

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 December 2016**

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**CONTENTS**

	<b>Pages</b>
Company Information	2
Strategic Report	3
Directors' Report	5
Independent Auditor's Report	8
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14

**Cardif Pinnacle Insurance Management Services plc**

**COMPANY INFORMATION**

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**Directors:**

G Binet  
P J Box \*  
S L P Chevalet (appointed 7 January 2016)  
M Haderer (appointed 23 November 2016)  
Cardif Assurance Vie (resigned 7 January 2016)  
J-B M Laroche (resigned 24 November 2016)  
M J Lorimer LLB (Hons) Solicitor  
N D Rochez \*  
A M Wigg, FCA

\* 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 2016.

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 (Stable outlook). The Group has one of the largest international banking networks, with a presence in nearly 74 countries and employs more than 190,480 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 £1,231k in 2016 (2015: £1,668k). The results for the year are set out on page 10. The retained profit after taxation for the year was £879k (2015: £1,194k).

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>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	18,468	27,482
Profit before tax	1,231	1,668
Shareholder's funds	2,715	4,832

The Company's turnover represents cost incurred for other fellow group companies including the mark-up. The decrease in Company's turnover by 32% is mainly driven by cost reduction in other group entities which is due to an alignment of cost base to their revenue stream.

The decrease in shareholder's funds represents dividend payments of £3m (2015: £6m) to the Company's UK parent, offset by profit for the year £879k (2015: £1,194k).

## 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)**

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**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 £916k 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 18 May 2017 and signed on its behalf by:

  
**A M Wigg**  
Director

## **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 2016.

The financial statements for the year have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **BUSINESS REVIEW AND ACTIVITIES**

The principal activities of the Company are set out on page 3. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 3 to 4 which also includes details of principal risks and uncertainties.

### **DIVIDENDS**

The Company paid a dividend of £64k (2015: £62k) on the preference shares for the year. The Directors recommended an ordinary share dividend in the year of £3m (2015: £6m).

### **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 *	
S L P Chevalet	(appointed 7 January 2016)
M Haderer	(appointed 23 November 2016)
J-B M Laroche	(resigned 24 November 2016)
M J Lorimer LLB (Hons) Solicitor	
N D Rochez *	
A M Wigg, FCA (Managing Director)	
Cardif Assurance Vie	(resigned 7 January 2016)

\* Independent Non-Executive Director

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

### **POLITICAL CONTRIBUTIONS**

No political contributions were made during the year (2015: £nil).

**DIRECTORS' REPORT (Continued)**

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**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 an independent internal audit function, which provides assurance to the Risk and 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**

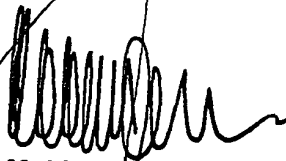
Each of the persons who is a Director at the date of approval of this report confirms that:

- (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 have 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

18 May 2017

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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:

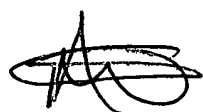
- select suitable accounting policies and they apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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 3 to 4) and Directors' report (on pages 5 to 6) 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 18 May 2017 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 2016 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 2016 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 1 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.

**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  
London, UK

18 May 2017

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
<b>Continuing operations</b>			
Revenue	5	18,468	27,482
Administrative expenses		(17,170)	(25,750)
		<hr/>	<hr/>
<b>Operating Profit</b>	7	<b>1,298</b>	<b>1,732</b>
Interest receivable		-	-
Finance costs	8	(67)	(64)
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>1,231</b>	<b>1,668</b>
Income tax	9	(352)	(474)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b><u>879</u></b>	<b><u>1,194</u></b>
Attributable to:			
Owner of the Company		<b><u>879</u></b>	<b><u>1,194</u></b>

A statement of other comprehensive income (SOCl) or loss is not presented as there were no items requiring classification to the SOCl 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 14 to 37 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
<b>Non-current assets</b>			
Other intangible assets	10	1,013	1,557
Property, plant and equipment	11	3,639	4,273
Deferred tax asset	12	779	833
		<u>5,431</u>	<u>6,663</u>
<b>Current assets</b>			
Trade and other receivables	14	4,154	6,856
Cash and cash equivalents	13	916	1,870
		<u>5,070</u>	<u>8,726</u>
<b>Total assets</b>		<u><b>10,501</b></u>	<u><b>15,389</b></u>
<b>Current liabilities</b>			
Trade and other payables	15	5,049	7,776
Current tax liabilities		237	281
		<u>5,286</u>	<u>8,057</u>
<b>Non-current liabilities</b>			
Loans and borrowings	16	2,500	2,500
<b>Total liabilities</b>		<u><b>7,786</b></u>	<u><b>10,557</b></u>
<b>Equity</b>			
Issued capital	18	250	250
Retained earnings		2,465	4,582
<b>Total equity</b>		<u><b>2,715</b></u>	<u><b>4,832</b></u>
<b>Total equity and liabilities</b>		<u><b>10,501</b></u>	<u><b>15,389</b></u>

The financial statements were approved and authorised for issue on 18 May 2017 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 14 to 37 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2015	250	9,388	9,638
Profit for the year	-	1,194	1,194
Capital contribution	-	(1)	(1)
Dividends	-	(6,000)	(6,000)
<b>At 31 December 2015</b>	<b>250</b>	<b>4,582</b>	<b>4,832</b>
Profit for the year	-	879	879
Capital contribution	-	6	6
Dividend	-	(3,000)	(3,000)
<b>At 31 December 2016</b>	<b>250</b>	<b>2,465</b>	<b>2,715</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
<b>Net profit for the year before tax</b>		1,231	1,668
Adjustments for:			
Amortisation	10	544	527
Depreciation	11	647	803
Loss/(Profit) on sale of assets		6	(36)
Trade and other receivables	14	2,702	5,909
Trade and other payables	15	(3,065)	(6,901)
<b>Cash generated from / (used in) operating activities</b>		<b>2,066</b>	<b>1,970</b>
Purchase of fixed assets		(136)	(259)
Proceeds from sale of fixed assets		116	151
<b>Net cash flows (used in) / from investing activities</b>		<b>(20)</b>	<b>(108)</b>
Dividends paid		(3,000)	(6,000)
<b>Net cash used in financing activities</b>		<b>(3,000)</b>	<b>(6,000)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(954)</b>	<b>(4,138)</b>
Cash and cash equivalents at 1 January	13	1,870	6,008
<b>Cash and cash equivalents at 31 December</b>	13	<b>916</b>	<b>1,870</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

**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. New accounting standards published but not yet effective**

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", issued by the IASB in July 2014, will replace IAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. It sets out the new principles for the classification and measurement of financial instruments, for impairment for credit risk on financial assets and for general hedge accounting (i.e. micro hedging). IFRS 9 is mandatory for annual periods beginning on or after 1 January 2018.

The Company does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, will supersede a number of standards and interpretations on revenue recognition (in particular IAS 18 Revenue and IAS 11 Construction Contracts). This standard does not apply to revenues from lease contracts, insurance contracts or financial instruments. It is based on a five-step model framework to determine the timing and amount of recognition of revenue from ordinary activities. IFRS 15 is mandatory for annual periods beginning on or after 1 January 2018 and must first be endorsed by the European Union for application in Europe. The Company is in the process of analysing the standard and its potential impacts, which are not expected to be material.

IFRS 16 Leases

IFRS 16 Leases, issued in January 2016, will supersede IAS 17 Leases and the interpretations relating to the accounting of such contracts. The new definition of leases relies on both the identification of an asset and the right to control the identified asset by the lessee. From the lessor's point of view, the expected impact should be limited, as the requirements of IFRS 16 remain substantially unchanged from the current IAS 17. For the lessee, IFRS 16 will require recognition in the balance sheet of all leases, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-of-use assets will be amortised on a straight-line basis and the financial liabilities will be amortised on an actuarial basis over the lease period. Under IAS 17, operating leases require no recognition in the balance sheet. IFRS 16 will become mandatory for annual periods beginning on or after 1 January 2019. Following the publication of the standard, the Company has started to analyse the standard and define its potential impacts.

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 2016

**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.

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.

**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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

**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 33⅓% 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
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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 2016

**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 2016

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

**i) Financial instruments (continued)**

**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'.

**j) Share-based payments**

The Company has applied the requirement of IFRS 2 Share based Payment. In accordance with the transitional provisions, IFRS 2 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 IFRS 2, 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 2016

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

**j) 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.

**k) 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 2016

**5. 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>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Management fees from group undertakings	17,466	26,559
Insurance intermediary fees from external clients	<u>1,002</u>	<u>923</u>
	<u><b>18,468</b></u>	<u><b>27,482</b></u>

An analysis of turnover by geographical market is given below:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
United Kingdom	<u><b>18,468</b></u>	<u><b>27,482</b></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Staff costs

<b>Employment costs</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Wages and salaries	9,896	15,821
Social security costs	1,098	1,349
Other pension costs (note 21)	926	1,123
	<u>11,920</u>	<u>18,293</u>

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

	<b>2016 Number</b>	<b>2015 Number</b>
Sales	8	12
Administration	<u>209</u>	<u>233</u>
	<u>217</u>	<u>245</u>

**Directors' remuneration**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Emoluments	89	124
Pension contributions	<u>3</u>	<u>9</u>
	<u>92</u>	<u>133</u>
Emoluments of highest paid Director	44	70
Pension contributions of highest paid Director	<u>3</u>	<u>-</u>
	<u>47</u>	<u>70</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

**7. Operating profit**

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other operating leases	10	24
Amortisation of intangibles	544	544
Depreciation - owned assets	647	803
Loss/(profit) on disposal of fixed assets	6	(36)
Auditor's remuneration for the audit of the company's annual accounts	37	49

**8. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Bank charge	3	2
Preference share dividend	64	62
	<u>67</u>	<u>64</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Taxation

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

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax for year	237	274
Prior year adjustments	31	12
Total current tax	268	286
<b>Deferred tax</b>		
Origination and reversal of temporary differences	35	64
Effect of changes in tax rates	48	124
Total deferred tax	84	188
Total tax charged to income statement	352	474

The Company earns its profits entirely in the UK.

UK corporation tax has been charged at 20% (2015: 20.25%) 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:

	2016 £'000	2015 £'000
<b>Total profit before tax</b>	1,231	1,668
Tax calculated at the standard UK corporation tax rate of 20% (2015: 20.25%)	246	338
Effect of:		
Expenses not deductible for tax purposes	34	38
Current tax adjustment in respect of previous years	31	12
Deferred tax adjustment in respect of previous years	(30)	(5)
Deferred tax adjustment in respect of lapsed share options	33	-
Effect of changes in tax rate	38	91
<b>Total tax charged to income statement</b>	352	474



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## 10. Other intangible assets

	<b>Computer Software</b>
	<b>£'000</b>
<b>Cost or valuation</b>	
At 1 January 2016	11,055
Additions	-
Disposals	-
At 31 December 2016	<u>11,055</u>
<b>Accumulated depreciation and impairment</b>	
At 1 January 2016	9,498
Charge for the year	544
Disposal	-
At 31 December 2016	<u>10,042</u>
<b>Carrying amount</b>	
At 1 January 2016	<u>1,557</u>
At 31 December 2016	<u>1,013</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## 11. 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 2016	3,214	2,531	361	3,067	9,173
Additions	-	14	65	46	125
Disposals	-	-	(182)	-	(182)
At 31 December 2016	<u>3,214</u>	<u>2,545</u>	<u>244</u>	<u>3,113</u>	<u>9,116</u>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2016	101	2,189	147	2,463	4,900
Charge for the year	101	206	60	281	648
Eliminated on disposals	-	-	(71)	-	(71)
At 31 December 2016	<u>202</u>	<u>2,395</u>	<u>136</u>	<u>2,744</u>	<u>5,477</u>
<b>Carrying amount</b>					
At 31 December 2016	<u>3,012</u>	<u>150</u>	<u>108</u>	<u>369</u>	<u>3,639</u>
At 31 December 2015	<u>3,113</u>	<u>342</u>	<u>214</u>	<u>604</u>	<u>4,272</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. 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>2016</b>			
	<b>Deferred capital allowances £'000</b>	<b>Share based payments £'000</b>	<b>Total £'000</b>
Deferred tax asset at 1 January	(804)	(29)	(833)
Transfer in	(28)	(2)	(30)
Charge to income statement	53	31	84
Deferred tax asset at 31 December	<u>(779)</u>	<u>-</u>	<u>(779)</u>

<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 to income statement	183	4	187
Deferred tax asset at 31 December	<u>(804)</u>	<u>(29)</u>	<u>(833)</u>

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

Deferred tax charged to the income statement represents movements on the following items:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Deferred capital allowances	53	183
Share based payments	<u>31</u>	<u>4</u>
Total deferred tax charged to income statement	<u>84</u>	<u>187</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank	916	-
Short-term bank deposits with credit institutions	-	1,870
	<u>916</u>	<u>1,870</u>

Included above in the cash at bank is £781k (2015: £1,270k) held on behalf of external clients for the administration of their books with corresponding amount shown as trade payables in note 15.

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

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

14. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	67	173
Allowance for doubtful debts	(14)	(154)
	53	19
Amounts owed by group undertakings	3,751	6,045
Prepayments and accrued income	350	792
	<u>4,154</u>	<u>6,856</u>

The ageing of trade receivables at the reporting date was:

	2016 Gross £'000	2016 Impairment £'000	2015 Gross £'000	2015 Impairment £'000
Up to 30 days	67	(14)	30	(11)
Between 31 and 60 days	-	-	-	-
Between 61 and 90 days	-	-	-	-
Due after 90 days	-	-	143	(143)
	<u>67</u>	<u>(14)</u>	<u>173</u>	<u>(154)</u>

*Movement in the allowance for doubtful debts*

	2016 £'000	2015 £'000
Balance at the beginning of the period	154	154
Utilisation of provision	(140)	-
Balance at the end of the period	<u>14</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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## 15. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	780	1,357
Amounts owed to group undertakings	7	606
Other taxation and social security costs	250	311
VAT (refund) / payable	14	(84)
Other creditors and accruals	3,998	5,586
	<u>5,049</u>	<u>7,776</u>
<i>Trade and other payables are analysed as:</i>		
Expected to be settled within one year	5,049	7,776
Expected to be settled in more than one year	-	-
	<u>5,049</u>	<u>7,776</u>

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

## 16. Loans and borrowings

	2016 £'000	2015 £'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	64	62
Expected to be settled in more than one year	2,436	2,438
	<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 2016

## 17. 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 2016						
	Carrying amount			Fair value			
	Loans and receivables £'000	Other financial liabilities £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>							
Trade and other receivables	402	-	402	-	-	-	-
Cash and cash equivalents	916	-	916	-	-	-	-
Amounts owed by group undertakings	3,751	-	3,751	-	-	-	-
	<u>5,069</u>	<u>-</u>	<u>5,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>							
Redeemable preference shares	-	(2,436)	(2,436)	-	-	(2,436)	(2,436)
Dividends payable on redeemable shares	-	(64)	(64)	-	-	(64)	(64)
Trade payables	-	(781)	(781)	-	-	-	-
Amounts owed to group undertakings	-	(7)	(7)	-	-	-	-
	<u>-</u>	<u>(3,288)</u>	<u>(3,288)</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>	<u>(2,500)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

## (a) Accounting classification and fair values (continued)

	31 December 2015			Fair value			
	Carrying amount						
	Loans and receivables £'000	Other financial liabilities £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'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	-	-	-	-
	<u>8,725</u>	<u>-</u>	<u>8,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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)	-	-	-	-
	<u>-</u>	<u>(4,463)</u>	<u>(4,463)</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 2016**

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

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

- **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 2016

17. 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 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2016 £'000	2015 £'000
United Kingdom	53	19
	<u>53</u>	<u>19</u>

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

At 31 December 2016, the ageing of trade and other receivables that were not impaired is presented in note 14.

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 £916k (2015: £1,870k). 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 2016

## 17. 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	2016				
	Carrying amount £'000	30days £'000	60days £'000	90days £'000	More than 90 days £'000
Trade payables	(780)	(15)	40	(8)	(797)
Redeemable preference shares	(2,500)	-	-	-	(2,500)
	<u>(3,280)</u>	<u>(15)</u>	<u>40</u>	<u>(8)</u>	<u>(3,297)</u>

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)
	<u>(3,857)</u>	<u>(18)</u>	<u>20</u>	<u>12</u>	<u>(3,871)</u>

## 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 £9k (2015: £60k).

**Cardif Pinnacle Insurance Management Services plc**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

**18. Called up share capital**

**Allotted, issued and fully paid:**

<b>Number</b>	<b>Class</b>	<b>Nominal Value</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
250,000	Ordinary	£1	<u>250</u>	<u>250</u>

**19. 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>2016 £'000</b>	<b>2015 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Parent undertaking</b>				
Cardif Pinnacle Insurance Holdings plc	9	-	-	83
<b>Fellow group undertakings</b>				
CB (UK)	29	31	-	-
BNP Paribas Cardif PSC Ltd	-	-	-	523
Warranty Direct Ltd	198	211	-	-
Direct Life & Pension Services Ltd	-	38	-	-
St George's Insurance Services Ltd	-	-	-	-
Pinnacle Pet Healthcare Ltd	1,144	1,325	-	-
Financial Telemarketing Services Ltd	-	86	7	-
Pinnacle Insurance plc	<u>2,371</u>	<u>4,354</u>	<u>-</u>	<u>-</u>
	<u>3,751</u>	<u>6,045</u>	<u>7</u>	<u>606</u>

The amounts owed by Pinnacle Insurance plc include re-organisation cost provision of £1.0m (2015: £3.3m).

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

	<b>Expenses incurred</b>	
	<b>2016 £'000</b>	<b>2015 £'000</b>
Pinnacle Insurance plc	17,037	26,033
BNP Paribas Cardif PSC Ltd	<u>10</u>	<u>90</u>
	<u>17,046</u>	<u>26,123</u>

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

As at 31 December 2016, there were no loans outstanding to officers of the Company (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

**19. 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.

**20. Share-based payment transactions**

The Company participated in two equity-settled share-based payment schemes during the period ended 31 December 2016, 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 performance shares are as follows:

	<b>2016</b>	<b>2015</b>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
Shares outstanding at 1 January	420	1,662
Exercised during the year	(420)	(442)
Granted during the year	-	-
Forfeited during the year	-	(800)
	<hr/>	<hr/>
Shares outstanding at 31 December	<hr/> -	<hr/> 420

The Company has recognised a share-based payment expense and capital contribution of £4,742 in the current period in relation to these awards. As a result, the net impact on the shareholder's funds is £4,742 decrease.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

**20. 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.

**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 were awarded in 2012.

	<b>2012</b>	
	<b>Plan granted on 6 March 2012</b>	
BNP Paribas share price on the grant date (in euros)	37.2	37.2
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%

**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 2016
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	-
Total performance shares outstanding at 31 December 2016					-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

**21. 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 £926k (2015: £1,123k).