

Cardif Pinnacle Insurance Management Services plc
Company Registration Number: 02729650

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2013



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Cardif Pinnacle Insurance Management Services plc

Company Information

DIRECTORS:	A M Wigg P E Glen N J Atkinson Cardif Assurance Vie G Binet P J Box N D Rochez Cardif Assurances Risques Divers BNP Paribas Cardif
SECRETARY:	M J Lorimer
REGISTERED OFFICE:	Pinnacle House A 1 Barnet Way Borehamwood Hertfordshire WD6 2XX
REGISTERED NUMBER:	02729650 (England and Wales)
INDEPENDENT AUDITOR:	Deloitte LLP 2 New Street Square London EC4A 3B2

Cardif Pinnacle Insurance Management Services plc

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013

Cardif Pinnacle Insurance Management plc ('the Company') was formed in 1992 to provide management services to companies within Cardif Pinnacle Insurance Holdings plc group

The Company is a subsidiary of Cardif Pinnacle Insurance Holdings plc ('UK Parent'), a member of the BNP Paribas Cardif group, a worldwide provider of insurance and savings products. The Company is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, with a Standard and Poor's long term rating of A+ (negative outlook). The Group has one of the largest international banking networks, with a presence in over 80 countries and employs close to 200,000 people.

The Strategic Report has been prepared for the Company specifically and therefore provides greater emphasis to the matters which are significant to the Company. It has been prepared solely to provide additional information to facilitate an assessment of how the Directors have performed their duty to promote success of the Company.

The Strategic Report has been prepared in accordance with section 414c of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

BUSINESS REVIEW

The Company has reported an operating loss of £630k (2012: £341k profit). The results for the year are set out on page 9. The retained loss after taxation for the year was £631k (2012: £64k profit).

Key performance indicators (KPI's) are factors by reference to which the performance or position of the business of the company can be measured effectively. The company's key financial and other performance indicators during the year were as follows:

	2013	2012
	£'000	£'000
Turnover	32,163	36,962
(Loss)/ Profit before tax	(697)	250
Shareholders' funds	2,038	2,485

The Company's turnover decreased during the year by 11%. As the turnover is dependent upon the recovery of expenses incurred, any change in the overheads has a direct impact on income. Therefore, the reduction in turnover combined with prior year adjustments including share based payment expense (as explained in note 17) have brought about the loss reported for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

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 an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below.

STRATEGIC REPORT (Continued)

Operational Risk

Operational risk is the risk of loss resulting from inadequate internal processes, human or system errors, or from external events. The Company seeks to mitigate this risk 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.

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 negotiating settlement terms for its outflows that can be managed against its own working capital cycles. A sufficient cash buffer is maintained to mitigate unexpected cash calls.

Credit Risk

The Company, through the Board, accepts only credit risk associated with other related parties from the BNP Paribas Group. In the context of the Company's service arrangements with its related parties, contractual terms regulate the collection of cash flows for the activities rendered. The timing of these cash flows is one of the factors the Company considers to manage the liquidity risk noted earlier.

TREASURY OPERATIONS

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

INTERNAL AUDIT FUNCTION

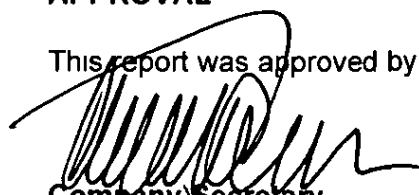
An independent internal audit function provides assurance to the Audit Committee and the Board as to the effectiveness of internal systems and controls, making reports and monitoring progress in relation to recommendations as appropriate.

GOING CONCERN

The Company is part of BNP Paribas banking group and as such is supported by its strong parent with strong capital and cash flows. In addition, the Company has considerable financial resources in the form of cash and tangible assets, including a recent acquisition in Feb 2014 of a property to be rented to related group undertakings. As such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

APPROVAL

This report was approved by the Board of Directors on 24 April 2014 and signed on its behalf



Company Secretary
M J Lorimer

DIRECTORS' REPORT

The Directors present their report together with the Strategic Report and the audited financial statements of the Company for the year ended 31 December 2013. The Company number is 02729650.

BUSINESS REVIEW AND ACTIVITIES

The principal activities of the Company are set out on page 2 of the Annual Report. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on page 2 to 3 which also includes details of principal risks and uncertainties.

DIVIDENDS

The Directors paid a total dividend of £62k (2012: £84k) on the preference shares for the year. The Directors recommended no ordinary share dividend in the year (2012: £nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is provided in note 15 to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

P E Glen
N J Atkinson
Cardif Assurance Vie *
G Binet *
P J Box *
N D Rochez *

*(non-executive director)

Other changes in directors holding office are as follows:

A M Wigg - appointed 21 March 2013
J Castagno - resigned 11 January 2013
Cardif Assurance Risques Divers - appointed 26 September 2013
BNP Paribas Cardif - appointed 26 September 2013

POLITICAL DONATIONS AND EXPENDITURE

No political contributions were made during the year.

DISABLED PERSONS

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 is 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.

DIRECTORS' REPORT (Continued)

EMPLOYEE INVOLVEMENT AND 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, newsletters, and journals, which are regularly published on the Company's intranet. Employees' representatives are consulted regularly on a wide range of matters affecting their current and future interests.

AUDITOR

Each of the persons who are a Director at the date of approval of this report confirms that


(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

(b) the Director has taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A M Wigg', is written over a faint, circular stamp or watermark.

Director
A M Wigg

24 April 2014

Cardif Pinnacle Insurance Management Services plc

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors are responsible for preparing the Report of the Directors 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

Cardif Pinnacle Insurance Management Services plc

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINNACLE INSURANCE PLC**

We have audited the financial statements of Cardif Pinnacle Insurance Management Services plc for the year ended 31 December 2013, which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 20. 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).

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

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

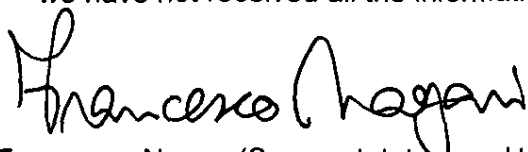
Cardif Pinnacle Insurance Management Services plc

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PINNACLE INSURANCE PLC**

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



Francesco Nagari (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

24 April 2014

Cardif Pinnacle Insurance Management Services plc

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £'000	2012 £'000
TURNOVER	2	32,162	36,962
Administrative expenses		<u>(32,792)</u>	<u>(36,621)</u>
OPERATING (LOSS)/PROFIT	4	(630)	341
Interest receivable and similar income		<u>4</u>	<u>10</u>
		(626)	351
Interest payable and similar charges	5	<u>(71)</u>	<u>(101)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(697)	250
Tax on (loss)/profit on ordinary activities	6	65	(186)
		<u> </u>	<u> </u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(632)</u></u>	<u><u>64</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

The notes on pages 11 to 24 form part of these accounts

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

BALANCE SHEET
AT 31 DECEMBER 2013

		2013	2012
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	7	5,457	6,338
CURRENT ASSETS			
Debtors	8	7,228	10,041
Cash at bank and in hand		<u>3,452</u>	<u>3,012</u>
		10,680	13,053
CREDITORS			
Amounts falling due within one year	9	<u>(11,661)</u>	<u>(14,490)</u>
NET CURRENT LIABILITIES		<u>(981)</u>	<u>(1,437)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,476	4,901
CREDITORS			
Amounts falling due after more than one year	10	<u>(2,438)</u>	<u>(2,416)</u>
NET ASSETS		<u>2,038</u>	<u>2,485</u>
CAPITAL AND RESERVES			
Called up share capital	13	250	250
Profit and loss account	14	<u>1,788</u>	<u>2,235</u>
SHAREHOLDERS' FUNDS	16	<u>2,038</u>	<u>2,485</u>

The financial statements were approved by the Board of Directors on 24 April 2014

Signed on behalf of the Board by:



Director
A M Wigg

The notes on pages 11 to 24 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Going concern

The Company is part of the BNP Paribas banking group and as such is supported by its strong parent with strong capital and cash flows. In addition, the Company has considerable financial resources in the form of cash and tangible assets including a recent acquisition in February 2014 of a property to be rented to related group undertakings. As such the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Turnover

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

Cash flow statement

The Company has applied the exemption under paragraph (5)(a) of FRS 1 (revised) 'Cash Flow Statements' and has not presented a separate cash flow statement on the grounds that it is a subsidiary undertaking which is 100% controlled by the BNP Paribas SA group of companies. The consolidated financial statements in which the subsidiary undertakings are included are publically available.

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.

Operating lease

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1 ACCOUNTING POLICIES (continued)

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 & softwares	20% and 33⅓% per annum

Share-based payments

The Company has applied the requirement of FRS 20 Share based Payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The expense related to stock option and share award plans is recognised over the vesting period, if the benefit is conditional upon the grantee's continued employment, stock options and share award expenses are recorded under salary and employee benefits expenses. As the costs to settle the future obligations are not recharged to the Company no liability arises, but an equal amount is recognised as a capital contribution within the Company's shareholder's equity in accordance with FRS 20, as the share-based payments were awarded in relation to services provided to the Company.

The costs are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors. This treatment is applied when a parent grants rights to its equity instruments directly to the employees of its subsidiary, the parent (not the subsidiary) has the obligation to provide the employees of the subsidiary with the equity instruments.

On the contrary, where shares granted by the parent to its subsidiaries' employees under discounted share purchase plans and the discount cost is not funded by the parent, the subsidiary would have an obligation to settle the costs. Such cost is charged to the profit and loss account with corresponding liability in the balance sheet.

In the absence of any market for these instruments, financial valuation models are used that take into account any performance conditions related to the BNP Paribas share price. The total expense of a plan is determined by multiplying the unit value per option or share awarded by the estimated number of options or shares awarded vested at the end of the vesting period, taking into account the conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the price value of BNP Paribas shares.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

1 ACCOUNTING POLICIES - continued

Share price-linked cash-settled deferred compensation plans

The expense related to these plans is recognised in the year during which the employee rendered the corresponding services

If the payment of share-based variable compensation is explicitly subject to the employee's continued presence at the vesting date, the services are presumed to have been rendered during the vesting period and the corresponding compensation expense is recognised on a pro rata basis over that period. The expense is recognised under salary and employee benefits expenses with a corresponding liability in the balance sheet. It is revised to take into account any non-fulfilment of the continued presence or performance conditions and the change in BNP Paribas share price.

If there is no continued presence condition, the expense is not deferred, but recognised immediately with a corresponding liability in the balance sheet. This is then revised on each reporting date until settlement to take into account any performance conditions and the change in the BNP Paribas share price.

2 TURNOVER

The turnover and loss (2012 profit) before taxation are attributable to two principal activities of the company.

An analysis of turnover by class of business is given below.

	2013 £'000	2012 £'000
Management fees from group undertakings	30,940	35,741
Insurance intermediary fees from external clients	<u>1,223</u>	<u>1,221</u>
	<u>32,163</u>	<u>36,962</u>

An analysis of turnover by geographical market is given below.

	2013 £'000	2012 £'000
United Kingdom	<u>32,163</u>	<u>36,962</u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

3 STAFF COSTS

	2013	2012
	£'000	£'000
Wages and salaries	15,982	15,801
Social security costs	1,771	1,714
Other pension costs	<u>1,389</u>	<u>1,510</u>
	<u><u>19,142</u></u>	<u><u>19,025</u></u>

The average monthly number of employees during the year was as follows

	2013	2012
Sales	11	17
Administration	<u>297</u>	<u>364</u>
	<u><u>308</u></u>	<u><u>381</u></u>

Directors' remuneration

	2013	2012
	£'000	£'000
Emoluments	124	64
Pension contributions	<u>9</u>	<u>5</u>
	<u><u>133</u></u>	<u><u>69</u></u>

Emoluments of highest paid Director	68	56
Pension contributions of highest paid Director	<u>5</u>	<u>4</u>
	<u><u>73</u></u>	<u><u>62</u></u>

The number of Directors to whom retirement benefits are accruing under defined contribution schemes is 2 (2012 2)

4 OPERATING (LOSS)/PROFIT

The operating loss (2012 - operating profit) is stated after charging/(crediting)

	2013	2012
	£'000	£'000
Other operating leases	1,061	1,082
Depreciation - owned assets	2,620	2,693
Profit on disposal of fixed assets	(29)	(120)
Auditor's remuneration for the audit of the Company's annual accounts	<u>42</u>	<u>60</u>
	<u><u> </u></u>	<u><u> </u></u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£'000	£'000
Bank interest	8	17
Preference shares dividends	<u>63</u>	<u>84</u>
	<u>71</u>	<u>101</u>

6 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows

	2013	2012
	£'000	£'000
Current tax		
UK corporation tax	67	172
Prior year adjustments	<u>(28)</u>	<u>28</u>
Total current tax	39	200
Deferred tax	<u>(104)</u>	<u>(14)</u>
Tax on (loss)/profit on ordinary activities	<u>(65)</u>	<u>186</u>

UK corporation tax has been charged at 23 25% (2012 24 50%)

Factors affecting the tax (credit)/charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK
The difference is explained below

	2013	2012
	£'000	£'000
(Loss)/profit on ordinary activities before tax	<u>(696)</u>	<u>250</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 25% (2012 24 50%)	(162)	61
Effects of		
Expenses not deductible for tax purposes	83	61
Depreciation in excess of capital allowances	152	153
Adjustments to tax charge in respect of previous periods	(28)	28
Profit on sale of fixed assets	(6)	(29)
Short term timing differences	<u>-</u>	<u>(74)</u>
Current tax charge	<u>39</u>	<u>200</u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

7 TANGIBLE FIXED ASSETS

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST				
At 1 January 2013	2,740	938	12,579	16,257
Additions	22	191	1,791	2,004
Disposals	<u>(903)</u>	<u>(635)</u>	<u>(1,090)</u>	<u>(2,628)</u>
At 31 December 2013	<u>1,859</u>	<u>494</u>	<u>13,280</u>	<u>15,633</u>
DEPRECIATION				
At 1 January 2013	2,334	497	7,088	9,919
Charge for year	247	137	2,236	2,620
Eliminated on disposal	<u>(870)</u>	<u>(439)</u>	<u>(1,054)</u>	<u>(2,363)</u>
At 31 December 2013	<u>1,711</u>	<u>195</u>	<u>8,270</u>	<u>10,176</u>
NET BOOK VALUE				
At 31 December 2013	<u>148</u>	<u>299</u>	<u>5,010</u>	<u>5,457</u>
At 31 December 2012	<u>406</u>	<u>441</u>	<u>5,491</u>	<u>6,338</u>

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade debtors	861	1,032
Amounts owed by group undertakings	4,366	6,631
Staff loans	21	124
VAT	264	43
Deferred tax asset	792	688
Prepayments and accrued income	<u>924</u>	<u>1,523</u>
	<u>7,228</u>	<u>10,041</u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'000	£'000
Trade creditors	1,885	1,994
Amounts owed to group undertakings	6,211	2,852
Corporation tax	67	186
Social security and other taxes	418	542
Other creditors and accruals	2,618	8,033
Dividends on non-equity shares	62	84
Accruals and deferred income	<u>400</u>	<u>800</u>
	<u>11,661</u>	<u>14,491</u>

The non-cumulative dividends on the preference shares are determined on a non-discretionary basis using a rate equal to 1 50% above Barclays Bank Plc's interest rate at the first business day of each calendar year, and payable half yearly on the thirtieth day of June and on the thirty first day of December in each year. However, if any preference shares shall not have been paid up in full throughout the half year the dividend on that preference share shall be apportioned and paid proportionately to the amount paid up on the shares during any proportion or proportions of that half year, and such dividends shall accrue in respect of any half year only to the extent that, at the conclusion of that half year, the Company has sufficient profits available for distribution (within the meaning of section 830 and 843 of the Companies Act 2006) for this purpose.

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£'000	£'000
Non-equity Preference shares of £1 each	<u>2,438</u>	<u>2,416</u>
	<u>2,438</u>	<u>2,416</u>

Preference shares issued by the Company are classified as liabilities because they carry a non-discretionary obligation to pay a dividend (see note 9) to their holders. A perpetual instrument such as these preference shares with a mandatory dividend is a liability in its entirety because the whole of its value is derived from the stream of future dividend payments. The fact that the payment is non-cumulative and it depends on the availability of distributable reserves at the time the dividend is due does not remove the perpetual unavoidable obligation of the Company to pay cash to the holders of these preference shares.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

11 OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2013	2012
	£'000	£'000
Expiring		
Within one year	76	550
Between one and five years	<u>-</u>	<u>532</u>
	<u>76</u>	<u>1,082</u>

As at 21 February 2014, the Company acquired the property for which all of these lease commitments related to from a fellow group undertaking. Therefore the Company has no non-cancellable operating lease commitment expiring in more than five years.

12 DEFERRED TAX

Deferred tax is provided as follows

	2013	2012
	£'000	£'000
Deferred tax asset at the beginning of the year	688	673
Adjustments in respect of prior years	(68)	(33)
Credit for accelerated capital allowances	132	48
Short term timing differences	<u>40</u>	<u>-</u>
Deferred tax asset at the end of the year	<u>792</u>	<u>688</u>

The deferred tax asset relates to fixed assets. At 31 December 2013, the tax written down value of fixed assets exceeds their net book value.

Analysis of deferred tax asset

	2013	2012
	£'000	£'000
Short term timing differences	40	-
Accelerated capital allowances	<u>752</u>	<u>688</u>
Deferred tax asset at the end of the year	<u>792</u>	<u>688</u>

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
			£	£
250,000	Ordinary shares	1	<u>250,000</u>	<u>250,000</u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

14 RESERVES

	Profit and loss account £'000
At 1 January 2013	2,235
Deficit for the year	(632)
Capital contribution (see note 17)	<u>185</u>
At 31 December 2013	<u><u>1,788</u></u>

15 POST BALANCE SHEET EVENTS

As at 21 February 2014, the Company acquired a property from a fellow group undertaking, Cardif Pinnacle Insurance Property Services plc, at a net book value of £6,926,000

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
(Loss)/profit for the financial year	(632)	64
Capital contribution (see note 17)	<u>185</u>	<u>-</u>
Net (reduction)/addition to shareholders' funds	(447)	64
Opening shareholders' funds	<u>2,485</u>	<u>2,421</u>
Closing shareholders' funds	<u><u>2,038</u></u>	<u><u>2,485</u></u>

17 SHARE-BASED PAYMENT TRANSACTIONS

The Company participated in two equity-settled share-based payment schemes during the period ended 31 December 2013, as part of the BNP Paribas Group deferred compensation and global incentive plans, descriptions of which are provided below. The schemes all relate to the shares of BNP Paribas SA, the ultimate parent company, and are administered by BNP Paribas SA. The value of the payments are determined in Euros and are converted to local currency using an exchange rate of £1 = EUR 1.1976.

The costs of the share-based payments are recognised as part of Administrative expenses. As the costs to settle the future obligations are not recharged to the Company no liability arises, but an equal amount is recognised as a capital contribution within the Company's shareholder's equity in accordance with FRS 20, as the share-based payments were awarded in relation to services provided to the Company.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

17 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The details of the outstanding units and options are as follows

	Stock Options	Performance shares	Total
Outstanding at 1 January			
Granted	2,240	2,990	5,230
Exercised	-	-	-
Redeemed	-	-	-
	<hr/>	<hr/>	<hr/>
Outstanding at 31 December	2,240	2,990	5,230
	<hr/>	<hr/>	<hr/>

In the current period, the directors have determined that awards were previously made to employees in respect of services provided to the Company which occurred in previous years for which no amount was recharged to the Company. As such they have recognised an expense and capital contribution of £179,934 in the profit and loss account in the current period in relation to these awards.

	£'000	£'000	£'000
Capital contribution accrued at 1 January 2013	-	-	-
Expense recognised in respect of previous years	72	51	123
Expense recognised in respect of the current year	26	30	56
	<hr/>	<hr/>	<hr/>
Capital contribution accrued at 31 December 2013	98	81	179
	<hr/>	<hr/>	<hr/>

All of the above stock options are exercisable in 2014

Global Share-Based Incentive Plan

Between 2006 and 2012, BNP Paribas set up a Global Share-Based Incentive Plan for some group employees, including stock options and performance share awards.

The option exercise price under these plans is determined at the time of issuance and no discount is offered. Since the 2005 plan, the life of the options granted has been reduced to 8 years.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

17 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Until 2008, the vesting period for performance share plans was 2 or 4 years depending on the case. Performance shares awarded between 2009 and 2012 vest after a period of 3 or 4 years, depending on the case and provided the employee is still a member of the Group.

Since 2010, the conditional portion granted is set at 100% of the total award for members of the BNP Paribas Group Executive Committee and senior managers and 20% for other beneficiaries.

The performance condition for the contingent portion of performance shares awarded up to 2011 is based on earnings per share.

In 2012, only performance shares were awarded. The performance condition has been revised and is now similar to the one used in the past for stock option plans, in other words, performance of the BNP Paribas share relative to the Dow Jones Euro Stoxx Bank index.

Under stock option plans set up between 2003 and 2011, the performance condition was not fully met on six out of twenty-nine occasions and the adjustments described above were therefore implemented. Under performance share plans awarded between 2009 and 2012, the performance condition was not met on three out of nine occasions and the relevant contingent portion therefore lapsed.

Measurement of stock subscription options

Binomial or trinomial tree algorithms are used to build in the possibility of non-optimal exercise of options from the vesting date. The Monte-Carlo method is also used to price in the characteristics of certain secondary grants linking options to the performance of the BNP Paribas share relative to a sector index.

The last stock subscription options were granted in 2011.

Measurement of performance shares

The unit value used to measure performance shares is the value at the end of the holding period plus dividends paid since the vesting date, discounted at the grant date.

The performance shares awarded in 2012, depending on whether or not they were subject to a performance condition, were valued at between EUR 28.47 and 33.45 for employees in France and between EUR 27.46 and 32.36 for employees outside France.

	2013	
	Plan granted on 6 March 2012	
BNP Paribas share price on the grant date (in euros)	37.20	37.20
Date of availability	09/03/2017	07/03/2016
Expected dividend on BNP Paribas shares (1)	3.23%	3.23%
Risk-free interest rate	1.53%	1.33%
Expected proportion of options that will be forfeited	2.00%	2.00%

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

17 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

History of plans granted under the Global Share-Based Incentive Plan to UK employees

Stock subscription option plan:

Originating company	Date of grant	Start date of exercise period	Option expiry date	Adjusted exercise price (Euros)	Number of options granted	Remaining period until expiry of options (years)
BNP Paribas SA	05/03/2010	05/03/2014	02/03/2018	51.2	1,000	4.2
BNP Paribas SA	04/03/2011	04/03/2015	04/03/2019	56.45	<u>1,240</u>	5.2
Total options outstanding at 31 December 2013					<u><u>2,240</u></u>	

Performance share plans:

Originating company	Date of grant	Number of shares granted	Vesting date of share granted	Expiry date of holding period for shares granted	Number of shares outstanding at 31 December 2013
BNP Paribas SA	05/03/2010	2,370	04/03/2014	05/03/2014	870
BNP Paribas SA	04/03/2011	1,770	04/03/2015	04/03/2015	810
BNP Paribas SA	06/03/2012	2,330	04/03/2016	04/03/2016	<u>1,310</u>
Total performance shares outstanding at 31 December 2013					<u><u>2,990</u></u>

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

17 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movement over the past two years - Stock subscription option plan:

	2013		2012	
	Number of options	Weighted average price (in Euros)	Number of options	Weighted average price (in Euros)
Outstanding at 1 January	2,240	59 24	2,240	56 67
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at 31 December	<u>2,240</u>	<u>63 11</u>	<u>2,240</u>	<u>59 24</u>

The average quoted stock market price over the option exercise period in 2013 was EUR 46 25 (EUR 41 99 in 2012)

Movement over the past two years - Performance share plans

	2013	2012
	Number of shares	Number of shares
Shares outstanding at 1 January	2,990	1,680
Granted during the year	510	1,820
Foreited during the year	<u>(510)</u>	<u>(510)</u>
Shares outstanding at 31 December	<u>2,990</u>	<u>2,990</u>

In 2013, no subscription or purchase plans have been granted to employees under the Company Savings Plan

Discounted share purchase plan

On 14 February 2012, the BNP Paribas ("the ultimate parent") launched a discounted share purchase plan for employees and retirees/ early retirees of BNP Paribas within the framework of Group Savings Plan ("2012 DSSP Plan") opened to all employees of the group whereby each employee could directly subscribe to BNP Paribas shares at a discounted subscription price. The scheme was opened for a limited period of time in 2012 to allow employees to participate. The discount cost of issuing these shares was £103k in 2012 which was borne by the Company.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)**

17 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The maximum number of free shares the Company offered an employee was 23 shares, when the employee subscribed to 31 shares at the subscription price

The holding period for the Shares is 5 years starting from the completion date of the operation, and they cannot be sold during the period

Share Incentive Plan (SIP)

On 15 April 2013, the ultimate parent, BNP Paribas SA set up a new employees' shares scheme ("Share Incentive Plan") The plan was approved by HM Revenue & Customs on 19 April 2013 and will be offered to all UK employees in 2014 for participation The full details of the scheme will be made available in 2014

18 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 £1,388,996 (2012 £1,515,000)

19 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

20 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