

PINNACLE INSURANCE MANAGEMENT SERVICES PLC
Company Registration Number: 2729650

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st December 2001



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. Solicitor
A W Dreyer B.A. F.C.C.A
A Claytor
J M McGivern
S D Williams
K J Byrne Bsc F.I.A
A J Piper
R T Humber
Cardif Societe-Vie

Secretary:

C S Mills LL.B. Solicitor

Registered Office:

Pinnacle House
A1 Barnet Way
Borehamwood
Hertfordshire
WD6 2XX

Auditors:

Mazars Neville Russell
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 2001.

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 19.38 (2000: 16.59).

Proposed Dividend and Transfer To Reserves

The results for the period are set out on page 6. The directors recommended the payment of total dividends of £180,986 (2000: £180,986) on the preference shares and £ nil (2000: £ nil) on the ordinary shares for the year.

After deducting the total dividends, it is proposed that the profit of £1,918,291 (2000: £2,037,819 profit) is transferred to 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.

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Directors' Report (Continued)

Directors and their Interests

The directors who held office during the year were: -

C J Schwick	S D Williams
N A Shuker	A W Dreyer
C S Mills	Cardif Societe-Vie
A Claytor	R T Humber
J M McGivern	A J Piper
K J Byrne	

The interest of the directors in the ordinary shares of the parent company, Pinnacle Insurance Holdings plc at 31st December 2001 and 2000 were as follows: -

	2001	2000
Mr N A Shuker	53,500	53,500
Mr C J Schwick	50,000	50,000
Mr A Claytor	6,468	6,468
Mr J M McGivern	4,500	4,500
Mr S D Williams	4,500	4,500
Mr C S Mills	2,106	2,106
Ms K J Byrne	160	160
Mr A W Dreyer	1,333	1,359
Mr R T Humber	26	-

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

	Number of Options 1 January 2001	Options Exercised During 2001	Number of Options 31 December 2001
Ms K J Byrne	1,000	-	1,000
Mr R T Humber	1,000	-	1,000
Mr A J Piper	1,000	-	1,000

Auditors

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

By order of the Board


C S Mills

Company Secretary

Date: 13 May 2002

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 is 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 SHAREHOLDERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC**

We have audited the financial statements of Pinnacle Insurance Management Services Plc for the year ended 31 December 2001 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.

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.

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.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars Neville Russell
Mazars Neville Russell
Chartered Accountants
Registered Auditors
24 Bevis Marks
London EC3A 7NR

Date: 13 May 2002

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Profit and Loss Account
for the year ended 31st December 2001

	Note	<u>2001</u> £	<u>2000</u> £
Turnover	2	23,701,975	23,420,760
Administrative expenses		(20,814,839)	(20,707,361)
Operating profit		2,887,136	2,713,399
Interest receivable and similar income	5	577,967	850,491
Interest payable and similar charges	6	(134,943)	(157,378)
Profit on ordinary activities before taxation		3,330,160	3,406,512
Tax on profit on ordinary activities	7	(1,230,883)	(1,187,707)
Profit on ordinary activities after taxation		2,099,277	2,218,805
Dividends:			
Equity & Non Equity	14	(180,986)	(180,986)
Retained profit for the financial year	15	<u>1,918,291</u>	<u>2,037,819</u>

There were no recognised gains or losses other than the profit for the year.
The company's turnover and expenses relate to continuing operations.

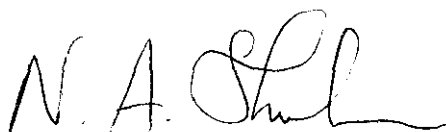
PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Balance Sheet as at 31st December 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,754,427		3,313,905
Current assets					
Debtors	9	21,468,422		8,250,167	
Cash at bank and in hand		90,649		5,386,373	
		<u>21,559,071</u>		<u>13,636,540</u>	
Creditors : Amounts falling due within one year	10	<u>(10,825,427)</u>		<u>(10,380,665)</u>	
Net current assets			10,733,644		3,255,875
Total assets less current liabilities			13,488,071		6,569,780
Creditors : Amounts falling due after one year	11		(5,000,000)		-
			<u>8,488,071</u>		<u>6,569,780</u>
Capital and reserves					
Equity shareholders' funds					
Called up share capital	13		250,000		250,000
Profit and loss account	15		5,738,071		3,819,780
Total equity shareholders' funds			<u>5,988,071</u>		<u>4,069,780</u>
Non-equity shareholders' funds					
Called up preference share capital	13		2,500,000		2,500,000
Total shareholders' funds			<u>8,488,071</u>		<u>6,569,780</u>

These financial statements were approved by the Board of directors on 13 May 2002

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 2001

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

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 or asset 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
for the Year Ended 31st December 2001

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.

3. Profits on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	2001 £	2000 £
Auditors' remuneration	61,738	89,633
Depreciation of owned Tangible fixed assets	1,565,174	1,455,583
Finance lease income	-	(6,550)
Loss/(profit) on sale of fixed assets	<u>36,545</u>	<u>(10,091)</u>

4(a) Employees

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

	2001	2000
Sales	30	27
Administration	<u>340</u>	<u>316</u>
	<u>370</u>	<u>343</u>

Employment Costs	2001 £	2000 £
Wages and salaries	9,626,200	8,370,185
Social security costs	866,005	795,626
Other pension costs	993,337	848,459
	<u>11,485,542</u>	<u>10,014,270</u>

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

**Notes to the Financial Statements
for the Year Ended 31st December 2001**

4(b) Directors' Remuneration

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

	2001 £	2000 £
Emoluments	953,527	998,879
Pension contributions	105,736	227,118
	<u>1,059,263</u>	<u>1,225,997</u>
 Emoluments of highest paid director	 243,746	 117,919
Pension contributions of highest paid director	11,125	26,730
	<u>254,871</u>	<u>144,649</u>

The numbers of directors to whom retirement benefits are accruing under defined contribution schemes are 10 (2000: 11).

5. Interest Receivable and Similar Income

This represents interest receivable on bank deposits and intercompany loans. Loan interest received includes £461,250 (2000: £461,250) from the immediate parent company and £14 from fellow group undertakings (2000: £62,119).

6. Interest Payable and Similar Charges

This represents interest payable on loans with fellow group undertakings.

7. Taxation

	2001 £	2000 £
Tax on the company's profit:		
Corporation tax (30%)	1,147,162	1,068,832
Under-provision in respect of prior years	195,128	-
Deferred taxation	(111,407)	118,875
	<u>1,230,883</u>	<u>1,187,707</u>

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2001

8. Tangible Fixed Assets

	Furniture and Fixtures £	Motor Vehicles £	Computer Equipment £	Total £
Cost at 1st January 2001	3,081,674	1,853,404	3,615,039	8,550,117
Additions	224,931	481,633	507,685	1,214,249
Disposals	(808)	(502,869)	(4,687)	(508,364)
Cost at 31st December 2001	<u>3,305,797</u>	<u>1,832,168</u>	<u>4,118,037</u>	<u>9,256,002</u>
Depreciation at 1st January 2001	1,949,246	693,690	2,593,276	5,236,212
Charge for Year	497,098	424,838	643,238	1,565,174
Disposals	-	(297,871)	(1,940)	(299,811)
Depreciation at 31st December 2001	<u>2,446,344</u>	<u>820,657</u>	<u>3,234,574</u>	<u>6,501,575</u>
Net book value at 31st December 2001	<u>859,453</u>	<u>1,011,511</u>	<u>883,463</u>	<u>2,754,427</u>
Net book value at 1st January 2001	<u>1,132,428</u>	<u>1,159,714</u>	<u>1,021,763</u>	<u>3,313,905</u>

9. Debtors

	2001 £	2000 £
Due within one year		
Amounts owed by group undertakings	6,673,620	4,290,485
Prepayments and accrued income	<u>7,141,513</u>	<u>500,111</u>
	<u>13,815,133</u>	<u>4,790,596</u>
Due after year		
Amounts owed by group undertakings	6,000,000	3,000,000
Prepayments and accrued income	<u>1,653,289</u>	<u>459,571</u>
	<u>7,653,289</u>	<u>3,459,571</u>
Total debtors	<u>21,468,422</u>	<u>8,250,167</u>

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2001

10. Creditors: Amounts Falling Due Within One Year

	2001 £	2000 £
Premiums due to group undertakings	1,242,218	2,591,924
Loan repayable to group undertakings	6,500,000	2,500,000
Other amounts owed to group undertakings	326,363	479,785
Corporation tax payable	285,581	1,050,509
Other taxation and social security costs	222,655	290,549
Other creditors and accruals	2,248,610	3,467,898
	<u>10,825,427</u>	<u>10,380,665</u>

11. Creditors: Amounts Falling Due After One Year

	2001 £	2000 £
Loan repayable to group undertakings	<u>5,000,000</u>	<u>-</u>
Analysis of maturity of loans repayable to group undertakings		
In one year or less	6,500,000	2,500,000
In more than one year but not more than two years	3,000,000	-
In more than two years but not more than five years	2,000,000	-
	<u>11,500,000</u>	<u>2,500,000</u>

12. Deferred Taxation.

	2001 £	2000 £
Deferred tax asset at 1 January 2001	459,571	578,446
Credit/(charge) for the year	<u>111,407</u>	<u>(118,875)</u>
Deferred tax asset at 31 December 2001 (see below)	<u>570,978</u>	<u>459,571</u>

The deferred tax asset arises from accelerated capital allowances on all eligible assets. There is no unprovided deferred tax for 2001 or 2000. The deferred tax asset is included within prepayments and accrued income under note 9.

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements
for the Year Ended 31st December 2001

13. Called Up Share Capital

	2001 £	2000 £
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

	2001 £	2000 £
Preference shares dividends proposed	180,986	180,986
Ordinary shares dividends proposed	-	-
	<u>180,986</u>	<u>180,986</u>

15. Reconciliation of Shareholders' Funds

	Share Capital £	Profit & Loss Account £	Total shareholders' funds £
At 1 January 2000	2,750,000	1,781,961	4,531,961
Profit for the year	-	2,037,819	2,037,819
At 31 December 2000	2,750,000	3,819,780	6,569,780
Profit for the year	-	1,918,291	1,918,291
At 31 December 2001	<u>2,750,000</u>	<u>5,738,071</u>	<u>8,488,071</u>

PINNACLE INSURANCE MANAGEMENT SERVICES PLC

Notes to the Financial Statements for the Year Ended 31st December 2001

16. Pensions

The company participates in defined contribution pension scheme. Pension contributions for the year were £993,337 (2000: £848,459).

17. Ultimate Parent Undertaking

At 31st December 2001, the directors regarded BNP Paribas (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. 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.