

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Company Registration Number: 2713318

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st December 2005

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Directors: P De Villeneuve
N A Shuker B.A., A.S.A., F.I.A.
C J Schwick M.B.A.
P J Bloxham F.C.I.I.
A W Dreyer B.A. (Hons) F.C.C.A.
R J Mee F.C.I.B.S. *
C S Mills LL.B. (Hons) Solicitor
G B Raingold F.C.A. M.Sc. F.Inst.D. *
A D Swain B.Ed.
Cardif S.A.
Cardif Assurance Vie
Banque Financiere Cardif

* Non-Executive Directors

Secretary: Matthew Lorimer LL.B. (Hons) Solicitor

Registered Office: Pinnacle House
A1 Barnet Way
Borehamwood
Hertfordshire
WD6 2XX

Auditors: Mazars LLP
24 Bevis Marks
London
EC3A 7NR

Principal Bankers: Bank of Scotland PLC
Chief Office
38 Threadneedle Street
London
EC2P 2EH

Royal Bank of Scotland PLC
Corporate Banking Office
P.O. Box 450
4th Floor, 5-10 Great Tower St
London
EC3P 3HX

Barclays Bank PLC
54 Lombard Street
London
EC3P 3AH

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31st December 2005.

Principal Activities, Review of Business and Future Developments

The company's principal activity is the holding of investments in subsidiaries. The group's business is the provision of insurance and related services primarily in respect of creditor, extended warranty, single premium and investment-linked bonds. The group will continue to invest in its insurance and other businesses to maintain its growth in the future.

Payment of Suppliers

It is the group's general policy to pay trade creditors when they fall due for payment. The number of creditor days outstanding at the year-end was 29.89 (2004: 29.86).

Results and Dividends

The directors recommend the payment of a dividend of £105,000 (2004: £105,000) in respect of the ordinary shares (10.0p per share) and £16,000 (2004: £14,000) in respect of the preference shares.

The net profit for the financial year for the group is £5,408,000 (2004 restated: £12,834,000).

Employee Involvement and Disabled Persons

The group'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 group. 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 group by means of regular departmental meetings, newsletters, and journals, which are regularly published on the group's intranet.

Company Secretary

On 9th September 2005, K Cranston resigned from her position as Company Secretary and Cardif Pinnacle Secretaries Limited was appointed. On 30th June 2006, Cardif Pinnacle Secretaries Limited resigned and Matthew Lorimer was appointed.

Changes to the financial statements

There have been changes to both UK legislation and accounting standards that affect the financial statements of the company. A new standard on financial instruments disclosure, FRS25, has been introduced which affects how preference share capital and its income payments are treated. The board continues to show preference share capital under the heading of shareholders' funds as they are redeemable solely at the discretion of the company, but the income payments have been disclosed under "investment expenses and charges" in the non technical profit and loss account. With regards to reserves and dividends, a new note, note 14 has been added to comply with legislation. The comparative figures for last year have been restated accordingly, as laid out in the accounting policies note. The group has also adopted FRS27 relating to Life Assurance applicable for the first time in 2005, as disclosed in note 27.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Directors' Report (Continued)****Directors and Directors' Interests**

The directors who held office during the year were as follows: -

P De Villeneuve
N A Shuker B.A., A.S.A., F.I.A. *
C J Schwick M.B.A.
P J Bloxham F.C.I.I.
A W Dreyer B.A. (Hons) F.C.C.A.
R J Mee F.C.I.B.S. *
C S Mills LL.B. (Hons) Solicitor
G B Raingold F.C.A. M.Sc. F.Inst.D. *
S D Williams F.I.M.I.
Cardif S.A.
Cardif Assurance Vie
Banque Financiere Cardif

* Non-Executive Directors

On 17th March 2006, S D Williams resigned as a director of the company and on 30th June 2006, A D Swain was appointed. Details of directors' interests can be found in note 33 of the financial statements. On 17th March 2006, N A Shuker resigned as chief executive officer and became the non-executive vice chairman, and remains an employee of the company.

AUDITORS

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

By order of the Board



Matthew Lorimer
Company Secretary

Date: 28 JUL 2006

CARDIF PINNACLE INSURANCE HOLDINGS 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 the group and of the profit or loss of the group for that period. In preparing these financial statements directors are required to:

- (i) select suitable accounting policies and 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;
- (iv) prepare the financial statements based on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARDIF PINNACLE INSURANCE HOLDINGS PLC**

We have audited the financial statements of Cardif Pinnacle Insurance Holdings PLC for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet and related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and other members of the group is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's and the group's affairs as at 31 December 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP
Mazars LLP
Chartered Accountants
and Registered Auditors
24 Bevis Marks
London
EC3A 7NR

Date: *28 July 2006*

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - GENERAL BUSINESS FOR THE YEAR ENDED 31st DECEMBER 2005

	Note	2005		2004	
		£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	4(a)	341,901		347,380	
Outward reinsurance premiums		(20,489)		(18,261)	
			321,412		329,119
Change in the gross provision for unearned premiums	28(a)	(35,344)		(79,989)	
Change in the provision for unearned premiums, reinsurers' share	28(a)	(5,949)		(3,198)	
			(41,293)		(83,187)
			280,119		245,932
Allocated investment return transferred from the non-technical account			5,794		5,223
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(69,287)		(55,984)	
Reinsurers' share		9,363		6,054	
			(59,924)		(49,930)
Change in the provision for claims					
Gross amount	28(a)	(14,663)		(13,778)	
Reinsurers' share	28(a)	4,445		7,976	
			(10,218)		(5,802)
			215,771		195,423
Net operating expenses	7		(220,091)		(184,692)
Sub-total (balance on the technical account-general business)			(4,320)		10,731

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - LONG TERM BUSINESS FOR THE YEAR ENDED 31st DECEMBER 2005

	Note	2005		2004	
		£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	4(b)	388,105		500,228	
Outward reinsurance premiums		(13,654)		(25,150)	
			374,451		475,078
Investment income	6	29,756		19,329	
Unrealised losses on investments		(1)		(205)	
Realised gains/(losses) on investments		81		(811)	
			29,836	(811)	
			404,287		493,391
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(255,419)		(177,561)	
Reinsurers' share		3,445		11,970	
			(251,974)	(165,591)	
Change in the provision for claims					
Gross amount	28(b)	(2,070)		(101)	
Reinsurers' share		1,249		-	
			(821)	(101)	
			151,492	327,699	
Change in other technical provisions, net of reinsurance					
Long term business provision					
Gross amount	28(b)	(108,142)		(296,796)	
Reinsurers' share	28(b)	8,532		768	
Technical provisions for linked liabilities	28(b)	3,061		16,224	
			(96,549)	(279,804)	
Net operating expenses	7		(46,704)		(47,485)
Sub-total (balance on the technical account-long term business)			8,239	410	

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2005

	Note	2005		2004 (Restated)	
		£000	£000	£000	£000
Balance on the general business technical account			(4,320)		10,731
Balance on the long term business technical account			8,239		410
			3,919		11,141
Investment income	6	11,782		10,282	
Unrealised gains on investments		-		2,917	
Realised gains/(losses) on investments		103		(28)	
Investment expenses and charges		(3,281)		(2,600)	
		8,604		10,571	
Allocated investment return transferred to the general business account		(5,794)		(5,223)	
			2,810		5,348
Other income	8		36,421		47,000
Other charges	8		(36,772)		(46,932)
Operating profit from continuing activities	9		6,378		16,557
Share of associated operating profit from continuing activities			2,424		-
Profit on ordinary activities before taxation			8,802		16,557
Tax charge on profit on ordinary activities	12		(3,394)		(3,952)
Profit on ordinary activities after taxation			5,408		12,605
Minority interest			-		229
Net profit for the financial year			5,408		12,834

The profit for the year arises from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31st DECEMBER 2005

	2005	2004 (Restated)
Net profit for the financial year	5,408	12,834
Foreign translation adjustment	147	20
Total recognised gains for the financial year	5,555	12,854

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED BALANCE SHEET
AT 31st DECEMBER 2005

	<u>Note</u>	2005		2004	
		£000	£000	£000	£000
ASSETS					
Intangible assets	23		-		1,056
Investments					
Land and buildings	17	18,215		18,640	
Other financial investments	18	878,971		769,820	
			897,186		788,460
Investments in participating interests	16		7,627		3,365
Assets held to cover linked liabilities	19		5,826		8,887
Reinsurers' share of technical provisions					
Provision for unearned premiums	28(a)	17,531		23,462	
Long term business provision	28(b)	31,261		22,579	
Claims outstanding	28(c)	14,310		9,779	
			63,102		55,820
Debtors					
Debtors arising out of direct insurance operations	20	37,703		31,591	
Debtors arising out of direct reinsurance operations	21	4,742		8,827	
Other debtors	22	1,595		40,586	
			44,040		81,004
Other assets					
Tangible assets	24	5,009		4,628	
Cash at bank and in hand		51,293		60,234	
			56,302		64,862
Prepayments and accrued income					
Accrued interest		23,940		16,264	
Deferred acquisition costs	28(d)	343,862		310,117	
Other prepayments and accrued income		56,874		25,023	
			424,676		351,404
Total assets			<u>1,498,759</u>		<u>1,354,858</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED BALANCE SHEET (continued) AT 31st DECEMBER 2005

	Note	2005		2004	
		£000	£000	£000	£000
LIABILITIES					
Capital and reserves					
Called up share capital	25		1,299		1,296
Share premium	27		2,033		1,644
Profit and loss account	27		97,476		92,045
Shareholders' funds attributable to equity interests			100,558		94,735
Shareholders' funds attributable to non equity interests	25		250		250
Total shareholders' funds			100,808		94,985
Minority interest			-		38
Technical provisions					
Provision for unearned premiums	28(a)	380,453		344,616	
Long term business provision	28(b)	716,056		600,348	
Claims outstanding	28(c)	59,020		43,284	
			1,155,529		988,248
Technical provisions for linked liabilities	28(b)		5,826		8,887
Creditors					
Creditors arising out of direct insurance operations		104,014		83,584	
Creditors arising out of direct reinsurance operations		13,346		19,611	
Amounts owed to credit institutions	29	5,495		25,034	
Other creditors including taxation and social security	30(a)	81,427		93,554	
			204,282		221,783
Accruals and deferred income			32,314		40,917
Total liabilities			1,498,759		1,354,858

CARDIF PINNACLE INSURANCE HOLDINGS PLC

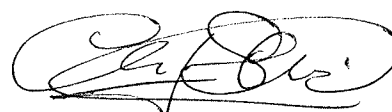
PARENT COMPANY BALANCE SHEET AT 31st DECEMBER 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Investments	15		166,259		159,426
Current assets					
Debtors	22	3,872		3,783	
Cash at bank and in hand		2,920		1	
		6,792		3,784	
Creditors : Amounts falling due within one year	30(b)	(4,263)		(1,179)	
Net current assets			2,529		2,605
Total assets less current liabilities			168,788		162,031
Creditors : Amounts falling due after more than one year	30(c)		(67,980)		(66,576)
Net assets			100,808		95,455
Capital and reserves					
Equity shareholders' funds					
Called up share capital	25		1,299		1,296
Share premium	27(a)		2,033		1,644
Revaluation Reserves	27(a)		87,559		81,716
Profit and loss account	27(a)		9,917		10,799
Total equity shareholders' funds			100,558		95,205
Total non-equity shareholders' funds	25		250		250
Total shareholders' funds			100,808		95,455

These financial statements were approved by the Board of directors on **28 JUL 2006**, and signed on its behalf by :



A W Dreyer



C J Schwick

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Financial Statements For the Year Ended 31st December 2005

1. Basis of Preparation of Financial Statements

Basis of Preparation

The financial statements of the group and the company have been prepared in accordance with applicable accounting standards and under the historical cost accounting convention, modified to include the revaluation of investments. As there has been a change to the accounting standard on financial instruments disclosure, the policy of disclosing preference share capital dividends has been changed from appropriation of profits to "investment expenses and charges" by £16,000 (2004: £14,000) in each case.

The group financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated December 2005. The balance sheet of the parent company is prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985. As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented. The group has relied on the exemption given in Financial Reporting Standard 1 not to disclose a consolidated cash flow statement on the grounds that its voting rights are more than 90% controlled within the BNP Paribas group, and the consolidated financial statements of this group are publicly available.

Basis of Consolidation

The group financial statements consolidate the financial statements of Cardif Pinnacle Insurance Holdings PLC and its subsidiary undertakings, all of which are drawn up at 31st December 2005. In the group accounts, associates are accounted for using the equity method.

2. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the group and company financial statements.

Basis of Accounting for General and Long Term Insurance Business

General business is accounted for on an annual basis. The company uses a modified statutory solvency basis for determining the long-term business provision.

Fixed Assets and Depreciation

Tangible fixed assets are stated at historical cost. Depreciation is provided by the group 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% per annum

Land and Buildings

Land and buildings are revalued triennially and the depreciation on buildings is provided at 2% per annum on a straight-line basis.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Financial Statements
For the Year Ended 31st December 2005****Premiums**

In respect of general business, written premiums are stated gross of commission payable to intermediaries and comprise the premiums due on contracts entered into during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include estimates for "pipeline" premiums and allowances for cancellations. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

In respect of long term business, premiums are accounted for on a receivable basis excluding any taxes or duties levied on premiums. Outwards reinsurance premiums are accounted for on a payable basis.

Unearned Premiums

The general business provision for unearned premiums represents that part of gross premiums written which is estimated to be earned in the following or subsequent financial years. This is computed on a basis that reflects the company's experience of the incidence of claims incurred over the term of those policies.

Acquisition Costs

Acquisition costs comprise all direct and attributable indirect costs arising from the conclusion of insurance contracts.

For general business, deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written and unearned at the balance sheet date. For long term business, deferred acquisition costs are amortised over a period no longer than that in which they are expected to be recoverable out of margins in revenues from related policies.

Claims

For long-term business, death claims and surrenders are accounted for when notified to the company up to the balance sheet date. Maturities and annuities are recognised as they fall due for payment. Claims incurred in respect of long term business include movements in provisions for accident and sickness outstanding claims, and includes claims incurred but not reported.

Claims incurred in respect of general business include all claims and claims settlement expense payments made in respect of the financial period and the movements in provisions for outstanding claims and settlement expenses, and include claims incurred but not reported.

Claims Outstanding

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related claims settlement expenses. Provisions in respect of potential profit share commission payable to cedants are included within creditors. Anticipated reinsurance recoveries are disclosed separately as an asset.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Financial Statements
For the Year Ended 31st December 2005****Claims Outstanding – continued**

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provisions are reflected in the financial statements for the period in which the adjustments are made.

Long Term Business Provision

The long term business provision comprises those provisions that have been computed by the Head of Actuarial Function, having due regard to the principles laid down in Council Directive 92/96/EEC adjusted for the related deferred acquisition costs. The provision for creditor life business is based on an unearned net premium reserve, having regard to the incidence of the risk over the term of the contract. The provision for guaranteed single premium bonds is based on a prospective valuation of the future benefits and expenses. The provision for linked contracts is based on the market value of the related assets.

Investments

All investments, including those classified as assets held to cover linked liabilities, are stated at their current value.

Listed investments are stated at the bid price on the balance sheet date, or on the last stock exchange trading day before the balance sheet date.

Investment Income

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit. Dividends are recognised when the investments to which they relate are declared "ex dividend". Interest income is accrued up to the balance sheet date. Realised gains or losses represent the difference between net sales proceeds and purchase price.

Unrealised Gains and Losses on Investments

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price or, if they have been previously revalued, their valuation at the last balance sheet date plus the reversal of unrealised gains and losses recognised in earlier accounting years in respect of disposals in the current year. Unrealised gains and losses on investments which are attributed to the long-term fund or held to cover linked liabilities are included in the long term business technical account. Unrealised gains and losses on other investments are reported in the non-technical account.

Allocation of Investment Return

Investment income, realised and unrealised gains and losses, and expenses and charges relating to shareholders' funds, are reported in the non-technical account. Amounts relating to investments supporting general business technical provisions are allocated from the non-technical account to the technical account. Investment income, realised gains and losses, expenses and charges arising on long term business are included in the long term business technical account.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Financial Statements
For the Year Ended 31st December 2005****Foreign Currencies**

Monetary assets denominated in foreign currencies are translated into sterling using the rates of exchange ruling at the balance sheet date. The gains or losses arising are included in the non-technical account. Differences arising from retranslation of opening net investments at the year-end exchange rate are taken directly to reserves. In the consolidated accounts, where the investment in a foreign subsidiary has been financed by a long-term loan in the local currency, the exchange differences have been offset and taken to reserves.

Taxation

The charge for taxation for long-term business is based on the result of the application of the rules for the taxation of life assurance companies to the items included in the profit and loss account for the year. It also takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The charge for taxation on general business is based on the profit for the year, and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Full provision is made for deferred tax in accordance with FRS 19 'Deferred Tax'. Deferred tax, including UK corporation tax and foreign tax, is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Derivatives

Certain derivatives are taken out for hedging purposes. To the extent that the hedge subsequently becomes ineffective, the derivatives are marked to market, with changes in the fair value being taken to the profit and loss account.

Investments in Subsidiaries and Participating Interests

Investments in subsidiary undertakings and participating interests are valued at the group share of the net asset value of the underlying investment plus the carrying value of any related goodwill, less any provision for impairments in values. Revaluation gains are credited to the Revaluation Reserve. Revaluation losses are charged to the Revaluation Reserve until the carrying amount of the investment reaches its historical cost and thereafter in the profit and loss account.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is recorded as an intangible asset. Goodwill arising on the acquisition of participating interests is recorded in the carrying value of the investment. The amortisation of goodwill for each investment is determined in accordance with the directors' estimate of each investment's useful economic life. The carrying value of goodwill is reviewed regularly for impairment.

Pension Costs

The group operates defined contribution pension schemes. The assets of these schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the year.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Financial Statements
For the Year Ended 31st December 2005

3. Segmental analysis by class of business	2005 £000	2004 £000 (Restated)
Gross premiums written		
General business	341,901	347,380
Long term business	388,105	500,228
Non-insurance business	36,421	47,000
	<u>766,427</u>	<u>894,608</u>
 (Loss)/profit before taxation		
General business	(4,320)	10,731
Long term business	8,239	410
Non-insurance business	4,882	5,416
	<u>8,801</u>	<u>16,557</u>
 Segmental net assets		
General business	76,869	76,882
Long term business	24,839	17,261
Non-insurance business	(900)	842
	<u>100,808</u>	<u>94,985</u>

The business has been treated as one geographical market, being the UK, Republic of Ireland, Channel Islands and the Isle of Man, as any business outside this market is considered immaterial.

4. Business Analysis

4(a) General business	2005 Gross Premiums Written £000	2005 Gross Premiums Earned £000	2005 Gross Claims Incurred £000	2005 Gross Operating Expenses £000	2005 Reinsurance Balance £000
Direct Insurance					
Creditor	241,310	216,241	(47,557)	(188,944)	10,023
Warranty	73,552	68,433	(26,200)	(42,046)	(211)
	<u>314,862</u>	<u>284,674</u>	<u>(73,757)</u>	<u>(230,990)</u>	<u>9,812</u>
Reinsurance	27,039	21,883	(10,193)	(7,237)	-
	<u>341,901</u>	<u>306,557</u>	<u>(83,950)</u>	<u>(238,227)</u>	<u>9,812</u>
	2004 Gross Premiums Written £000	2004 Gross Premiums Earned £000	2004 Gross Claims Incurred £000	2004 Gross Operating Expenses £000	2004 Reinsurance Balance £000
Direct Insurance					
Creditor	258,674	192,618	(36,723)	(126,997)	(21,703)
Warranty	72,208	63,359	(21,845)	(40,367)	2,055
	<u>330,882</u>	<u>255,977</u>	<u>(58,568)</u>	<u>(167,364)</u>	<u>(19,648)</u>
Reinsurance	16,498	11,414	(11,194)	(5,109)	-
	<u>347,380</u>	<u>267,391</u>	<u>(69,762)</u>	<u>(172,473)</u>	<u>(19,648)</u>

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4(b) Long term business premiums	2005	2004
	£000	£000
Single premiums	379,397	491,457
Periodic premiums	8,708	8,771
	<u>388,105</u>	<u>500,228</u>

Included in single premiums, are premiums of £nil (2004: £nil) in respect of linked business.

4(c) Reinsurance balance – Long term business	2005	2004
	£000	£000
Reinsurance balance – Long term business	<u>3,164</u>	<u>(6,383)</u>

5. Prior years' claims provisions for general business

The change in general business claims provisions from those at the beginning of the year compared to payments and provisions at the end of the year in respect of previous years' claims were:

	2005	2004
	£000	£000
Change before associated expenses	(1,520)	(944)
Less associated expenses	<u>(782)</u>	<u>1,541</u>
	<u>(2,302)</u>	<u>597</u>

	Technical Account		Non-technical account	
	Long Term Business			
6. Investment Income	2005	2004	2005	2004
	£000	£000	£000	£000
Income from other investments	<u>29,756</u>	<u>19,329</u>	<u>11,782</u>	<u>10,282</u>

	General Business		Long Term Business	
7. Net operating expenses	2005	2004	2005	2004
	£000	£000	£000	£000
Acquisition costs	253,436	216,229	59,196	76,483
Change in gross deferred acquisition costs	(23,022)	(50,918)	(10,723)	(24,670)
Administrative expenses	7,813	7,162	1,823	1,701
Gross operating expenses	<u>238,227</u>	<u>172,473</u>	<u>50,296</u>	<u>53,514</u>
Reinsurance commissions and profit participation	(11,603)	15,745	(2,469)	(7,401)
Change in deferred reinsurance commission	(6,533)	(3,526)	(1,123)	1,372
	<u>220,091</u>	<u>184,692</u>	<u>46,704</u>	<u>47,485</u>

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8. Other (charges)/income	2005	2004
	£000	£000
Turnover	<u>36,421</u>	<u>47,000</u>
Cost of sales	(34,053)	(45,861)
Distribution costs	(515)	(722)
Administrative expenses	(2,204)	(349)
	<u>(36,772)</u>	<u>(46,932)</u>
	<u>(351)</u>	<u>68</u>

The turnover mainly relates to sale of extended warranty service contracts.

9. Profit on ordinary activities before tax is stated after charging:	2005	2004
	£000	£000
Auditors' remuneration		
Audit - Group	222	165
Audit - Company	13	15
Other services	25	47
Amortisation of goodwill	1,816	439
Depreciation of buildings and other tangible assets	<u>2,637</u>	<u>2,130</u>

10. Remuneration of directors

The directors received the following emoluments paid in respect of their services as directors of this Company:

	2005	2004
	£000	£000
Emoluments	511	1,151
Pension contributions	165	255
	<u>676</u>	<u>1,406</u>
	2005	2004
	£000	£000
Emoluments of highest paid director	287	285
Pension contributions of highest paid director	89	86
	<u>376</u>	<u>371</u>

The numbers of directors to whom retirement benefits are accruing under a defined contribution scheme are 2 (2004: 6).

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11. Staff numbers and costs

	2005	2004
The average number of employees (including directors) during the year was:		
Sales	240	216
Administration	536	473
	776	689

Employment Costs	2005	2004
	£000	£000
Wages and salaries	18,141	16,321
Social Security costs	1,992	1,676
Other pension costs	1,495	1,310
	21,628	19,307

12. Taxation on profits on ordinary activities

Analysis of charge for the period

	2005	2004
	£000	£000
Tax on the group's profit:		
Corporation tax	3,454	4,917
Adjustment in respect of prior years	(66)	(1,065)
Total current tax (factors below)	3,388	3,852
Deferred taxation	6	100
Tax on profits on ordinary activities	3,394	3,952

Factors affecting the tax charge for the period

	2005	2004
	£000	£000
		(Restated)
Profit on ordinary activities	8,802	16,557
Assessment at standard rate of UK corporation tax (30%)	2,641	4,967
<u>Effects of:</u>		
Expenses not liable for tax purposes	563	350
Capital Allowances in excess of depreciation	32	27
Sales proceeds of fixed assets	(35)	(11)
Adjustment in respect of prior years	(66)	(1,065)
Lower tax rate on overseas earnings	(329)	(122)
Other differences	582	(294)
Current tax charge (analysis above)	3,388	3,852

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Notes to the Financial Statements
For the Year Ended 31st December 2005

13. Deferred Taxation	2005	2004
Included in Other prepayments and accrued income	£000	£000
Deferred tax asset at 1st January 2005	14	114
Charge for accelerated capital allowances	(9)	(100)
Tax losses carried forward	3	-
Deferred tax asset at 31st December 2005	<u>8</u>	<u>14</u>

There are no immediate plans for Cardiff Pinnacle Holdings PLC to dispose of its investments in group undertakings, however, should such a disposal occur, it is anticipated that there would be a negligible capital gains liability as the substantial shareholding exemption would be used against any chargeable gains.

14. Reserves and Dividends (Company)	2005	2004
	£000	£000
(a) Amounts transferred (from)/to reserves (including proposed amounts)	(882)	5,794
(b) Dividends paid (other than those proposed at the end of the previous year)	121	-
(c) Liability for payment of dividends as at the balance sheet date	-	-
(d) Proposed dividends not included in (b) or (c)	-	119

Dividends paid in respect of preference share capital have been included in "investment expenses and charges" in the non technical profit and loss account.

15. Investments held as fixed assets	Company
	2005
	£000
Cost or Valuation	
Opening balance 1st January 2005	164,011
Additions	1,301
Revaluations	5,843
Closing balance 31st December 2005	<u>171,155</u>
Provision for diminution in value	
Opening balance 1st January 2005	4,585
Net write off for the year	311
Closing balance 31st December 2005	<u>4,896</u>
Net Book Value	
At 31st December 2005	<u>166,259</u>
At 1st January 2005	<u>159,426</u>

The additions relate to further investments in share capital in group undertakings and participating interests. The revaluations relate to the movement in net asset values of the investments.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

**Notes to the Financial Statements
For the Year Ended 31st December 2005**

15. Investments in Group Undertakings - continued

The closing balance comprises the investments in the following subsidiary undertakings:

Subsidiary Company	Country of Incorporation	Principal Activity	Class of shares held	Holding 2005	Holding 2004
Cardif Pinnacle Insurance Management Services PLC	Great Britain	Management Services	Ordinary Preference	100% 100%	100% 100%
Pinnacle Insurance PLC	Great Britain	General and Life Insurance	Ordinary Preference	100% 100%	100% 100%
Financial Telemarketing Services Limited	Great Britain	Telemarketing	Ordinary	100%	100%
Avida Solutions Limited ¹	Great Britain	Other Services	Ordinary	100%	100%
European Reinsurance Limited	Guernsey	Reinsurance	Ordinary	100%	100%
Cardif Pinnacle Insurance Property Services PLC	Great Britain	Property	Ordinary	100%	100%
Pinnacle Insurance Holdings (Proprietary) Limited	South Africa	Holding	Ordinary	100%	100%
Pinnafrica Insurance Limited ²	South Africa	General Insurance	Ordinary	100%	100%
Pinnafrica Life Limited ²	South Africa	Life Insurance	Ordinary	100%	100%
Guaranteed Underwriting Agency Limited	Great Britain	Insurance Broker	Ordinary Preference	100% 100%	100% 100%
Pinnacle Pet Healthcare Limited	Great Britain	Insurance Broker	Ordinary	100%	95%
Cardif Pinnacle Europe Limited	Great Britain	Holding	Ordinary	100%	100%
USP Strategies Limited ³	Great Britain	Other Services	Ordinary	100%	100%
Extended ServicePlan Limited ⁴	Guernsey	Warranty Sales	Ordinary	100%	100%
ServicePlan Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
First Home Services Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
ServicePlus Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
Warranty ServicePlan Limited ⁴	Isle of Man	Management	Ordinary	100%	100%
Warranty Service Solutions Limited ⁴	Great Britain	Warranty Sales	Ordinary	100%	100%
Cardif Pinnacle Försäkring AB	Sweden	Insurance Broker	Ordinary	100%	100%
Pinnacle Insurance Pension Trust Company Limited	Great Britain	Trust Business	Ordinary	100%	100%

Cardif Pinnacle Försäkring AB is not consolidated on the basis that it's results are immaterial to the group. Dormant companies are also excluded from this list.

¹ Shares held by Financial Telemarketing Services Limited

² Shares held by Pinnacle Insurance Holdings (Proprietary) Limited

³ Shares held by Cardif Pinnacle Europe Limited.

⁴ Shares held by USP Strategies Limited.

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16. Investments in Participating Interests

Cardif Holdings Inc is an intermediate holding company set up to hold all of Cardif S.A.'s investments in the United States of America. Cardif Holdings Inc draws up its financial statements to 31st December each year. Cardif Pinnacle Insurance Holdings PLC owns 30% (2004: 30%) of Cardif Holdings Inc's ordinary shares and 23% of its preference shares (2004: None issued).

	Group and Company	
	2005	2004
	£000	£000
Share of associates assets on acquisition	4,155	2,230
Goodwill arising on acquisition	1,898	1,898
Amortisation of goodwill	(850)	(470)
Foreign exchange movement	(83)	(293)
Share of associates post acquisition profit	2,507	-
	<u>7,627</u>	<u>3,365</u>

Due to the immaterial nature of the prior year results of the associate, no comparative is disclosed. The directors have determined that the useful economic life of the goodwill of Cardif Holdings Inc is five years.

17. Land and Buildings

Group	Freehold Property £000
Valuation at 1st January 2005	19,490
Valuation at 31st December 2005	<u>19,490</u>
Depreciation at 1st January 2005	850
Charge for the year	425
Depreciation at 31st December 2005	<u>1,275</u>
Net Book Value at 31st December 2005	<u>18,215</u>
Net Book Value at 1st January 2005	<u>18,640</u>

The historical costs of the properties are £14,551,127. Accumulated depreciation and the net book value of the properties if they had been valued at historical cost would have been £1,898,966 and £12,652,161 respectively.

The last revaluation of the freehold properties was on 31 December 2003. It was based on the open market value for the existing use as determined by Stimpsons Chartered Surveyors. At 31 December 2005 the Directors were not aware of any material change in value since the last valuation.

No provision has been made for additional UK taxation of £914,806 (2004: £942,758), which would arise if the properties were disposed of at their revalued amount.

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18. Other financial investments - Group	Market Value		Cost	
	2005	2004	2005	2004
	£000	£000	£000	£000
Shares and other variable-yield securities and units in unit trusts	1,501	1,662	1,748	1,795
Debt securities and other fixed income securities	82,549	97,536	82,417	98,006
Deposits with credit institutions	794,921	670,622	794,921	670,622
	<u>878,971</u>	<u>769,820</u>	<u>879,086</u>	<u>770,423</u>
19. Assets held to cover linked liabilities - Group				
	The total market value of assets held to cover linked liabilities is £5,825,918 (2004: £8,887,341) and includes £5,691,193 (2004: £8,766,486) relating to derivatives held to back equity based products linked to the FTSE 100 or Nasdaq 100.			
	The purchase price of investments included under assets held to cover liabilities was £5,106,155 (2004: £7,356,572).			
20. Debtors arising out of direct insurance operations - Group			2005	2004
			£000	£000
Amounts owed by intermediaries			<u>37,703</u>	<u>31,591</u>
21. Debtors arising out of direct reinsurance operations - Group			2005	2004
			£000	£000
Amounts due from reinsurers			<u>4,742</u>	<u>8,827</u>
22. Other Debtors	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	849	858	-	-
Amounts due from group undertakings	-	-	3,505	3,261
Tax debtor	168	96	-	309
Sundry debtors	578	39,632	367	213
	<u>1,595</u>	<u>40,586</u>	<u>3,872</u>	<u>3,783</u>

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23. Intangible Assets – Group	Goodwill £000
Cost at 1 st January 2005	2,570
Impairment	(114)
Cost at 31st December 2005	<u>2,456</u>
Amortisation at 1 st January 2005	1,514
Provided during the year	942
Amortisation at 31st December 2005	<u>2,456</u>
Net Book Value at 31st December 2005	<u>-</u>
Net Book Value at 1st January 2005	<u>1,056</u>

24. Tangible Assets – Group	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £000	Total £000
Cost at 1 st January 2005	7,032	2,046	6,656	15,734
Additions	1,222	657	889	2,768
Disposals	(4)	(764)	(6)	(774)
Foreign translation adjustment	(3)	-	(3)	(6)
Cost at 31st December 2005	<u>8,247</u>	<u>1,939</u>	<u>7,536</u>	<u>17,722</u>
Depreciation at 1 st January 2005	5,031	1,025	5,050	11,106
Disposals	(10)	(590)	(1)	(601)
Charge for the year	795	493	924	2,212
Foreign translation adjustment	(1)	-	(3)	(4)
Depreciation at 31st December 2005	<u>5,815</u>	<u>928</u>	<u>5,970</u>	<u>12,713</u>
Net Book Value at 31st December 2005	<u>2,432</u>	<u>1,011</u>	<u>1,566</u>	<u>5,009</u>
Net Book Value at 1st January 2005	<u>2,001</u>	<u>1,021</u>	<u>1,606</u>	<u>4,628</u>

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25. Share Capital	2005 £000	2004 £000
Authorised		
Ordinary shares of £1 each	2,500	2,500
Redeemable floating rate cumulative preference shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each*	1,049	1,046
Redeemable floating rate cumulative preference shares of £1 each	250	250
	<u>1,299</u>	<u>1,296</u>

The cumulative preference shares are redeemable at par at any time by the company giving one month's notice. All the preference shares carry a dividend of 1.5% above the 3 month London Interbank Offered Rate (LIBOR) on the first business day of each calendar year.

*In 2004 ordinary share capital increased by £200 in the year, resulting in the share premium change shown in notes 26 and 27.

26. Reconciliation of Movements In Shareholders' Funds For the Year Ended 31 st December – Group	2005 £000	2004 £000
Profit on ordinary activities after taxation	5,408	12,619
Minority interest	-	229
Dividends	(105)	(119)
Share capital subscribed	392	-
Share premium change	-	27
Foreign translation	147	20
Other	(19)	-
Net addition to shareholders' funds	<u>5,823</u>	<u>12,776</u>
Opening shareholders' funds	94,985	82,209
Closing shareholders' funds	<u>100,808</u>	<u>94,985</u>

27(a) Reserves Group	Share Premium £000	Profit & Loss £000	Total £000
At 1 st January 2005	1,644	92,045	93,689
Retained profit for the year	-	5,450	5,450
Premium arising on share issue	389	-	389
Other	-	(19)	(19)
At 31 st December 2005	<u>2,033</u>	<u>97,476</u>	<u>99,509</u>

Non distributable reserves in respect of the surplus on the long term business that must be maintained by the group as at 31st December 2005 were £22,024,000 (2004: £15,282,000).

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27(a) Reserves (continued)

Company	Share Premium £000	Revaluation Reserves £000	Profit & Loss £000	Total £000
At 1 st January 2005	1,644	81,716	10,799	94,159
Retained profit for the year	-	-	(882)	(882)
Premium arising on share issue	389	-	-	389
Revaluation of net investments	-	5,843	-	5,843
At 31 st December 2005	<u>2,033</u>	<u>87,559</u>	<u>9,917</u>	<u>99,509</u>

27(b) Capital Statement

Available Capital Resources in respect of life assurance business	UK and Republic of Ireland £000	South Africa £000	Total £000
Shareholders' funds held outside the fund	74,849	1,120	75,969
Shareholders' funds held in the fund	<u>22,024</u>	<u>2,815</u>	<u>24,839</u>
Total shareholders' funds	<u>96,873</u>	<u>3,935</u>	<u>100,808</u>
Other adjustments	(613)	-	(613)
Total available capital resources	<u>96,260</u>	<u>3,935</u>	<u>100,195</u>

No restrictions exist on the movement of capital between funds other than the normal requirement that the actuary must approve the release of capital out of the life fund.

In the UK, the technical reserves for the guaranteed income and growth bonds are sensitive to the valuation interest rate assumption which varies as market yields change. However, as asset and liabilities are closely matched (the difference in discounted mean term (DMT) is less than 3 months), the impact on surplus capital is not material, as evidenced by a resilience capital requirement of £350,000 on £590 million of liabilities. In South Africa, there is no bond related business.

Capital is targeted at 100% of the minimum capital requirement (MCR) for the UK, Republic of Ireland, and South Africa. The initial ICA figure produced a capital requirement significantly below the MCR, therefore management believes there is no requirement to hold capital in excess of MCR.

Investment returns are guaranteed for income, growth bonds and unit linked products guarantee a minimum return. However, the assets purchased to back this business match any guarantee given. Therefore no stochastic modelling has been performed to assess the value of the guarantee. For guaranteed income and growth bonds, the guarantee will cause a loss to the group if the underlying asset defaults. This has been allowed for in the valuation by a deduction to the valuation interest rate, which is dependent on the asset type and rating.

Risk Assurance Management business has premium rates guaranteed for 2 years. The last new business was accepted in March 2005. This business does not have a material impact on the life fund and so no stochastic modelling has been performed.

There are no options attached to the life products which could result in a financial loss to the group.

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28(a) Technical Provisions - General Business		Provision for Unearned Premiums £000	Claims Outstanding £000	Total £000
Gross Amount				
At 1st January 2005		344,616	42,959	387,575
Foreign translation adjustment		234	31	265
Transfer from insurance creditors/debtors		259	(1,398)	(1,139)
Movement in the provisions		35,344	14,663	50,007
At 31st December 2005		<u>380,453</u>	<u>56,255</u>	<u>436,708</u>
Reinsurance amount				
At 1st January 2005		(23,462)	(9,703)	(33,165)
Foreign translation adjustment		(18)	(5)	(23)
Transfer from insurance creditors/debtors		-	1,168	1,168
Movement in the provisions		5,949	(4,445)	1,504
At 31st December 2005		<u>(17,531)</u>	<u>(12,985)</u>	<u>(30,516)</u>
Net technical provisions				
At 31st December 2005		<u>362,922</u>	<u>43,270</u>	<u>406,192</u>
At 1st January 2005		<u>321,154</u>	<u>32,256</u>	<u>354,410</u>
28(b) Technical Provisions - Long Term Business				
	Long Term Business Provision £000	Technical Provisions for Linked Liabilities £000	Claims Outstanding £000	Total £000
Gross amount				
At 1 st January 2005	600,348	8,887	325	609,560
Movement in the provisions	108,142	(3,061)	2,070	107,151
Foreign translation adjustment	227	-	-	227
Transfer from insurance creditors/debtors	7,339	-	370	7,709
At 31 st December 2005	<u>716,056</u>	<u>5,826</u>	<u>2,765</u>	<u>724,647</u>
Reinsurance amount				
At 1 st January 2005	(22,579)	-	(76)	(22,655)
Movement in the provisions	(8,532)	-	(1,249)	(9,781)
Foreign translation adjustment	-	-	-	-
Transfer from insurance creditors/debtors	(150)	-	-	(150)
At 31 st December 2005	<u>(31,261)</u>	<u>-</u>	<u>(1,325)</u>	<u>(32,586)</u>
Net technical provisions				
At 31 st December 2005	<u>684,795</u>	<u>5,826</u>	<u>1,440</u>	<u>692,061</u>
At 1 st January 2005	<u>577,769</u>	<u>8,887</u>	<u>249</u>	<u>586,905</u>

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Notes to the Financial Statements
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28 (b) Long Term Business - continued

The principal assumptions underlying the calculation of the long-term business provision are:

	2005	2004
<u>Rates of interest</u>		
Assurance :		
Without profit	3.5%	3.5%
Guaranteed Growth Bonds		
Outstanding term less than 1 year	4.6%	4.6%
Outstanding term less than 2 years	4.6%	4.7%
Outstanding term less than 3 years	4.2%	4.7%
Outstanding term less than 4 years	4.3%	4.6%
Outstanding term less than 5 years	4.1%	4.8%
Guaranteed Income Bonds		
Outstanding term less than 1 year	4.5%	4.7%
Outstanding term less than 2 years	4.3%	4.7%
Outstanding term between 3 years	4.2%	4.7%
Outstanding term between 0 to 2 years	4.5%	4.8%
Outstanding term between 2 to 5 years	4.0%	3.8%
Decreasing Income Bonds		
Outstanding term between 2 and 3 years	-	4.2%
Monthly Income Bonds		
Outstanding term less than 1 year	4.4%	4.7%
Outstanding term less than 2 years	4.3%	4.7%
Outstanding term less than 3 years	4.4%	4.7%
Outstanding term less than 4 years	4.4%	4.4%
Outstanding term less than 5 years	4.2%	4.6%
Annuities :		
Without profit - Life	4.3%	4.3%
Without profit – Pensions	4.4%	4.4%
<u>Mortality tables</u>		
Assurances	A67/70 AM80 ELT14	A67/70 AM80 ELT14
Annuities-general	a(90) less five years	a(90) less five years
Annuities-pension	PA(90) less five years	PA(90) less five years

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28(c) Claims Outstanding	Gross Amount		Reinsurance Amount	
	2005 £000	2004 £000	2005 £000	2004 £000
General business	56,255	42,959	(12,985)	(9,703)
Long term business	2,765	325	(1,325)	(76)
	<u>59,020</u>	<u>43,284</u>	<u>(14,310)</u>	<u>(9,779)</u>

28(d) Deferred Acquisition Costs	Gross Amount		Reinsurance Amount	
	2005 £000	2004 £000	2005 £000	2004 £000
General business	268,166	245,144	8,750	15,283
Long term business	75,696	64,973	1,875	2,998
	<u>343,862</u>	<u>310,117</u>	<u>10,625</u>	<u>18,281</u>

28(e) Long Term Fund

At 31st December 2005, the total amount of assets representing the long-term fund as defined in the Interim Prudential Sourcebook for Insurers was £771,877,000 (2004: £538,438,000).

29. Amounts owed to credit institutions	2005 £000	2004 £000
Payable in less than one year	<u>5,495</u>	<u>25,034</u>

30. Creditors Group

30 (a) Other creditors including taxation and social security	2005 £000	2004 £000
Amounts falling due within one year		
Corporation tax payable	1,475	4,405
Loan - BNP Paribas London	-	1,500
Other	16,972	29,075
	<u>18,447</u>	<u>34,980</u>
Amounts falling due after more than one year		
Loan - Cardif S.A.	3,000	20,000
Loan - Banque Financiere Cardif	-	25,839
Loan - Banque Paribas	-	12,735
Loan - BNP Paribas S.A.	59,980	-
	<u>62,980</u>	<u>58,574</u>
Total	<u>81,427</u>	<u>93,554</u>

Other creditors include other taxes and social security costs of £7,997,000 (2004: £6,259,000).

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Financial Statements
For the Year Ended 31st December 2005

30 (b) Creditors - Amounts falling due within one year	Company	
Creditors - Amounts due within one year include:	2005	2004
	£000	£000
Amounts owed to group undertakings	331	75
Accruals and deferred income	932	1,104
Loans - Banque Financiere Cardif	3,000	-
	<u>4,263</u>	<u>1,179</u>

Creditors for amounts falling due within one year of £4,263,000 (2004: £1,179,000) include:

One unsecured rolling loan of £3 million from Banque Financiere Cardif. The interest on the loan is calculated at a 3 month LIBOR rate plus 0.40%, payable on 30th June and 31st December.

The above loan(s) have been included in creditors due after more than one year as the amounts are expected to be repaid within one year.

30 (c) Creditors - Amounts falling due after more than one year	Company	
Creditors - Amounts due after more than one year include:	2005	2004
	£000	£000
Loans from subsidiary undertakings	8,000	8,000
Loans - Cardif S.A.	-	20,000
Loans - Banque Financiere Cardif	-	12,737
Loans - Banque Paribas S.A.	-	1,839
Loans - BNP Paribas S.A. (London branch)	59,980	24,000
	<u>67,980</u>	<u>66,576</u>

Creditors for amounts falling due after more than one year of £67,980,000 (2004: £66,576,000) include:

Three unsecured rolling South African Rand loans totalling £6,444,446 (translated) from BNP Paribas S.A. The interest on the loans is calculated at a 3 month JIBOR rate plus 0.07%, which is rolled into the capital.

Four unsecured rolling US Dollar loans totalling £6,535,530 (translated) from BNP Paribas S.A. The interest on the loans is calculated at a 3 month LIBOR rate plus 0.07% payable quarterly.

Four loans totalling £47 million from BNP Paribas S.A. The interest on the loan is calculated at a 3 month LIBOR rate plus 0.07% payable quarterly.

Two loans totalling £6 million from subsidiary undertaking, Cardif Pinnacle Insurance Management Services Plc, which have no set term of repayment.

One loan of £2 million from subsidiary undertaking, Cardif Pinnacle Insurance Property Services Plc, which has no set term of repayment.

The above loans have been included in creditors due after more than one year as no amounts are expected to be repaid within one year.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Financial Statements
For the Year Ended 31st December 2005**31. Related party transactions**

The group 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 BNP Paribas group.

32. Ultimate Parent Company

At 31st December 2005, the directors regarded BNP Paribas S.A. (incorporated in France), as being the company's ultimate parent undertaking and ultimate controlling party. Copies of its consolidated financial statements are available from 3 rue d'Antin, BP 141, 75078 Paris Cedex 02, France.

Consolidated financial statements are also drawn up by the intermediate parent company, Cardif S.A. (incorporated in France). Copies of its consolidated financial statements are available from 5, Avenue Kléber, 75116 Paris, France.

The immediate parent company of the group is CB (UK) Ltd. (incorporated in England).

33. Directors' Interests

The interests of the directors in the ordinary shares of the company at 31st December 2005 and 2004 were as follows: -

		2005	2004
Ordinary shares held	Mr N Shuker	25,000	25,000
	Cardif S.A.*	137,464	134,049

* Cardif S.A. owns the C shares of CB (UK) Limited, comprising 886,500 (2004: 886,500) ordinary shares and 250,000 (2004: 250,000) preference shares.

The interests of the directors in ordinary shares in BNP Paribas S.A. at 31st December 2005 and 2004 were as follows:

		2005	2004 (Restated)
Ordinary shares held	P De Villeneuve	77,003	43,680
	N A Shuker	5,814	5,429
	P J Bloxham	299	299
	A W Dreyer	484	484
	C J Schwick	932	932
	S D Williams	277	-
Options to subscribe for ordinary shares	P De Villeneuve	46,000	60,053

Individual directors have purchased bonds from Pinnacle Insurance PLC on terms and conditions available to the public generally, and none of these transactions are sufficiently material to require disclosure.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Financial Statements
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34. Share Options

At 31st December 2005, options to subscribe for shares in the Company were outstanding as follows:

4,500 shares at an option price of £135.18 granted on the 1st October 1999
 8,072 shares at an option price of £218.86 granted on the 1st January 2003
 6,820 shares at an option price of £229.70 granted on the 1st January 2004
 6,969 shares at an option price of £229.73 granted on the 1st January 2005

All options are exercisable within three to ten years of being granted.

The following directors have options to subscribe for ordinary shares in a Share Option Scheme in the Company:

	Number of Options as at 1st January 2005	Options Issued During 2005	Options Exercised During 2005	Number of Options as at 31st December 2005
Mr N A Shuker	1,726	914	-	2,640
Mr C J Schwick	1,301	457	-	1,758
Mr P J Bloxham	825	522	-	1,347
Mr C S Mills	1,038	566	-	1,604
Mr A W Dreyer	891	522	-	1,413
Mr S Williams	1,038	566	-	1,604