

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

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31st December 2003**



**PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

**Directors:**

C J Schwick M.B.A.  
N A Shuker B.A., A.S.A., F.I.A.  
C S Mills LL.B. (Hons), Solicitor  
A W Dreyer B.A.(Hons), F.C.C.A.  
A Claytor B.A.(Hons), A.C.I.B.  
S D Williams F.I.M.I  
K J Byrne B.Sc(Hons), F.I.A.  
A J Piper B.Sc(Hons)  
R T Humber M.C.I.M.

**Secretary:**

K Cranston LLB. (Hons), Solicitor (appointed 15 July 2003)

**Registered Office:**

Pinnacle House  
A1 Barnet Way  
Borehamwood  
Hertfordshire  
WD6 2XX

**Auditors:**

Mazars  
24 Bevis Marks  
London  
EC3A 7NR

**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 2003.

#### **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 24.42 (2002: 32.53).

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

The results for the period are set out on page 7. During the year, total dividends of £137,861 (2002: £139,063) on the preference shares and £2,000,000 (2002: £nil) on the ordinary shares were paid.

After deducting the total dividends, it is proposed that the loss of £143,047 (2002: £1,974,970 profit) is absorbed by reserves.

#### **Disabled Persons and Employee Involvement**

The company's policy is to give consideration to applications for employment made by disabled persons, having regard to their particular aptitude and abilities.

Disabled employees receive appropriate training to promote their career within the company. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Employees are kept well informed about the progress and position of the company by means of regular departmental meetings, newsletters, and journals, which are regularly published on the company's intranet.

#### **Directors and their Interests**

The directors who held office during the year were: -

C J Schwick M.B.A.  
N A Shuker B.A., A.S.A., F.I.A.  
C S Mills LL.B. (Hons), Solicitor  
A W Dreyer B.A.(Hons), F.C.C.A.  
A Claytor B.A.(Hons), A.C.I.B.  
S D Williams F.I.M.I.  
K J Byrne B.Sc(Hons), F.I.A.  
A J Piper B.Sc(Hons)  
R T Humber M.C.I.M.  
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**Directors' Report (Continued)**

The interest of the directors in the ordinary shares of the parent company, Pinnacle Insurance Holdings plc at 31st December 2003 and 2002 were as follows: -

	<b>2003 Shares</b>	<b>2002 Shares</b>
Mr N A Shuker	25,000	50,000
Mr A Claytor	-	6,468
Mr S D Williams	-	2,000
Mr C S Mills	-	2,106
Ms K J Byrne	660	160
Mr R T Humber	26	26

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

	<b>Number of Options 1 January 2003</b>	<b>Options Issued During 2003</b>	<b>Options Exercised During 2003</b>	<b>Number of Options 31 December 2003</b>
Mr N A Shuker	-	877	-	877
Mr C J Schwick	-	877	-	877
Mr C S Mills	-	516	-	516
Mr A W Dreyer	-	443	-	443
Mr A Claytor	-	419	-	419
Mr S Williams	-	516	-	516
Ms K J Byrne	1,000	443	500	943
Mr R T Humber	1,000	408	-	1,408
Mr A J Piper	1,000	410	-	1,410

The interests of the directors in ordinary shares of BNP Paribas at 31st December 2003 and 2002 were as follows:

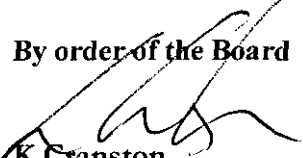
		<b>2003</b>	<b>2002</b>
Ordinary shares held	Ms K J Byrne	1,003	740
	Mr A Claytor	1,127	924

Other directors' interests in ordinary shares of BNP Paribas are disclosed in the statutory accounts of the immediate holding company, Pinnacle Insurance Holdings plc.

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Mazars as auditors of the company is to be proposed at the forthcoming annual general meeting.

**By order of the Board**

  
**K Cranston**  
**Company Secretary**

**Date:** 15th July 2004

## **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 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**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

We have audited the financial statements of Pinnacle Insurance Management Services Plc for the year ended 31 December 2003, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. Our responsibilities do not extend to any other information.

We read the Directors' Report and consider the implications for our report if we become aware of any misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PINNACLE  
INSURANCE MANAGEMENT SERVICES PLC (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Mazars*

**Mazars**

Chartered Accountants

Registered Auditors

24 Bevis Marks

London EC3A 7NR

Date: 27 July 2004

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

**Profit and Loss Account**  
**for the year ended 31st December 2003**

	Note	<u>2003</u>	<u>2002</u>
		£	£
<b>Turnover</b>	2	27,316,606	25,524,700
Administrative expenses	17	(24,166,274)	(21,886,801)
<b>Operating profit</b>		3,150,332	3,637,899
Interest receivable and similar income	5	334,474	385,173
Interest payable and similar charges	6	(362,707)	(801,821)
<b>Profit on ordinary activities before taxation</b>	3	3,122,099	3,221,251
Tax on profit on ordinary activities	7	(1,127,285)	(1,107,218)
<b>Profit on ordinary activities after taxation</b>		1,994,814	2,114,033
Dividends:			
Equity & Non Equity	15	(2,137,861)	(139,063)
<b>Retained (loss)/profit for the financial year</b>	16	<u>(143,047)</u>	<u>1,974,970</u>

There were no recognised gains or losses other than those passing through the profit and loss account.  
All the company's activities relate to continuing operations.



## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

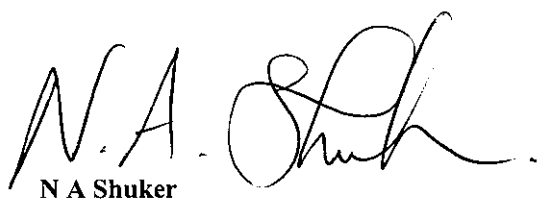
## Balance Sheet as at 31st December 2003

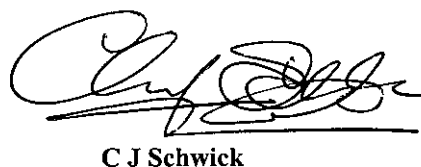
	Note	2003		2002	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		3,041,257		2,089,820
<b>Current assets</b>					
Debtors	10	17,473,359		23,202,650	
Cash at bank and in hand		88,944		-	
		<u>17,562,303</u>		<u>23,202,650</u>	
<b>Creditors : Amounts falling due within one year</b>	11	<u>(10,283,566)</u>		<u>(12,829,429)</u>	
<b>Net current assets</b>			<u>7,278,737</u>		<u>10,373,221</u>
<b>Total assets less current liabilities</b>			<u>10,319,994</u>		<u>12,463,041</u>
<b>Creditors : Amounts falling due after one year</b>	12		-		(2,000,000)
			<u>10,319,994</u>		<u>10,463,041</u>
<b>Capital and reserves</b>					
Equity shareholders' funds					
Called up share capital	14		250,000		250,000
Profit and loss account	16		7,569,994		7,713,041
Total equity shareholders' funds			<u>7,819,994</u>		<u>7,963,041</u>
Non-equity shareholders' funds					
Called up preference share capital	14		2,500,000		2,500,000
Total shareholders' funds			<u>10,319,994</u>		<u>10,463,041</u>

These financial statements were approved by the Board of directors on

15th July 2004

On behalf of the Board:

  
N A Shuker

  
C J Schwick

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

### Notes to the Financial Statements for the Year Ended 31st December 2003

#### 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.

##### **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 the company is 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 $\frac{1}{3}$ % per annum

##### **Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements by the balance sheet date.

##### **Insurance Transactions**

The company acts as an agent of Pinnacle Insurance plc in the arrangement of insurance with clients and 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 for the Year Ended 31st December 2003

### 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 primarily represents fees charged to fellow UK subsidiary undertakings for the provision of management services, and also fees charged to external clients for services provided.

## 3. Profits on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	2003 £	2002 £
Auditors' remuneration	8,561	13,669
Auditors' remuneration over provision for prior years	(50,000)	-
Depreciation of owned tangible fixed assets	1,231,797	1,208,432
Finance lease income	(3,688)	(2,638)
Operating lease rentals	1,114,000	1,114,000
Profit on sale of fixed assets	(41,945)	(26,408)

## 4. (a) Employees

The average number of employees (including directors) during the year was:

	2003	2002
Sales	35	38
Administration	390	370
	<u>425</u>	<u>408</u>

Employment Costs	2003 £	2002 £
Wages and salaries	11,202,339	10,110,278
Social security costs	1,391,166	1,088,083
Other pension costs	1,116,909	1,077,184
	<u>13,710,414</u>	<u>12,275,545</u>

# PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

## 4. (b) Directors' Remuneration

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

	2003 £	2002 £
Emoluments	595,010	592,875
Pension contributions	84,628	103,266
	<u>679,638</u>	<u>696,141</u>
Emoluments of highest paid director	151,115	146,408
Pension contributions of highest paid director	12,236	33,994
	<u>163,351</u>	<u>180,402</u>

The numbers of directors to whom retirement benefits are accruing under defined contribution schemes as at the balance sheet date are 9 (2002: 9).

## 4. (c) Directors' compensation due to loss of office

The following amounts of compensation have been paid to the directors who have suffered loss of office:

	2003 £	2002 £
Emoluments	-	60,150
Pension contributions	-	12,825
	<u>-</u>	<u>72,975</u>

## 5. Interest Receivable and Similar Income

This represents interest receivable on bank deposits and inter-company loans

	2003 £	2002 £
Bank Deposits	23,649	23,676
Loans with immediate parent company	300,867	303,750
Loans with other fellow group undertakings	9,958	57,747
	<u>334,474</u>	<u>385,173</u>

## 6. Interest Payable and Similar Charges

This represents interest payable on loans with fellow group undertakings.

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

## 7. Taxation on profits on ordinary activities

### Analysis of charge for period

	2003 £	2002 £
Tax on the company's profit:		
Corporation tax	953,547	1,091,673
Adjustment in respect of prior years	56,075	(5,272)
Total current tax (factors below)	<u>1,009,622</u>	<u>1,086,401</u>
Deferred taxation (note 8)	117,663	20,817
Tax on profits on ordinary activities	<u>1,127,285</u>	<u>1,107,218</u>

### Factors affecting tax charge for period

	2003 £	2002 £
Profit on ordinary activities	<u>3,122,099</u>	<u>3,221,251</u>
Assessment at standard rate of UK corporation tax (30%)	936,630	966,375
<u>Effects of:</u>		
Expenses not deductible for tax purposes	129,483	174,895
Capital Allowances in excess of depreciation	(71,262)	(23,141)
Sales proceeds of leased assets	(28,720)	(26,456)
Profit on sale of fixed assets	(12,584)	-
Adjustment in respect of prior years	56,075	(5,272)
Current tax charge (analysis above)	<u>1,009,622</u>	<u>1,086,401</u>

## 8. Deferred Taxation

	2003 £	2002 £
Deferred tax asset at the beginning of the year	550,161	570,978
Charge for accelerated capital allowances	<u>(117,663)</u>	<u>(20,817)</u>
Deferred tax asset at the end of year	<u>432,498</u>	<u>550,161</u>

The deferred tax asset arises from accelerated capital allowances on all eligible assets. There is no unprovided deferred tax for 2003. The deferred tax asset is included within prepayments and accrued income due within one year under note 10.

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

## 9. Tangible Fixed Assets

	Fixtures and Fittings £	Motor Vehicles £	Computer Equipment £	Total £
Cost at 1st January 2003	3,344,910	1,732,231	4,077,354	9,154,495
Additions	921,071	726,141	787,476	2,434,688
Disposals	(41,973)	(692,918)	(2,985)	(737,876)
Cost at 31st December 2003	<u>4,224,008</u>	<u>1,765,454</u>	<u>4,861,845</u>	<u>10,851,307</u>
Depreciation at 1st January 2003	2,695,644	833,953	3,535,078	7,064,675
Charge for Year	366,457	418,065	447,275	1,231,797
Disposals	(2,830)	(481,706)	(1,886)	(486,422)
Depreciation at 31st December 2003	<u>3,059,271</u>	<u>770,312</u>	<u>3,980,467</u>	<u>7,810,050</u>
Net book value at 31st December 2003	<u>1,164,737</u>	<u>995,142</u>	<u>881,378</u>	<u>3,041,257</u>
Net book value at 1st January 2003	<u>649,266</u>	<u>898,278</u>	<u>542,276</u>	<u>2,089,820</u>

## 10. Debtors

	2003 £	2002 £
<b>Due within one year</b>		
Amounts owed by group undertakings	1,959,911	2,910,806
Prepayments and accrued income	<u>4,908,974</u>	<u>7,251,257</u>
	<u>6,868,885</u>	<u>10,162,063</u>
<b>Due after year</b>		
Amounts owed by group undertakings	6,000,000	6,000,000
Prepayments and accrued income	<u>4,604,474</u>	<u>7,040,587</u>
	<u>10,604,474</u>	<u>13,040,587</u>
Total debtors	<u>17,473,359</u>	<u>23,202,650</u>

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

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

	2003 £	2002 £
Bank Overdraft	-	1,720,008
Loan repayable to group undertakings	4,500,000	5,500,000
Other amounts owed to group undertakings	2,998,536	2,361,679
Corporation tax payable	605,094	899,455
Other taxation and social security costs	538,978	326,088
Other creditors and accruals	1,640,958	2,022,199
	<u>10,283,566</u>	<u>12,829,429</u>

## 12. Creditors: Amounts Falling Due After One Year

	2003 £	2002 £
Loan repayable to group undertakings	<u>-</u>	<u>2,000,000</u>

## 13. Borrowings

	2003 £	2002 £
Analysis of maturity of loans repayable to group undertakings		
In one year or less	4,500,000	5,500,000
In more than one year but not more than two years	-	2,000,000
	<u>4,500,000</u>	<u>7,500,000</u>

## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

## 14. Called Up Share Capital

	2003 £	2002 £
<b>Authorised share capital:</b>		
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>
<b>Issued, called up and fully paid:</b>		
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.

## 15. Dividends

	2003 £	2002 £
Preference shares dividends paid	137,861	139,063
Ordinary shares dividends paid	2,000,000	-
	<u>2,137,861</u>	<u>139,063</u>

## 16. Reconciliation of Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total shareholders' funds £
At 1 January 2002	2,750,000	5,738,071	8,488,071
Profit for the year	-	2,114,033	2,114,033
Dividends paid	-	(139,063)	(139,063)
At 31 December 2002	<u>2,750,000</u>	<u>7,713,041</u>	<u>10,463,041</u>
Profit for the year	-	1,994,814	1,994,814
Dividends paid	-	(2,137,861)	(2,137,831)
At 31 December 2003	<u>2,750,000</u>	<u>7,569,994</u>	<u>10,319,994</u>



## PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements  
for the Year Ended 31st December 2003

## 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 £1,116,909 (2002: £1,077,184).

## 18. Financial Commitments

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

	Land and Buildings	
	2003	2002
	£	£
<b>Operating Leases which expire:</b>		
Within 1 year	-	-
Within 2 to 5 years	1,114,000	1,114,000
After 5 years	-	-
	<u>1,114,000</u>	<u>1,114,000</u>

## 19. Related Party Transactions

The company has relied on the exemption given in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group and qualify as related parties, on the grounds that its voting rights are more than 90% controlled within the group and the parent undertaking publishes consolidated financial statements which include the financial statements of the company.

The following non group entity related party transactions have existed during the year:

Related party	Description of relationship	Description of transactions	Expenditure/ (income)	Balance at year end debtor/(creditor)
			£	£
Driven Leasing & Finance Ltd	Common control	Rentals on premises	2003 : (12,614) (2002 : 0)	2003 : (9,503) (2002 : 0)

## 20. Ultimate Parent Undertaking

At 31st December 2003, the directors regarded BNP Paribas SA (incorporated in France), as being the company's ultimate parent undertaking and ultimate controlling party and 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 Pinnacle Insurance Holdings plc. Copies of these financial statements are available from Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.