>Effects of</u>		
Expenses and dividends not deductible for tax purposes	51	451
Capital allowances in excess of depreciation	138	(1)
Profit on sale of fixed assets	(5)	(7)
Adjustment in respect of prior years	(479)	98
Current tax charge (analysis above)	<u>529</u>	<u>510</u>

8. Deferred taxation

	2011 £'000	2010 £'000
Deferred tax asset at the beginning of the year	694	688
Adjustment in respect of prior years	(120)	24
Credit/(charge) for accelerated capital allowances	100	(18)
Deferred tax asset at the end of the year	<u><u>674</u></u>	<u><u>694</u></u>

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

9. Tangible fixed assets

	Fixtures and Fittings	Motor Vehicles	Computer Equipment	Total
	£'000	£'000	£'000	£'000
Cost at 1 January 2011	7,984	1,375	18,448	27,807
Additions	273	259	768	1,300
Disposals	0	(235)	(370)	(605)
Cost at 31 December 2011	<u>8,257</u>	<u>1,399</u>	<u>18,846</u>	<u>28,502</u>
Depreciation at 1 January 2011	7,135	594	10,388	18,117
Charge for Year	337	319	2,314	2,970
Disposals	0	(148)	0	(148)
Depreciation at 31 December 2011	<u>7,472</u>	<u>765</u>	<u>12,702</u>	<u>20,939</u>
Net book value at 31 December 2011	<u>785</u>	<u>634</u>	<u>6,144</u>	<u>7,563</u>
Net book value at 1 January 2011	<u>849</u>	<u>781</u>	<u>8,060</u>	<u>9,690</u>

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

10. Debtors

	2011	2010
	£'000	£'000
Due within one year		
Amounts owed by group undertakings	8,335	2,750
Prepayments and accrued income	3,445	3,847
VAT recoverable	70	119
Deferred tax (note 8)	674	694
	<u>12,524</u>	<u>7,410</u>

11. Creditors: Amounts falling due within one year

	2011	2010
	£'000	£'000
Other amounts owed to group undertakings	8,685	9,587
Corporation tax	1,007	412
Other taxation and social security costs	935	872
Other creditors and accruals	7,674	7,977
	<u>18,301</u>	<u>18,848</u>

12. Called Up Share Capital

	2011	2010
	£'000	£'000
Authorised share capital:		
Ordinary shares of £1 each	1,000	1,000
Preference shares of £1 each	2,500	2,500
	<u>3,500</u>	<u>3,500</u>
Issued, called up and fully paid:		
Equity share capital		
Ordinary shares of £1 each	250	250
Non-equity Preference shares of £1 each	2,500	2,500
	<u>2,750</u>	<u>2,750</u>

Preference shares are redeemable at par, at any time by the Company giving one months notice. The preference shares carry a dividend of 1 5% above Barclays Bank Plc Interest rate at the first business day of each calendar year.

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

13. Reconciliation of Movements in Shareholder's Funds

	Share Capital	Profit & Loss	Total
	£'000	£'000	£'000
At 1 January 2011	2,750	(390)	2,360
Retained profit for the year	0	2,561	2,561
Dividend	0	0	0
At 31 December 2011	<u>2,750</u>	<u>2,171</u>	<u>4,921</u>

14. Dividends

	2011 £'000	2010 £'000
(a) Ordinary dividends paid	0	3,400
(b) Preference dividends paid	75	73
	<u>75</u>	<u>3,473</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 £1,528,345 (2010 £1,550,208).

**Notes to the Financial Statements
for the Year Ended 31 December 2011 (Continued)**

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

	Land and Buildings	
	2011	2010
	£'000	£'000
Operating leases which expire:		
Within 1 year	550	0
2 – 5 years	532	550
After 5 years	0	532

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 it is a wholly owned subsidiary

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