

Cardif Pinnacle Insurance Management Services plc
Company Registration Number: 02729650

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2014

FRIDAY



A48GM6N7

A34

29/05/2015

#181

COMPANIES HOUSE

Cardif Pinnacle Insurance Management Services plc

CONTENTS

| | Page |
|---|-------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Directors' Report | 4 |
| Statement of Directors' Responsibilities | 6 |
| Independent Auditor's Report | 7 |
| Profit and Loss Account | 9 |
| Balance Sheet | 10 |
| Notes to the Financial Statements | 11 |

Cardif Pinnacle Insurance Management Services plc

COMPANY INFORMATION

Directors: P E Glen, FCA (Chief Executive Officer)
N J Atkinson, FIA (resigned 31 May 2014)
BNP Paribas Cardif
Cardif Assurance Risques Divers
Cardif Assurance Vie
P J Box *
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 2014.

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

The Company is a subsidiary of Cardif Pinnacle Insurance Holdings plc (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+ (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 £8,422k in 2014 compared with a loss of £697k in 2013. The improvement in performance is mainly due to the sale of a property which generated a profit of £8,636k. The results for the year are set out on page 9. The retained profit after taxation for the year was £7,610k (2013: retained loss of £632k).

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:

| | 2014 | 2013 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Turnover | 31,065 | 32,162 |
| Profit /(Loss) before tax | 8,422 | (697) |
| Shareholder's funds | 10,649 | 2,038 |

The Company's turnover decreased by 3%, driven by the closure of a fellow group entity, BNP Paribas Cardif PSC Limited.

Shareholder's funds increased due to the £8,636k gain made on the sale of the property during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

STRATEGIC REPORT (Continued)

Operational Risk

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

Liquidity Risk

Liquidity risk is risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company, through the Board, seeks to limit exposure to liquidity risk by negotiating settlement terms for its outflows that can be managed against its own working capital cycles. A sufficient cash buffer is maintained to mitigate unexpected cash calls.

Credit Risk

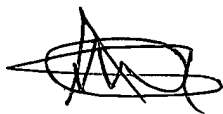
Credit risk refers to the risk that the Company debtors will default by failing to make required payments. The Company, through the Board, accepts only credit risk associated with other related parties from the BNP Paribas Group. In the context of the Company's service arrangements with its related parties, 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 £6,008k and tangibles 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 April 2015 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 2014.

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 total dividend of £60k (2013: £63k) on the preference shares for the year. The Directors recommended no ordinary share dividend in the year (2013: £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

P E Glen, FCA (Chief Executive Officer)
N J Atkinson, FIA (resigned 31 May 2014)
BNP Paribas Cardif
Cardif Assurance Risques Divers
Cardif Assurance Vie
P J Box *
N D Rochez *
A M Wigg, FCA
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 (2013: £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:



A M Wigg
Director

27 April 2015

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014**

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cardif Pinnacle Insurance Management Services plc

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 2014, which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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.

Cardif Pinnacle Insurance Management Services plc

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

Matters on which we are required to report by exception

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

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



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

27 April 2015

Cardif Pinnacle Insurance Management Services plc

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | 2014 £'000 | 2013 £'000 |
|--|--------------|-----------------------|-----------------------|
| TURNOVER | 2 | 31,065 | 32,162 |
| Administrative expenses | | <u>(31,218)</u> | <u>(32,792)</u> |
| OPERATING LOSS | 4 | (153) | (630) |
| Profit on sale of property | 4 | 8,636 | - |
| Interest receivable and similar income | | 3 | 4 |
| Interest payable and similar charges | 5 | <u>(64)</u> | <u>(71)</u> |
| PROFIT/(LOSS)ON ORDINARY ACTIVITIES BEFORE TAXATION | | 8,422 | (697) |
| Tax on profit/(loss) on ordinary activities | 6 | <u>(812)</u> | <u>65</u> |
| PROFIT/ (LOSS)FOR THE FINANCIAL YEAR | | <u>7,610</u> | <u>(632)</u> |

All profits/ (losses) relate to continuing operations.

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

The notes on pages 11 to 27 form part of these accounts.

Cardif Pinnacle Insurance Management Services plc
Company Registered Number: 02729650

BALANCE SHEET
AT 31 DECEMBER 2014

| | Notes | 2014 | | 2013 | |
|--|-------|----------|---------|----------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | | 8,044 | | 5,457 |
| CURRENT ASSETS | | | | | |
| Debtors | 8 | 12,748 | | 6,436 | |
| Deferred tax asset | 12 | 1,020 | | 792 | |
| Cash at bank and in hand | | 6,008 | | 3,452 | |
| | | 19,776 | | 10,680 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 9 | (14,731) | | (11,661) | |
| NET CURRENT ASSETS / (LIABILITIES) | | | 5,045 | | (981) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 13,089 | | 4,476 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 10 | | (2,440) | | (2,438) |
| NET ASSETS | | | 10,649 | | 2,038 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 250 | | 250 |
| Profit and loss account | 14 | | 9,388 | | 1,788 |
| Revaluation reserve | 14 | | 1,011 | | - |
| SHAREHOLDER'S FUNDS | | 15 | 10,649 | | 2,038 |

The financial statements were approved by the Board of Directors on 27 April 2015.

Signed on behalf of the Board by:


A M Wigg
 Director

The notes on pages 11 to 27 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Companies Act 2006, with United Kingdom Applicable Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and under the historical cost convention.

Significant accounting policies

The principal accounting policies have been summarised below. They have all been applied consistently throughout the year and the preceding year in dealing with items which are considered material to the Company's financial statements.

Going concern

The Company is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, and as such is supported by its strong parent with strong capital and cash flows. In addition, the Company has considerable financial resources in the form of cash of £6m 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.

Turnover

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

Cash flow statement

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full in respect of the tax effect of all timing differences, at the rates of tax expected to apply when the timing differences reverse. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Operating leases

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

Pension costs and other post-retirement benefits

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

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than Freehold properties, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful lives, as follows:

| | |
|-------------------------------|------------------------|
| Freehold properties | 2% per annum |
| Fixtures and fittings | 20% per annum |
| Motor vehicles | 25% per annum |
| Computer equipment & software | 20% and 33⅓% per annum |

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

The Company has adopted a policy of revaluation for properties. Individual freehold properties are revalued every five years with the surplus or deficit on book value being transferred to the revaluation reserve, except that any deficit in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

1. ACCOUNTING POLICIES (continued)

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.

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.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

2. TURNOVER

The turnover and profit (2013: loss) before taxation are attributable to two principal activities of the company.

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

| | 2014 £'000 | 2013 £'000 |
|---|-----------------------|-----------------------|
| Management fees from group undertakings | 29,951 | 30,940 |
| Insurance intermediary fees from external clients | <u>1,114</u> | <u>1,222</u> |
| | <u><u>31,065</u></u> | <u><u>32,162</u></u> |

An analysis of turnover by geographical market is given below:

| | 2014 £'000 | 2013 £'000 |
|----------------|-----------------------|-----------------------|
| United Kingdom | <u>31,065</u> | <u>32,162</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

3. STAFF COSTS

| Employment costs | 2014 £'000 | 2013 £'000 |
|-------------------------------|-----------------------|-----------------------|
| Wages and salaries | 15,219 | 15,982 |
| Social security costs | 1,455 | 1,771 |
| Other pension costs (note 17) | 1,187 | 1,389 |
| | <u>17,861</u> | <u>19,142</u> |

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

| | 2014 Number | 2013 Number |
|----------------|------------------------|------------------------|
| Sales | 10 | 11 |
| Administration | 278 | 297 |
| | <u>288</u> | <u>308</u> |

Directors' remuneration

| | 2014 £'000 | 2013 £'000 |
|--|-----------------------|-----------------------|
| Emoluments | 131 | 124 |
| Pension contributions | 4 | 9 |
| | <u>135</u> | <u>133</u> |
| Emoluments of highest paid Director | 73 | 68 |
| Pension contributions of highest paid Director | 1 | 5 |
| | <u>74</u> | <u>73</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

4. OPERATING LOSS

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

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| | 31 | 1,061 |
| Other operating leases | | |
| Depreciation - owned assets | 3,299 | 2,620 |
| Profit on disposal of fixed assets | (8,664) | (29) |
| Auditors' remuneration for the audit of the company's annual accounts | 43 | 42 |
| | <u> </u> | <u> </u> |

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 | 2013 |
|---------------------------|---------------|---------------|
| | £'000 | £'000 |
| Bank charges | 4 | 8 |
| Preference share dividend | 60 | 63 |
| | <u> </u> | <u> </u> |
| | <u>64</u> | <u>71</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

6. TAXATION

Analysis of the tax charge/(credit)

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

| | 2014 | 2013 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Current tax: | | |
| Corporation tax | 1,055 | 67 |
| Adjustment in respect of prior years | (14) | (28) |
| Total current tax | <u>1,041</u> | <u>39</u> |
| Deferred taxation (note 12) | (229) | (104) |
| | <u>812</u> | <u>(65)</u> |

UK corporation tax has been charged at 21.50% (2013: 23.25%).

Factors affecting current tax charge for the year

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Profit/ (Loss) on ordinary activities before tax | <u>8,421</u> | <u>(697)</u> |
| Profit/ (Loss) on ordinary activities multiplied by standard rate in the UK 21.50% (2013: 23.25%) | 1,811 | (162) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 23 | 83 |
| Depreciation in excess of capital allowances | 307 | 152 |
| Short term timing differences | (5) | - |
| Profit on sale of land and buildings | (1,081) | (6) |
| Adjustment in respect of prior years | (14) | (28) |
| Current tax charge / (credit) | <u>1,041</u> | <u>39</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

7. TANGIBLE FIXED ASSETS

| | Land and Buildings £'000 | Fixtures and Fittings £'000 | Motor Vehicles £'000 | Computer Equipment £'000 | Total £'000 |
|-------------------------|---|--|-------------------------------------|---|------------------------|
| COST | | | | | |
| At 1 January 2014 | - | 1,859 | 494 | 13,280 | 15,633 |
| Additions | 5,803 | 672 | 147 | 968 | 7,590 |
| Revaluation | 927 | - | - | - | 927 |
| Disposals | (2,505) | (10) | (141) | (229) | (2,885) |
| At 31 December 2014 | <u>4,225</u> | <u>2,521</u> | <u>500</u> | <u>14,019</u> | <u>21,265</u> |
| DEPRECIATION | | | | | |
| At 1 January 2014 | - | 1,711 | 195 | 8,270 | 10,176 |
| Revaluation | (84) | - | - | - | (84) |
| Charge for Year | 146 | 252 | 119 | 2,782 | 3,299 |
| Eliminated on disposals | (62) | (10) | (85) | (13) | (170) |
| At 31 December 2014 | <u>-</u> | <u>1,953</u> | <u>229</u> | <u>11,039</u> | <u>13,221</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2014 | <u>4,225</u> | <u>568</u> | <u>271</u> | <u>2,980</u> | <u>8,044</u> |
| At 1 January 2014 | <u>-</u> | <u>148</u> | <u>299</u> | <u>5,010</u> | <u>5,457</u> |

It is the Company policy to revalue these properties every 5 years. A valuation is also performed where there is reason to believe that the value of any property has changed materially since the previous valuation.

The Company's freehold property was valued by BNP Paribas Real Estate in December 2014. The value of freehold properties at the time was £4,225k.

The historical cost of the property is £3,298k. Accumulated depreciation and the net book value of the properties, if they had been valued at historical cost, would have been £3,215k.

The disposal above relates to the sale of a property during the year (see note 4)

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 | 2013 |
|------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Trade Debtors | 10,175 | 861 |
| Amounts owed by group undertakings | 1,914 | 4,366 |
| Staff Loans | - | 21 |
| VAT recoverable | - | 264 |
| Prepayments and accrued income | 659 | 924 |
| | <u>12,748</u> | <u>6,436</u> |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 | 2013 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Trade Creditors | 1,443 | 1,885 |
| Other amounts owed to group undertakings | 7,387 | 6,211 |
| Corporation tax | 1,055 | 67 |
| Other taxation and social security costs | 378 | 418 |
| Other creditors and accruals | 2,345 | 2,618 |
| VAT Payable | 2,063 | - |
| Accruals and deferred income | - | 400 |
| Dividends from non-equity shares | 60 | 62 |
| | <u>14,731</u> | <u>11,661</u> |

The non-cumulative dividends on the preference shares are determined on a non-discretionary basis using a rate equal to 1.50% above Barclays Bank Plc's interest rate at the first business day of each calendar year, and payable half yearly on the thirtieth day of June and on the thirty first day of December in each year. However, if any preference shares shall not have been paid up in full throughout the half year the dividend on that preference share shall be apportioned and paid proportionately to the amount paid up on the shares during any proportion or proportions of that half year; and such dividends shall accrue in respect of any half year only to the extent that, at the conclusion of that half year, the Company has sufficient profits available for distribution (within the meaning of section 830 and 843 of the Companies Act 2006) for this purpose.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

10. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Non-equity Preference shares of £1 each | 2,440 | 2,438 |
| | <hr/> | <hr/> |
| | <u>2,440</u> | <u>2,438</u> |

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

11. OPERATING LEASE COMMITMENTS

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

| | Land and Buildings | |
|--|---------------------------|----------------|
| | 2014 | 2013 |
| | £'000 | £'000 |
| Operating leases which expires: | | |
| Within 1 year | <hr/> - <hr/> | <hr/> 76 <hr/> |

On 10 February 2014, the Company acquired the property for which all of these lease commitments related to/from a fellow group undertaking. Therefore the Company has no non-cancellable operating lease commitment expiring in more than five years.

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

12. DEFERRED TAX ASSET

Deferred tax is provided as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Deferred tax asset at 1 January | 792 | 688 |
| Adjustments in respect of prior years | (1) | (9) |
| Decrease in tax rate | (38) | (59) |
| Credit/(charge) for deferred capital allowances | 272 | 132 |
| Short term timing differences | (5) | 40 |
| | <hr/> | <hr/> |
| Deferred tax asset at 31 December | <u>1,020</u> | <u>792</u> |

The deferred tax asset mainly relates to fixed assets. At 31 December 2014, the tax written down value of fixed assets exceeds their net book value.

| Analysis of deferred tax asset: | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Short term timing differences | 33 | 40 |
| Deferred capital allowances | 987 | 752 |
| | <hr/> | <hr/> |
| Deferred tax asset as at 31 December | <u>1,020</u> | <u>792</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number | Class | Nominal Value | 2014 £'000 | 2013 £'000 |
|---------|----------|------------------|---------------|---------------|
| 250,000 | Ordinary | £1 | <u>250</u> | <u>250</u> |

14. RESERVES

| | Share Capital £'000 | Profit & Loss £'000 | Revaluation Reserve £'000 | Total £'000 |
|------------------------------|---------------------------|---------------------------|---------------------------------|----------------------|
| At 1 January 2014 | 250 | 1,788 | - | 2,038 |
| Retained profit for the year | - | 7,610 | - | 7,610 |
| Capital contribution | | (10) | | (10) |
| Revaluation Reserve | <u>-</u> | <u></u> | <u>1,011</u> | <u>1,011</u> |
| At 31 December 2014 | <u>250</u> | <u>9,388</u> | <u>1,011</u> | <u>10,649</u> |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

| | 2014 £'000 | 2013 £'000 |
|--|----------------------|---------------------|
| Profit / (loss) for the financial year | 7,610 | (632) |
| Capital Contribution (see note 16) | (10) | 185 |
| Revaluation Reserve (see note 7) | 1,011 | - |
| Net addition/(reduction) to shareholder's funds | <u>8,611</u> | <u>(447)</u> |
| Opening shareholder's funds | 2,038 | 2,485 |
| Closing shareholder's funds | <u>10,649</u> | <u>2,038</u> |

Cardif Pinnacle Insurance Management Services plc

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

16. SHARE-BASED PAYMENT TRANSACTIONS

The Company participated in two equity-settled share-based payment schemes during the period ended 31 December 2014, 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 1.27771.

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 FRS 20, 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:

| | Stock Options | Performance shares | Total |
|---------------------------------|--------------------------|-------------------------------|--------------|
| Outstanding at 1 January 2014 | 2,240 | 3,350 | 5,590 |
| Granted | - | - | - |
| Exercised | - | (952) | (952) |
| Forfeited | | (736) | (736) |
| Redeemed | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Outstanding at 31 December 2014 | <u>2,240</u> | <u>1,662</u> | <u>3,902</u> |

The balance brought forward relating to performance shares of 3,350 includes correction of 360 shares relating to an employee, which was not accounted for in 2013. In the current period, the directors have determined that awards were previously made to employees in respect of services provided to the Company which occurred in previous year for which no amount was recharged to the Company. As such they have recognised an expense and capital contribution of £20,695 in the profit and loss account in the current period in relation to these awards.

| | Stock Options £'000 | Performance shares £'000 | Total £'000 |
|---|------------------------------------|---|------------------------|
| Capital contribution accrued at 1 January 2014 | - | - | - |
| Expense recognised in respect of previous years | - | 14 | 14 |
| Expense recognised in respect of the current year | - | 7 | 7 |
| | <hr/> | <hr/> | <hr/> |
| Capital contribution accrued at 31 December 2014 | <u>-</u> | <u>21</u> | <u>21</u> |

The Company has also recognised an intergroup recharge of £31k 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 £10k.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

16. 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.

| | 2012 | |
|---|------------------------------|------------|
| | Plan granted on 6 March 2012 | |
| BNP Paribas share price on the grant date (in euros) | 37.20 | 37.20 |
| Date of availability | 09/03/2017 | 07/03/2016 |
| Expected dividend on BNP Paribas shares | 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 2014 (Continued)**

16. 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 | 3.2 |
| BNP Paribas SA | 04/03/2011 | 04/03/2015 | 04/03/2019 | 56.45 | <u>1,240</u> | 4.2 |
| Total options outstanding at 31 December 2014 | | | | | <u><u>2,240</u></u> | |

Performance share plans:

| Originating company | Date of grant | Number of shares granted | Vesting date of share granted | Expiry date of holding period for shares granted | Number of shares outstanding at 31 December 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 | 442 |
| BNP Paribas SA | 06/03/2012 | 2,540 | 04/03/2016 | 04/03/2016 | <u>1,220</u> |
| Total performance shares outstanding at 31 December 2014 | | | | | <u><u>1,662</u></u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

16. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Movement over the past two years - Stock subscription option plan:**

| | 2014 | | 2013 | |
|-----------------------------|-------------------------|--|-------------------------|--|
| | Number of options | Weighted average price (in Euros) | Number of options | Weighted average price (in Euros) |
| Outstanding at 1 January | 2,240 | 63.11 | 2,240 | 59.24 |
| Exercised during the period | - | - | - | - |
| Expired during the period | - | - | - | - |
| Outstanding at 31 December | <u>2,240</u> | <u>63.35</u> | <u>2,240</u> | <u>63.11</u> |

The average quoted stock market price over the option exercise period in 2014 was EUR 56.99 (EUR 46.25 in 2013).

Movement over the past two years - Performance share plans:

| | 2014 | 2013 |
|-----------------------------------|---------------------|---------------------|
| | Number of shares | Number of shares |
| Shares outstanding at 1 January | 3,350 | 3,350 |
| Expected during the year | (952) | - |
| Granted during the year | - | - |
| Forfeited during the year | <u>(736)</u> | <u>-</u> |
| Shares outstanding at 31 December | <u>1,662</u> | <u>3,350</u> |

In 2014, 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 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)**

16. 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.

17. 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 £1,186,817 (2013: £1,388,996).

18. RELATED PARTY TRANSACTIONS

The Company has relied on the exemption given in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the Group and qualify as related parties, on the grounds that it is a wholly owned subsidiary.

19. ULTIMATE PARENT UNDERTAKING

The Directors regarded BNP Paribas SA (incorporated in France), as being the Company's ultimate parent undertaking and ultimate controlling party and Cardif Pinnacle Insurance Holdings plc (incorporated in England) as being the immediate parent undertaking.

The parent Company of the largest Group to include the Company in its consolidated financial statements is BNP Paribas SA. Copies of these financial statements are available from 3 rue d'Antin, BP 141, 75078 Paris Cedex 02, France.

The parent Company of the smallest Group to include the Company in its consolidated financial statements is Cardif Pinnacle Insurance Holdings plc. Copies of these financial statements are available from Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.