

**PINNACLE INSURANCE MANAGEMENT SERVICES PLC**  
**Company Registration Number: 2729650**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31st December 1997**



# PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Directors:

Christopher J Schwick  
Norman A Shuker  
Christopher S Mills  
Anthony Claytor  
John M McGivern  
Stephen D Williams  
Anthony W Dreyer  
Cardif Societe-Vie  
Graham Bolton  
Kathleen J Byrne  
Anthony J Piper  
Roger T Humber

Secretary:

C S Mills LL.B. Solicitor

Registered Office:

Pinnacle House  
A1 Barnet Way  
Borehamwood  
Hertfordshire  
WD6 2XX

Auditors:

KPMG Audit Plc	Mazars & Guérard
8 Salisbury Square	12th Floor
London	New Zealand House
EC4Y 8BS	80 Haymarket
	London SW1Y 4TE

Bankers:

Bank of Scotland  
38 Threadneedle Street  
London  
EC2P 2EH

## **PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

### **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31st December 1997.

#### **Principal Activity**

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

#### **Business Review**

The company has continued to trade profitably and continues to undertake the provision of management services to the holding company and its subsidiaries.

#### **Payment of suppliers**

It is the company's general policy to pay trade creditors when they fall due for payment. The number of creditor days for the financial year was 7.71.

#### **Proposed Dividend and Transfer To Reserves**

The directors recommended the payment of a dividend of £171,252 (1996 £157,500) on the preference shares on 31st December 1997.

After deducting the total dividends, the profit for the year retained in the company is £766,591 (1996 £254,972).

# PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Directors' Report (Continued)

### Directors and directors' interests

The directors who held office during the year were:-

Christopher J Schwick	Stephen Williams
Norman A Shuker	Anthony Dreyer
Christopher S Mills	Cardif Societe-Vie
Anthony Claytor	Graham Bolton
John M McGivern	Roger Humber
Kathy Byrne	Tony Piper

The interest of the directors in the ordinary shares of the parent company, Pinnacle Insurance Holdings plc at 31st December 1997 and 1996 were as follows:-

	1997	1996
Mr N A Shuker	50,000	50,000
Mr C J Schwick	50,000	50,000
Mr A Claytor	4,500	4,500
Mr J McGivern	4,500	4,500
Mr S Williams	4,500	4,500

The following directors have options to subscribe for ordinary shares in a Share Option Scheme in Pinnacle Insurance Holdings plc.

	At 1/1/97 Number Shares	Options Granted During 1997	At 31/12/97 Number of Shares
Mr N A Shuker	15,299	-	15,299
Mr C J Schwick	15,299	-	15,299
Mr C S Mills	2,441	-	2,441
Mr A Claytor	2,441	-	2,441
Mr J McGivern	2,441	-	2,441
Mr S Williams	2,441	-	2,441
Mr A Dreyer	2,441	-	2,441
Mr G Bolton	2,441	-	2,441

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc and Mazars & Guérard as auditors of the company is to be prepared at the forthcoming annual general meeting.

By order of the board

  
C S Mills

Secretary

Date: 24/3/98

**PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:-

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

The directors confirm that the financial statements comply with the above requirements.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

REPORT OF THE AUDITORS, KPMG AUDIT PLC AND MAZARS & GUÉRARD,  
TO THE MEMBERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

**Respective Responsibilities of Directors and Auditors**

As described on Page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

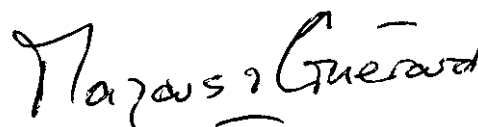
**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditors  
London

Date: 30 March 1998



Mazars & Guérard  
Chartered Accountants  
Registered Auditors  
London

Date: 30 March 1998

# PINNACLE INSURANCE MANAGEMENT SERVICES PLC

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## Profit and Loss Account for the year ended 31st December 1997

	Note	1997 £	1996 £
<b>Turnover - continuing operations</b>	2	11,799,181	9,025,872
Administrative expenses		(10,328,440)	(8,025,087)
<b>Operating profit - continuing operations</b>		1,470,741	1,000,785
Interest receivable and similar income	5	522,226	396,082
Interest payable and similar charges	6	(268,137)	(571,923)
<b>Profit on ordinary activities before taxation</b>	3	1,724,830	824,944
Tax on profit on ordinary activities	7	(786,987)	(412,472)
<b>Profit on ordinary activities after taxation</b>		937,843	412,472
Dividends:			
Equity & Non Equity	14	(171,252)	(157,500)
<b>Retained profit for the financial year</b>	15	766,591	254,972

The notes on pages 8 to 13 form part of these financial statements

There were no recognised gains or losses other than the profit for the period.

# PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Balance Sheet as at 31st December 1997

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		1997		1996	
	Note	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		2,581,461		2,011,544
<b>Current assets</b>					
Amount falling due within 1 year					
Net investment in finance leases	9	-		3,695,610	
Debtors	10	10,035,486		5,799,457	
Cash at bank and in hand		1,155,355		2,813,878	
		<u>11,190,841</u>		<u>12,308,945</u>	
		11,190,841		12,308,945	
<b>Creditors : Amounts falling within one year</b>	11	<u>(9,424,214)</u>		<u>(10,738,992)</u>	
<b>Net current assets</b>			<u>1,766,627</u>		<u>1,569,953</u>
<b>Total assets less current liabilities</b>			<u>4,348,088</u>		<u>3,581,497</u>
			<u>4,348,088</u>		<u>3,581,497</u>
<b>Capital and reserves</b>					
Equity shareholders' funds					
Called up share capital	13		250,000		250,000
Profit and loss account	15		1,598,088		831,497
Non-equity shareholders' funds					
Called up preference share capital	13		2,500,000		2,500,000
<b>Total shareholders' funds</b>			<u>4,348,088</u>		<u>3,581,497</u>

The notes on pages 8 to 13 form part of these financial statements

These financial statements were approved by the Board of directors on 24th March 1998

On behalf of the Board:

*A. W. Dwyer*  
*Anthony Kipr*



## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

### Notes to the Financial Statements

#### 1. **Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The policies remain unchanged from the previous year.

#### **Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention.

The company has relied on the exemption given in Financial Reporting Standard 1 not to disclose a separate cash flow statement on the grounds that it is a wholly-owned subsidiary of a parent undertaking established under the law of an EC member state.

The parent undertaking publishes consolidated financial statements which include the accounts of the company, drawn up in accordance with the provisions of the EC Seventh Directive and which include a consolidated cash flow statement dealing with the cash flows of the group.

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that details of the subsidiary are included in publicly available consolidated accounts.

#### **Fixed Assets and Depreciation**

Tangible fixed assets are stated at historical cost. Depreciation is provided by the company to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	20% per annum
Motor vehicles	25% per annum
Computer equipment	33 <sup>1</sup> / <sub>3</sub> % per annum

#### **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### **Insurance Transactions**

The company acts as an agent of Pinnacle Insurance plc in the arrangement of insurance with clients and, generally, does not act as principal for premiums due to that company or for premiums payable to clients. However, as in practice premiums and claims monies flow through the company, cash received and creditors relating to this business are accounted for as assets and liabilities of the company itself.

#### **Pension Costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements (Continued)

**Finance Leases**

Gross earnings under finance leases are apportioned over the life of the agreements to give a constant periodic rate of return on the net investment in those agreements

**Operating Leases**

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**2. Turnover**

This represents fees charged to fellow subsidiary undertakings for the provision of insurance management services earnings on

**3. Profit on Ordinary Activities Before Taxation**

	1997 £	1996 £
<b>Profit on ordinary activities before taxation is stated after charging/(crediting)</b>		
Auditors' remuneration	10,000	6,000
Depreciation of owned		
Tangible fixed assets	933,940	662,080
Finance lease income	(222,500)	(582,916)
(Profit)/loss on sale of fixed assets	(22,952)	(2,877)
Operating lease rentals - property	170,254	207,142
Staff costs	4,856,606	3,512,661

**4(a) Employees**

The average number of employees employed during the year was :

	1997	1996
Sales	29	22
Administration	118	89

**Employment Costs**

	1997 £	1996 £
Wages and salaries	4,070,870	2,882,216
Social security costs	318,691	258,581
Other pension costs	467,045	371,864
	<u>4,856,606</u>	<u>3,512,661</u>

**4(b) Directors' Remuneration**

The directors received the following emoluments paid in respect of their service as directors of this company:

	1997 £	1996 £
Emoluments	780,120	787,773
Pension contributions	173,860	154,129
	<u>953,980</u>	<u>941,902</u>
Emoluments of highest paid director	87,880	90,358
Pension contributions of highest paid director	25,899	24,780

The number of directors to whom retirement benefits are accruing under defined contribution schemes are 11

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements (Continued)

## 5. Interest Receivable and Similar Income

This represents interest receivable on bank deposits and intercompany loans. Loan interest received includes £207,462 (1996 £175,313) from the immediate parent company.

## 6. Interest Payable and Similar Charges

This represents interest payable on an intercompany loan.

## 7. Taxation

	1997 £	1996 £
Based on the company's taxable profit		
Corporation tax provided at 33%	312,932	1,545,034
Corporation tax provided at 31%	898,231	-
Group relief receivable	-	(33,820)
Deferred taxation	(424,176)	(1,098,742)
	<u>786,987</u>	<u>412,472</u>

## 8. Tangible Fixed Assets

	Furniture and Fixtures £	Motor Vehicles £	Computer Equipment £	Total £
Cost at 1st January 1997	1,229,432	827,123	1,243,822	3,300,377
Additions	806,957	326,175	451,455	1,584,587
Disposals	-	(264,793)	-	(264,793)
Cost At 31st December 1997	<u>2,036,389</u>	<u>888,505</u>	<u>1,695,277</u>	<u>4,620,171</u>
Depreciation at 1st January 1997	372,010	296,497	620,326	1,288,833
Charge for Year	351,594	206,701	375,645	933,940
Disposals	-	(184,063)	-	(184,063)
Depreciation at 31st December 1997	<u>723,604</u>	<u>319,135</u>	<u>995,971</u>	<u>2,038,710</u>
Net book value at 31st December 1997	<u>1,312,785</u>	<u>569,370</u>	<u>699,306</u>	<u>2,581,461</u>
Net book value at 31st December 1996	<u>857,422</u>	<u>530,626</u>	<u>623,496</u>	<u>2,011,544</u>

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements (Continued)

## Tangible Fixed Assets (continued)

## 9. Net Investment In Finance Leases

There were no assets acquired during the year for the purpose of letting under finance leases. The total rentals receivable in respect of finance leases amounted to £4,125,614 (1996 - £7,982,723).

## 10. Debtors

	1997 £	1996 £
Amounts owed by parent and fellow subsidiary undertakings	8,334,388	5,134,365
VAT recoverable	-	73,217
Prepayments and accrued income	2,142,932	591,875
	<u>10,035,486</u>	<u>5,799,457</u>

## 11. Creditors: Amounts Falling Due Within One Year

	1997 £	1996 £
Premiums due to fellow subsidiary company	2,587,266	1,998,329
Loan repayable from fellow subsidiary undertaking	3,000,000	3,800,000
Amounts owed to parent and fellow subsidiary undertakings	1,471,195	1,589,662
Corporation tax payable	1,211,163	1,545,034
VAT payable	7,936	-
Other taxation and social security	114,790	81,715
Other creditors and accruals	1,031,863	1,724,252
	<u>9,424,214</u>	<u>10,738,992</u>

## 12. Provision For Liabilities And Charges

Deferred Taxation:	1997	1996
Deferred tax at 1 January 1997	(274,982)	823,760
Tax paid	(808,107)	-
Transfer (to)/from profit & loss	(424,176)	(1,098,742)
	<u>(1,507,265)</u>	<u>(274,982)</u>
Deferred tax asset at 31 December 1997 (see below)	<u>(1,507,265)</u>	<u>(274,982)</u>

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements (Continued)

## 12. Provision For Liabilities And Charges (continued)

The deferred tax balance arises from accelerated capital allowances on assets held for letting under finance leases. There is no unprovided deferred tax for 1997 or 1996. The deferred tax asset is included within prepayments and accrued income under note 10.

## 13. Called Up Share Capital

	1997 £	1996 £
Authorised share capital:		
Ordinary shares (1 million) of £1 each	1,000,000	1,000,000
Redeemable floating rate cumulative preference shares (2.5 million) of £1 each	2,500,000	2,500,000
	<u>3,500,000</u>	<u>3,500,000</u>
Issued, called up and fully paid:		
Equity share capital		
Ordinary shares (250,000) of £1 each	250,000	250,000
Non-equity share capital		
Redeemable floating rate cumulative preference shares (2.5 million) of £1 each	2,500,000	2,500,000
	<u>2,750,000</u>	<u>2,750,000</u>

The preference shares are redeemable at par, at any time by the company giving one month's notice. The preference shares carry a dividend of 1.5% above Barclays Bank plc Interbank rate on the first business day of each calendar year.

## 14. Dividends

	1997 £	1996 £
Preference Shares Dividend proposed	171,252	157,500
	<u>171,252</u>	<u>157,500</u>

## 15. Reconciliation of Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total shareholders' funds £
At 1 January 1996	2,750,000	576,525	3,326,525
Profit for the year	-	254,972	254,972
At 31 December 1996	2,750,000	831,497	3,581,497
Profit for the year	-	766,591	766,591
At 31 December 1997	<u>2,750,000</u>	<u>1,598,088</u>	<u>4,348,088</u>

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

## Notes to the Financial Statements (Continued)

## 16. Operating Lease Commitments

Rentals payable under operating leases are as follows :

	Property 1997 £	Property 1996 £
Commitment expiring within:		
1 year	-	170,254

## 17. Pensions

The company participates in defined contribution pension scheme operated by The Equitable Life Assurance Society. Pension contributions for the year were £467,045 (1996: £371,864).

## 18. Ultimate Parent Undertaking

At 31st December 1997, the directors regarded Banque Paribas., (incorporated in France) as being the company's ultimate parent undertaking and CB (UK) Limited ( incorporated in England) as being the immediate parent undertaking.

The parent company of the smallest group to include the company in its consolidated financial statements is Pinnacle Insurance Holdings Plc.

The address where copies of these group accounts may be obtained is, Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.