

**Cardif Pinnacle Insurance Management Services plc**  
Company Registration Number: 02729650

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 December 2015**



# **Cardif Pinnacle Insurance Management Services plc**

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## **Cardif Pinnacle Insurance Management Services plc**

### **COMPANY INFORMATION**

**Directors:**

G Binet  
P J Box \*  
BNP Paribas Cardif (resigned 24 September 2015)  
Cardif Assurance Risques Divers (resigned 24 September 2015)  
Cardif Assurance Vie (resigned 7 January 2016)  
S L P Chevalet (appointed 7 January 2016)  
P E Glen FCA (resigned 17 December 2015)  
J-B Laroche (appointed 24 September 2015)  
N D Rochez \*  
A M Wigg, FCA  
M J Lorimer LLB (Hons) Solicitor (appointed 1 April 2015)

\* Independent Non-Executive Director

**Secretary:**

M J Lorimer LLB (Hons) Solicitor

**Registered Office:**

Pinnacle House  
A1 Barnet Way  
Borehamwood  
Hertfordshire  
WD6 2XX

**Independent Auditor:**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**Principal Bankers:**

Barclays Bank PLC  
54 Lombard Street  
London  
EC3P 3AH

## **Cardif Pinnacle Insurance Management Services plc**

### **STRATEGIC REPORT**

The directors present their strategic report for the year ended 31 December 2015.

Cardif Pinnacle Insurance Management Services 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 (the "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+ (Credit Watch negative outlook). The Group has one of the largest international banking networks, with a presence in over 75 countries and employs more than 187,900 employees.

The Strategic Report ("the Report") has been prepared for the Company specifically and therefore places greater emphasis on 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**

#### **Profit before tax**

The Company reported a profit before tax of £1,668k in 2015 (2014: profit of £8,422k). The significant reduction in profit is due to £7,610k gain on a sale of a property in 2014. The results for the year are set out on page 9. The retained profit after taxation for the year was £1,194k (2014: £7,610k).

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 indicators during the year were as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	27,482	31,065
Profit before tax	1,668	8,422
Shareholder's funds	4,832	9,638

The Company's turnover decreased by 12%, driven by the closure of a fellow group entity, BNP Paribas Cardif PSC Limited.

### **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**

Credit risk refers to the risk that the Company debtors will default by failing to make required payments. 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.

**GOING CONCERN**

The Company is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, and 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 of £1,870k and tangible assets in the form of land and property including recurring rental income from 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 27 May 2016 and signed on its behalf by:



**A M Wigg**  
Director

## **Cardif Pinnacle Insurance Management Services plc**

### **DIRECTORS' REPORT**

The Directors present this report together with the Strategic Report and the audited financial statements of the Company for the year ended 31 December 2015.

The financial statements for the year have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS). The impact of the Company's transition to IFRS on the results for the prior year is set out in note 5 to the financial statements.

### **BUSINESS REVIEW AND ACTIVITIES**

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

### **DIVIDENDS**

The Company paid a dividend of £62k (2014: £60k) on the preference shares for the year. The Directors recommended an ordinary share dividend in the year £6m (2014: £nil).

### **EVENTS SINCE THE END OF THE YEAR**

There were no post balance sheet events to report at the date of approving these financial statements.

### **DIRECTORS AND THEIR INTERESTS**

The Directors who held office throughout the year (unless stated otherwise) were

G Binet

P J Box \*

BNP Paribas Cardif (resigned 24 September 2015)

Cardif Assurance Risques Divers (resigned 24 September 2015)

Cardif Assurance Vie

P E Glen FCA (resigned 17 December 2015)

J-B M Laroche (appointed 24 September 2015)

N D Rochez \*

A M Wigg, FCA (Managing Director)

M J Lorimer LLB (Hons) Solicitor (appointed 1 April 2015)

\* Independent Non-Executive Director

There are no Directors' interests in shares of the Company.

### **POLITICAL CONTRIBUTIONS**

No political contributions were made during the year (2014: £nil).

**DIRECTORS' REPORT (Continued)**

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort 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.

**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.

**INTERNAL AUDIT FUNCTION**

The Company is part of the Group which has a centralised independent internal audit function, which provides assurance to the Audit Committee and to the Board as to the effectiveness of Company's internal systems and controls, making recommendations and monitoring progress against those recommendations as appropriate.

**INDEPENDENT AUDITOR**

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

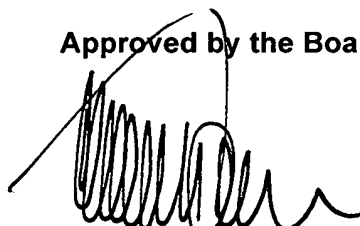
(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) the Director has taken all the steps that he ought to have taken as Director in order to make himself 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:**



**M J Lorimer**  
Company secretary

27 May 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the International Accounting Standard ("IAS") regulation. They have also chosen to prepare the Company financial statements under IFRSs, as adopted by the EU. 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 Company's state of affairs and profit or loss for that period.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and they apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- assess the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclosing, with reasonable accuracy, the Company's financial position at any time, and to enable them to ensure the financial statements comply with the Companies Act 2006. Additionally, they are responsible for safeguarding the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information. Legislation in the UK governing preparing and disseminating financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic report (on pages 2 to 3) and Directors' report (on pages 4 to 5) include a fair view of the development and performance of the business, and the Company's position as a whole, together with a description of the principal risks and uncertainties they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's performance.

This responsibilities statement was approved by the Board of Directors on 27 May 2016 and is signed on its behalf by:



**Director**  
A M Wigg



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

We have audited the financial statements of Cardif Pinnacle Insurance Management Services plc for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in Note 5 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

**Cardif Pinnacle Insurance Management Services plc**

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

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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

**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.



Elanor Gill (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, UK

27 May 2016

**Cardif Pinnacle Insurance Management Services plc**  
**Company Registered Number: 02729650**

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
<b>Continuing operations</b>			
Revenue	6	27,482	31,065
Administrative expenses		(25,750)	(31,218)
		<hr/>	<hr/>
<b>Operating Profit /(Loss)</b>	8	<b>1,732</b>	<b>(153)</b>
Gain on sale of land and building	8	-	8,636
Interest receivable		-	3
Finance costs	9	(64)	(64)
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>1,668</b>	<b>8,422</b>
Income tax	10	(474)	(812)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b><u>1,194</u></b>	<b><u>7,610</u></b>
Attributable to:			
Owner of the Company		<b><u>1,194</u></b>	<b><u>7,610</u></b>

A statement of other comprehensive income (SOI) or loss is not presented as there were no items requiring classification to the SOI during the year and prior year. Hence, Profit represents total comprehensive Profit for the year attributable to the owner of the Company.

The notes on pages 13 to 45 form an integral part of these financial statements.

**Cardif Pinnacle Insurance Management Services plc**  
**Company Registered Number: 02729650**

**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2015**

	Note	2015 £'000	2014 £'000
<b>Non-current assets</b>			
Other intangible assets	11	1,557	2,085
Property, plant and equipment	12	4,273	4,948
Deferred tax asset	13	833	1,020
		<u>6,663</u>	<u>8,053</u>
<b>Current assets</b>			
Trade and other receivables	15	6,856	12,748
Cash and cash equivalents	14	1,870	6,008
		<u>8,726</u>	<u>18,756</u>
<b>Total assets</b>		<u><b>15,389</b></u>	<u><b>26,809</b></u>
<b>Current liabilities</b>			
Trade and other payables	16	7,776	13,616
Current tax liabilities		281	1,055
		<u>8,057</u>	<u>14,671</u>
<b>Non-current liabilities</b>			
Loans and borrowings	17	2,500	2,500
<b>Total liabilities</b>		<u><b>10,557</b></u>	<u><b>17,171</b></u>
<b>Equity</b>			
Issued capital	19	250	250
Retained earnings		4,582	9,388
<b>Total equity</b>		<u><b>4,832</b></u>	<u><b>9,638</b></u>
<b>Total equity and liabilities</b>		<u><b>15,389</b></u>	<u><b>26,809</b></u>

The financial statements were approved and authorised for issue on 27 May 2016 by the Board of Directors and are signed on its behalf by:

**Signed on behalf of the Board by:**

  
**Director**  
A M Wigg

The notes on pages 13 to 45 form an integral part of these financial statements.

**Cardif Pinnacle Insurance Management Services plc**  
**Company Registered Number: 02729650**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 January 2014	250	1,788	2,038
Profit for the year		7,610	7,610
Capital contribution		(10)	(10)
<b>At 31 December 2014</b>	<b>250</b>	<b>9,388</b>	<b>9,638</b>
Profit for the year		1,194	1,194
Capital contribution	-	(1)	(1)
Dividend	-	(6,000)	(6,000)
<b>At 31 December 2015</b>	<b>250</b>	<b>4,582</b>	<b>4,832</b>

The notes on pages 13 to 45 form an integral part of these financial statements.

**Cardif Pinnacle Insurance Management Services plc**  
**Company Registered Number: 02729650**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
<b>Net profit for the year before tax</b>		1,668	8,422
Adjustments for:			
Depreciation		1,330	3,299
(Profit) on sale of assets		(36)	(8,664)
Trade and other receivables		5,909	(6,314)
Trade and other payables		(5,846)	2,077
Tax paid		(1,055)	(53)
<b>Cash generated from / (used in) operating activities</b>		1,970	(1,233)
Purchase of fixed assets		(259)	(7,590)
Proceeds from sale of fixed assets		151	11,379
<b>Net cash flows (used in) / from investing activities</b>		(108)	3,789
Dividends paid		(6,000)	-
<b>Net cash used in financing activities</b>		(6,000)	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		(4,138)	2,556
Cash and cash equivalents at 1 January		6,008	3,452
<b>Cash and cash equivalents at 31 December</b>	14	1,870	6,008

The notes on pages 13 to 45 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**1. General information**

The Company is incorporated and domiciled in the United Kingdom. The Company's registered office address is Pinnacle House, A1 Barnet Way, Borehamwood, and Hertfordshire, WD6 2XX.

**2. Functional and presentation currency**

The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**3. Adoption of new and revised standards**

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities:

The Company has adopted the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries, but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Company is not an investment entity (assessed based on criteria set out in IFRS 10 as at 1 January 2014), the adoption of the amendments has had no impact on the disclosure or on the amounts recognised in the Company's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets:

The Company has adopted the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The Amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated where there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IAS 13 Fair Value Measurement.

The application of these amendments has had no material impact on the disclosure in the Company's financial statements.

Amendments to IAS 32 Offsetting financial assets and financial liabilities

The Company has adopted the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirement relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off", and "simultaneous realisation and settlement".

As the Company does not have any financial assets and financial liabilities that qualify for offset, the adoption of the amendments has had no impact on the disclosure or on the amounts recognised in the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- |   |   |
|---|---|
| • IFRS 9  | <i>Financial Instruments</i>  |
| • IFRS 15                                       | <i>Revenue from Contracts with Customers</i>  |
| • IFRS 11 (amendments)                          | <i>Accounting for Acquisition of Interest in Joint Ventures</i>   |
| • IAS 16 and IAS 38 (amendments)                | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>   |
| • IAS 19 (amendments)                           | <i>Defined Benefit Plans: Employee Contribution</i>   |
| • IAS 27 (amendments)                           | <i>Equity Method in Separate Financial Statements</i>   |
| • IFRS 10 and IAS 28 (amendments)               | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>  |
| • Annual Improvements to IFRSs: 2011-2013       | <i>Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosure and IAS 38 Intangible Assets</i> |
| • Annual Improvements to IFRSs 2011-2013        | <i>Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property.</i>   |
| • Annual Improvements to IFRSs: 2012-2014 Cycle | <i>Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.</i>  |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company, except that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 (effective from 1 January 2017) may have an impact on the revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**4. Significant accounting policies**

**a) Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Company's financial statements comply with Article 4 of the European Union International Accounting Standards (IAS) Regulation.

These are the company's first financial statements prepared in accordance with IFRS and the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied. The date of transition to IFRS was 1 January 2014. An explanation of the impact of the transition to IFRS on the financial performance for the year ended 31 December 2015 and the financial position of the company at 1 January 2014 and 31 December 2014 is provided in note 5.

The Company is exempt by virtue of IAS 27 paragraph 10 from the requirements to prepare consolidated financial statements, since it is included within the group accounts of Cardif Pinnacle Insurance Holdings plc. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

**b) Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the strategic report on page 4.

**c) 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.

**d) Taxation**

Income tax is recognised in the Income Statement except where it relates to items which are recognised directly in equity, in which case the associated income tax charge or credit is recognised in equity. Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantively enacted on the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

**4. Significant accounting policies (Continued)**

**e) Pension costs**

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

**f) Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprise major components having different useful lives, they are accounted for separately.

Depreciation is charged to income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

Freehold building	2% per annum
Fixture and fittings	20% per annum
Vehicles	25% per annum
Computer equipment	20% to 33 $\frac{1}{3}$ % per annum

The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

**g) Intangible assets**

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the assets' economic benefits and is included in operating expenses. The estimated useful economic life of the intangible asset is as follows:

Computer software	5 years
-------------------	---------

Direct costs relating to the development of internal-use computer software and associated business processes are capitalised once technical feasibility and economic viability have been established. These costs include payroll costs, the costs of material and services, directly attributable overheads. Capitalisation of costs ceases when the software is capable of operating as intended. During and after development, accumulated costs are reviewed for impairment against the projected benefits that the software is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred, as are all training costs and general overheads.

**h) Impairment of intangible assets, property, plant and equipment**

At each reporting date, the Company assesses whether there is any indication that its intangible assets or property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss.

If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the income statement and the carrying value of the asset is reduced by the impairment of future cash flows.

A reversal of an impairment loss on intangible assets or property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss has been recognised.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**4. Significant accounting policies (Continued)**

**i) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and liabilities are measured subsequently as described below.

**Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified as loans and receivables and financial assets at fair value through profit or loss. The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

**Financial assets at fair value through profit and loss**

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which hedge accounting is applied. Assets in this category are measured at fair value with the gains and losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to expected future payments.

**Financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables, deferred and contingent consideration, and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are carried subsequently at fair value through profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value with gains and losses recognised in the income statement. All changes in an instrument's fair value that are reported in profit or loss are separately disclosed in the income statement.

**Borrowings**

Borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

**4. Significant accounting policies (Continued)**

**j) Financial instruments**

**Impairment of financial assets**

All financial assets except those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria for the determination of impairment are applied for each category of financial assets. The Company's financial assets are limited to loans and receivables and financial assets at fair value through profit or loss. Individual receivables are considered for impairment when they are past the due date of payment or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables is presented within 'administrative expenses'.

**k) 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 relating 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.

**Share price-linked cash-settled deferred compensation plans**

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 re-measurement 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

**4. Significant accounting policies (Continued)**

**k) Share-based payments (continued)**

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.

**l) Critical accounting judgements and key sources of estimation uncertainty**

Revenue recognition

Company's revenue comprises from provision of management services to fellow UK subsidiaries undertakings which is based on cost incurred on behalf of other entities plus mark up of 12.5%. The Directors consider the mark-up rate applied is their best estimate to cover the profit element

Recognition of Deferred Tax

The Company recognises deferred tax assets on temporary differences between assets and liabilities for financial reporting and the amounts used for tax purposes to the extent it is probable that taxable profits will be available against which the temporary difference can be utilised.

The Directors apply judgement when determining probable future taxable profits, which are estimated using the latest available profit forecasts. See also accounting policy as disclosed in note 4(d).

Useful Lives of PPE

Critical accounting judgments in respect of the useful lives of Property, Plant and Equipment are as disclosed in note 4(f).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**5. First-time Adoption of International Financial Reporting Standards**

**5(a) . Transitional Considerations on the First-time Adoption of IFRS**

The Company has adopted International Financial Reporting Standards as endorsed by the EU (IFRS) for these financial statements for the year ended 31 December 2015. In order to show comparative balances on a consistent basis, the year ended 31 December 2014, previously reported under UK GAAP, is also shown under IFRS. The date of transition to IFRS is 1 January 2014.

The following disclosures, presented in accordance with IFRS 1: First-time Adoption of International Financial Reporting Standards, are required in the first year that a company adopts IFRS.

Generally, a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. However, IFRS 1 allows a number of exemptions to this general principle upon adoption of IFRS. The company has taken advantage of the following transitional arrangements.

**Estimates**

Estimates under IFRS at 1 January 2014 are consistent with estimates made for the same date under UK GAAP.

**Property, plant and equipment**

The Company has elected to apply the deemed cost exemption to determine the carrying amount of property, plant and equipment at the date of transition. The carrying amount of these assets under UK GAAP as at 1 January 2014 has been included in the opening statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 5. First-time Adoption of International Financial Reporting Standards

## 5 (b) Effect of IFRS adoption for the statement of financial position

As at 1 January 2014  
(date of transition to IFRS)

	Notes	UK GAAP	Effect of transition to IFRSs	IFRS
	5 (e)	£'000	£'000	£'000
<b>Non-current assets</b>				
Other intangible assets	(i)	-	4,002	4,002
Property, plant and equipment		5,457	(4,002)	1,455
Deferred tax asset		792	-	792
		<u>6,249</u>	<u>-</u>	<u>6,249</u>
<b>Current assets</b>				
Trade and other receivables		6,436	-	6,436
Cash and cash equivalents		3,452	-	3,452
		<u>9,888</u>	<u>-</u>	<u>9,888</u>
<b>Total assets</b>		<u>16,137</u>	<u>-</u>	<u>16,137</u>
<b>Current liabilities</b>				
Trade and other payables		(11,594)	-	(11,594)
Current tax liabilities		(67)	-	(67)
		<u>(11,661)</u>	<u>-</u>	<u>(11,661)</u>
<b>Non-current liabilities</b>				
Loans and borrowings		(2,438)	-	(2,438)
<b>Total liabilities</b>		<u>(14,099)</u>	<u>-</u>	<u>(14,099)</u>
<b>Net assets</b>		<u>2,038</u>	<u>-</u>	<u>2,038</u>
<b>Equity</b>				
Issued capital		250	-	250
Retained earnings		1,788	-	1,788
<b>Total equity</b>		<u>2,038</u>	<u>-</u>	<u>2,038</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 5. First-time Adoption of International Financial Reporting Standards

## 5 (c) Effect of IFRS adoption for the statement of financial position

As at 31 December 2014 (end of last period presented under UK GAAP)				
	Notes	UK GAAP	Effect of transition to IFRSs	Opening IFRS statement of financial position
	5 (e)	£'000	£'000	£'000
<b>Non-current assets</b>				
Other intangible assets	(i)	-	2,085	2,085
Property, plant and equipment	(i)&(ii)	8,044	(3,096)	4,948
Deferred tax asset		1,020	-	1,020
		9,064	(1,011)	8,053
<b>Current assets</b>				
Trade and other receivables		12,748	-	12,748
Cash and cash equivalents		6,008	-	6,008
		18,756	-	18,756
<b>Total assets</b>		27,820	(1,011)	26,809
<b>Current liabilities</b>				
Trade and other payables		(13,616)	-	(13,616)
Current tax liabilities		(1,055)	-	(1,055)
		(14,671)	-	(14,671)
<b>Non-current liabilities</b>				
Loans and borrowings		(2,500)		(2,500)
<b>Total liabilities</b>		(17,171)	-	(17,171)
<b>Net assets</b>		<b>10,649</b>	<b>(1,011)</b>	<b>9,638</b>
<b>Equity</b>				
Issued capital		250	-	250
Revaluation reserve	(ii)	1,011	(1,011)	-
Retained earnings		9,388		9,388
<b>Total equity</b>		<b>10,649</b>	<b>(1,011)</b>	<b>9,638</b>



**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**5. First-time Adoption of International Financial Reporting Standards**

**5 (d) Effect of IFRS adoption for the total comprehensive income**

	<b>Year ended 31 December 2014</b>		
	<b>UK GAAP</b>	<b>Effect of transition to IFRSs</b>	<b>IFRS</b>
	<b>£'000</b>	<b>£</b>	<b>£</b>
Revenue	31,065	-	31,065
Administrative expenses	(31,218)	-	(31,218)
<b>Operating Loss</b>	<b>(153)</b>	<b>-</b>	<b>(153)</b>
Profit on sale of land and building	8,636	-	8,636
Interest receivable	3	-	3
Finance costs	(64)	-	(64)
<b>Profit before tax</b>	<b>8,422</b>	<b>-</b>	<b>8,422</b>
Income tax expense	(812)	-	(812)
<b>Total comprehensive income for the year</b>	<b>7,610</b>	<b>-</b>	<b>7,610</b>

There was no adjustment required on transition to IFRS.

**Reconciliation of equity**

	<b>As at 1 January 2014 *</b>	<b>As at 31 December 2014 **</b>
	<b>£'000</b>	<b>£'000</b>
Total equity under previous GAAP	2,038	10,649
De-recognition of revaluation increase	-	(1,011)
<b>Total adjustments to equity</b>	<b>-</b>	<b>(1,011)</b>
<b>Total equity under IFRS</b>	<b>2,038</b>	<b>9,638</b>

\* date of transition to IFRS

\*\* end of last period presented under UK GAAP

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**5. First-time Adoption of International Financial Reporting Standards**

**5(e) Notes to the reconciliations**

**5(e) (i) Other intangible assets**

Under UK GAAP, software development costs directly attributable to bringing a computer system into working condition is treated as part of the related hardware not a separate intangible asset. However, IAS 38, *Intangible assets* states that computer software which is not an integral part of the related hardware is treated as an intangible asset. Therefore, upon transition to IFRS, the Company has reclassified computer software development costs.

**5(e) (ii) Revaluation reserve**

The Company has elected to apply the deemed cost exemption under IFRS 1 and recognised the UK GAAP carrying value of property, plant and equipment as the fair value at the date of transition.

**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**6. Revenue**

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

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Management fees from group undertakings	26,559	29,951
Insurance intermediary fees from external clients	923	1,114
	<u>27,482</u>	<u>31,065</u>

An analysis of turnover by geographical market is given below:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<u>27,482</u>	<u>31,065</u>

**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**7. Staff costs**

<b>Employment costs</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Wages and salaries	15,821	15,219
Social security costs	1,349	1,455
Other pension costs (note 21)	1,123	1,187
	<u>18,293</u>	<u>17,861</u>

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

	<b>2015 Number</b>	<b>2014 Number</b>
Sales	12	10
Administration	233	278
	<u>245</u>	<u>288</u>

**Directors' remuneration**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Emoluments	124	131
Pension contributions	9	4
	<u>133</u>	<u>135</u>
Emoluments of highest paid Director	70	73
Pension contributions of highest paid Director	-	1
	<u>70</u>	<u>74</u>

**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**8. Operating profit / (loss)**

The operating profit / (loss) is stated before charging or (crediting):

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Other operating leases	24	31
Depreciation - owned assets	1,347	3,299
Profit on disposal of fixed assets	(36)	(8,664)
Auditors' remuneration for the audit of the company's annual accounts	<u>49</u>	<u>43</u>

Included above in the profit on disposal of fixed assets is the sale of property which the Company sold during the year 2014, resulting in a profit of £8,636k in 2014.

**9. Interest payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Bank charge	2	4
Preference share dividend	<u>62</u>	<u>60</u>
	<u>64</u>	<u>64</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10. Taxation

This note analysis the tax charge/(credit) for the year and explains the factors that affect it.

	2015 £'000	2014 £'000
<b>Current tax</b>		
UK corporation tax for year	274	1,055
Prior year adjustments	12	(14)
Total current tax	286	1,041
<b>Deferred tax</b>		
Origination and reversal of temporary differences	64	(267)
Effect of changes in tax rates	124	38
Total deferred tax	188	(229)
Total tax charged/(credited) to income statement	474	812

The Company earns its profits entirely in the UK.

UK corporation tax has been charged at 20.25% (2014: 21.5%) the standard rate in the UK for the period.

**Tax reconciliation**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £'000	2014 £'000
<b>Total profit before tax</b>	1,668	8,422
Tax calculated at the standard UK corporation tax rate of 20.25 % ( 2014:21.5%)	338	1,811
Effect of:		
Expenses not deductible for tax purposes	38	55
Profit on sale of land and buildings	-	(1,081)
Current tax adjustment in respect of previous years	12	(14)
Deferred tax adjustment in respect of previous years	(5)	(18)
Effect of changes in tax rate	91	59
<b>Total tax charged/(credited) to income statement</b>	474	812

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. Other intangible assets

	<b>Computer Software</b>
	<b>2015</b>
	<b>£'000</b>
<b>Cost or valuation</b>	
At 1 January 2015	11,055
Additions	-
Disposals	-
At 31 December 2015	<u>11,055</u>
<b>Accumulated depreciation and impairment</b>	
At 1 January 2015	8,970
Charge for the year	528
Disposal	-
At 31 December 2015	<u>9,498</u>
<b>Carrying amount</b>	
At 1 January 2015	<u>2,085</u>
At 31 December 2015	<u>1,557</u>

Computer software is amortised over its estimated useful life, which is on average five years.

Disposal relates to PEMSA software which has been fully amortised and is being de-commissioned.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 12. Property, plant and equipment

	Land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2015	3,214	2,521	500	2,964	9,199
Additions	-	13	160	86	259
Disposals	-	(3)	(299)	17	(285)
At 31 December 2015	3,214	2,531	361	3,067	9,173
<b>Accumulated depreciation and impairment</b>					
At 1 January 2015	-	1,953	229	2,069	4,251
Charge for the year	101	238	102	361	802
Eliminated on disposals	-	(2)	(184)	33	(153)
At 31 December 2015	101	2,189	147	2,463	4,900
<b>Carrying amount</b>					
At 31 December 2015	3,113	342	214	604	4,272
At 31 December 2014	3,214	568	271	895	4,948

Land and buildings are initially recognised at cost less any accumulated depreciation and any accumulated impairment losses. The cost of servicing of land and building is recognised in the income statement in the period in which the costs are incurred.



**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**13. Deferred tax asset**

The following is the deferred tax asset recognised by the Company and movements therein during the current and prior reporting period. All deferred tax is recognised in the income statement.

	<b>2015</b>		
	<b>Deferred capital allowances £'000</b>	<b>Share based payments £'000</b>	<b>Total £'000</b>
Deferred tax asset at 1 January	(987)	(33)	(1,020)
Charge/(credit) to income statement	183	4	187
Deferred tax asset at 31 December	<u>(804)</u>	<u>(29)</u>	<u>(833)</u>

	<b>2014</b>		
	<b>Deferred capital Allowances £'000</b>	<b>Share based payments £'000</b>	<b>Total £'000</b>
Deferred tax asset at 1 January	(751)	(40)	(791)
Charge/(credit) to income statement	<u>(236)</u>	<u>7</u>	<u>(229)</u>
Deferred tax asset at 31 December	<u>(987)</u>	<u>(33)</u>	<u>(1,020)</u>

It is expected that there will be sufficient future taxable profits to utilise the temporary timing differences.

Deferred tax charged/(credited) to the income statement represents movements on the following items:

	<b>2015 £'000</b>	<b>2014 £'000</b>
Deferred capital allowances	183	(236)
Share based payments	<u>4</u>	<u>7</u>
Total deferred tax charged/(credited) to income statement	<u><b>187</b></u>	<u><b>(229)</b></u>

**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**14. Cash and cash equivalents**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank	-	4,401
Short-term bank deposits with credit institutions	1,870	1,607
	<u>1,870</u>	<u>6,008</u>

Included above in the cash at bank is £1,270k (2014: £1,319k) held on behalf of external clients for the administration of their books with corresponding amount shown as trade payables in note 16.

Short-term deposits are made for varying period of one day to three months, depending on immediate cash requirements of the Company.

The carrying amounts disclosed above reasonable approximate fair value at the reporting date.

**15. Trade and other receivables**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	173	10,329
Allowance for doubtful debts	(154)	(154)
	19	10,175
Amounts owed by group undertakings	6,045	1,914
Prepayments and accrued income	792	659
	<u>6,856</u>	<u>12,748</u>

The ageing of trade receivables at the reporting date was:

	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Up to 30 days	30	(11)	4,591	-
Between 31 and 60 days	-	-	3	(2)
Between 61 and 90 days	-	-	-	(6)
Due after 90 days	143	(143)	5,735	(145)
	<u>173</u>	<u>(154)</u>	<u>10,329</u>	<u>(154)</u>

*Movement in the allowance for doubtful debts*

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the period	154	140
Provision for the year	-	14
	<u>154</u>	<u>154</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

# Cardif Pinnacle Insurance Management Services plc

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 16. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	1,357	1,443
Amounts owed to group undertakings	606	7,387
Other taxation and social security costs	311	378
VAT (refund) / payable	(84)	2,063
Other creditors and accruals	5,586	2,345
	<u>7,776</u>	<u>13,616</u>
<i>Trade and other payables are analysed as:</i>		
Expected to be settled within one year	7,776	13,616
Expected to be settled in more than one year	-	-
	<u>7,776</u>	<u>13,616</u>

The directors consider that the carrying value of trade payables approximates to their fair value.

### 17. Loans and borrowings

	2015 £'000	2014 £'000
Non-equity preference shares	2,500	2,500
	<u>2,500</u>	<u>2,500</u>
<i>Analysed as:</i>		
Expected to be settled within one year	62	60
Expected to be settled in more than one year	2,438	2,440
	<u>2,500</u>	<u>2,500</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 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.

Preference shares issued by the Company are classified as liabilities because they carry a non-discretionary obligation to pay a dividend 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 18. Financial instruments – Fair values and risk management

## (a) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2015			Fair value			
	Carrying amount						
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>							
Trade and other receivables	811	-	811	-	-	-	-
Cash and cash equivalents	1,870	-	1,870	-	-	-	-
Amounts owed by group undertakings	6,045	-	6,045	-	-	-	-
	8,725	-	8,725	-	-	-	-
<b>Financial liabilities</b>							
Redeemable preference shares	-	(2,438)	(2,438)	-	-	(2,438)	(2,438)
Dividends payable on redeemable shares	-	(62)	(62)	-	-	(62)	(62)
Trade payables	-	(1,357)	(1,357)	-	-	-	-
Amounts owed to group undertakings	-	(606)	(606)	-	-	-	-
	-	(4,463)	(4,463)	-	-	(2,500)	(2,500)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 18. Financial instruments – Fair values and risk management

## (a) Accounting classification and fair values

	31 December 2014			Fair value			
	Carrying amount						
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>							
Trade and other receivables	10,834	-	10,834	-	-	-	-
Cash and cash equivalents	6,008	-	6,008	-	-	-	-
Amounts owed by group undertakings	1,914	-	1,914	-	-	-	-
	<u>18,756</u>	<u>-</u>	<u>18,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>							
Redeemable preference shares	-	(2,440)	(2,440)	-	-	(2,440)	(2,440)
Dividends payable on redeemable shares	-	(60)	(60)	-	-	(60)	(60)
Trade payables	-	(1,443)	(1,443)	-	-	-	-
Amounts owed to group undertakings	-	(7,387)	(7,387)	-	-	-	-
	<u>-</u>	<u>(11,330)</u>	<u>(11,330)</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>

There were no transfers between Level 1, Level 2 and Level 3 during the year.

The carrying value of the following financial assets and liabilities is considered by the Directors to be a reasonable approximation of their fair value:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Amounts owed to group undertakings

**(b) Basis for determining fair value hierarchy**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- **Level 2:** inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**18. Financial instruments – Fair values and risk management**

- **Level 3:** inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant.

**(c) Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**I. Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework as prescribed by our parent company. The Board of directors has established the Risk and Capital Committee, which as a formal subcommittee of the Board is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

II. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of the financial assets represents the maximum credit exposure.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of industry and country in which customers operate.

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2015 £'000	2014 £'000
United Kingdom	19	10,175
	<u>19</u>	<u>10,175</u>

Trade debtors represent admin fees due from third parties for the administration of their insurance books.

Included above in the trade debtors for prior year, is £10,100,000 which relates to the sale proceeds receivable from the buyer of the property which the Company sold on 22 December 2014 for £11,320,000.

At 31 December 2015, the ageing of trade and other receivables that were not impaired is presented in note 15.

Management believes that the unimpaired amounts that are past due more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit rating if they are available.

**Cash and cash equivalents**

The Company held cash and cash equivalents of £6.0m (2014: £6.0m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- (Stable) or BBB (Stable).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

## 18. Financial instruments – Fair values and risk management (continued)

## (c) Financial risk management (continued)

## III. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below presents Company's exposure to liquidity risk at the year end:

Financial liabilities	2015				
	Carrying amount £'000	30days £'000	60days £'000	90days £'000	More than 90 days £'000
Trade payables	(1,357)	(18)	20	12	(1,371)
Redeemable preference shares	(2,500)				(2,500)
	<b>(3,857)</b>	<b>(18)</b>	<b>20</b>	<b>12</b>	<b>(3,871)</b>

Financial liabilities	2014				
	Carrying amount £'000	30days £'000	60days £'000	90days £'000	More than 90 days £'000
Trade payables	(1,443)	(36)	(77)	(12)	(1,318)
Redeemable preference shares	(2,500)				(2,500)
	<b>(3,943)</b>	<b>(36)</b>	<b>(77)</b>	<b>(12)</b>	<b>(3,818)</b>

## IV. Interest rate risk

The Company is exposed to interest rate risk arising principally on its cash and cash equivalents which earn interest at variable rates. The Company does not enter into hedging transactions for the purposes of minimising its exposure to interest rate risk.

Each one half percent movement in the average achieved rate of interest in respect of cash and cash equivalents would impact annualised earnings by £60k (2014: £60k).



**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**19. Called up share capital**

**Allotted, issued and fully paid:**

<b>Number</b>	<b>Class</b>	<b>Nominal Value</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
250,000	Ordinary	£1	<u>250</u>	<u>250</u>

**20. Related party transactions**

The table below gives details of the transactions between the Company, its parent and other related parties which comprise other fellow group undertakings on the grounds that they are members of the same parent, Cardif Pinnacle Insurance Holdings plc.

	<b>Amounts owed by related parties</b>		<b>Amounts owed to related parties</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Parent undertaking</b>				
Cardif Pinnacle Insurance Holdings plc	-	-	83	9
<b>Fellow group undertakings</b>				
BNPP SA (France)	-	-	-	31
BNP India	-	15	-	-
CB (UK)	31	23	-	-
BNP Paribas Cardif PSC Ltd	-	208	523	-
Warranty Direct Ltd	211	163	-	-
Direct Life & Pension Services Ltd	38	9	-	-
St George's Insurance Services Ltd	-	21	-	-
Pinnacle Pe HealthcareLtd	1,325	1,442	-	-
Financial Telemarketing Services Ltd	86	34	-	-
Pinnacle Insurance plc	4,354	-	-	7,348
	<u><b>6,045</b></u>	<u><b>1,914</b></u>	<u><b>606</b></u>	<u><b>7,387</b></u>

The Company provides a management services to the following related subsidiaries and recharged the entire cost, as follows:

	<b>Expenses incurred</b>	
	<b>2015 £'000</b>	<b>2014 £'000</b>
Pinnacle Insurance plc	26,033	23,339
BNP Paribas Cardif PSC Ltd	90	5,534
	<u><b>26,123</b></u>	<u><b>28,873</b></u>

Details of the remuneration of the Company's key personnel are shown in note 6.

As at 31 December 2015 (2014: £nil), there were no loans outstanding to officers of the Company.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**20. Related party transactions (continued)**

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 the UK) 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.

**21. Share-based payment transactions**

The Company participated in two equity-settled share-based payment schemes during the period ended 31 December 2015, 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 1.4300

The costs of the share-based payments are recognised as part of Administrative expenses with an equal amount as a capital contribution within the Company's shareholder's equity in accordance with IFRS 2, as the share-based payments were awarded in relations to services provided to the Company.

The details of the outstanding units and options are as follows:

	<b>Stock Options</b>	<b>Performance shares</b>	<b>Total</b>
Outstanding at 1 January 2015	2,240	1,662	3,902
Granted	-	-	-
Exercised	(2,240)	(442)	(2,682)
Forfeited		(800)	(800)
Redeemed	-	-	-
	<hr/>	<hr/>	<hr/>
Outstanding at 31 December 2015	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company has recognised a share-based payment expense and capital contribution of £13,569 in the current period in relation to these awards.

The Company has also recognised an intergroup recharge of £14,227 from its ultimate parent against capital contribution in accordance with IFRIC D17 (the exposure draft upon which IFRIC 11 was based). As a result, the net impact on the shareholder's funds is £658 increase.

There was no performance shares issued to any of the employees in the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21. Share-based payment transactions (continued)

**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.

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 retained for 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 last performance shares awarded in 2012.

	<b>2012</b>	
	<b>Plan granted on 6 March 2012</b>	
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	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 2015**

**21. 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	51.20	1,000	2.2
BNP Paribas SA	04/03/2011	04/03/2015	04/03/2019	56.45	1,240	3.2

Total options outstanding at 31 December 2015 Nil

**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 2014
BNP Paribas SA	05/03/2010	2,520	04/03/2014	05/03/2014	-
BNP Paribas SA	04/03/2011	1,770	04/03/2015	04/03/2015	-
BNP Paribas SA	06/03/2012	2,540	04/03/2016	04/03/2016	<u>420</u>

Total performance shares outstanding at 31 December 2015 420

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21. Share-based payment transactions (continued)

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

	2015		2014	
	Number of options	Weighted average price  (in Euros)	Number of options	Weighted average price  (in Euros)
Outstanding at 1 January	-	-	2,240	63.11
Exercised during the period	-	-	(2,240)	44.94
Expired during the period	-	-	-	-
Outstanding at 31 December	-	-	-	-

The average quoted stock market price over the option exercise period in 2015 was EUR 56.61 (EUR 56.99 in 2014).

Movement over the past two years - Performance share plans:

	2015	2014
	Number of shares	Number of shares
Shares outstanding at 1 January	1,662	3,350
Exercised during the year	(442)	(952)
Granted during the year	-	-
Forfeited during the year	(800)	(736)
Shares outstanding at 31 December	420	1,662

In 2015, 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.

The scheme is no longer available for participation since 2012; hence, the Company incurred no charge relating to the discount of issuing those shares in 2015.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**21. 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 was offered to all UK employees between 1 May 2014 and 12 May 2014 for participation.

The Share Incentive Plan allowed employees to purchase up to £1,800 worth of Company shares from their gross salary, providing them with both tax and National Insurance savings between 32% and 47%, depending on the tax rate bands they fall in. Under the terms of the scheme, these shares must be held in a trust for at least five years to take full advantage of the tax and National Insurance savings and to avoid Capital Gains Tax when they are sold from the trust. There was no employees discount available for the purchase of these shares.

**22. 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 £1,123,110 (2014: £1,186,817).