

PINNACLE INSURANCE PLC
Company Registration Number: 1007798

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2008

PINNACLE INSURANCE PLC

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PINNACLE INSURANCE PLC

Directors: G Binet (Chairman)
BNP Paribas Assurance
Cardif Assurance Risques Divers
Cardif Assurance Vie
J Castagno A.C.I.I.
B A Carte TD. F.C.I.B. F.C.T. *
A J Golding B.Sc. (Hons) F.C.A.
P E Glen B.Sc A.C.A.
R J Mee F.C.I.B.S. *
G B Raingold F.C.A. M.Sc. F.Inst.D. *
I R C Shackell BA (Hons) F.C.A.
A D Swain B.Ed Cert.Ed

* Independent Non-Executive Directors

Secretary: M J Lorimer LL.B (Hons) Solicitor

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

Head of Actuarial Function: S K Grout B.Sc. F.I.A.

Auditor: Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

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

Bank of Scotland
Chief Office
38 Threadneedle Street
London
EC2P 2EH

Barclays Bank plc
54 Lombard Street
London
EC3P 3AH

PINNACLE INSURANCE PLC
DIRECTORS' REPORT

The Directors submit this report and financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

Formed in 1971, Pinnacle Insurance plc, the Company, has established itself as a specialist provider of financial services and investment products. Trading under the style of Cardif Pinnacle, the Company continues to be one of the leading providers of creditor, warranty and protection insurance and income replacement cover. The Company also provides competitive, tax efficient investment products via Independent Financial Advisors ("IFAs") and direct to the public.

The Company is a subsidiary of BNP Paribas Assurance, a worldwide provider of insurance and savings products, with a Standard and Poor's credit rating of AA. The Company is part of the global banking group BNP Paribas, a European leader in banking and financial services, with a Standard and Poor's long term rating of AA. The Group has one of the largest international banking networks, a presence in over 85 countries and over 173,200 employees.

RESULTS AND DIVIDEND

The results of the Company for the year are set out on pages 13, 14 and 15. The retained loss after taxation for the year was £24,250,000 (2007: £8,687,000 profit). The Directors do not recommend the payment of a dividend (2007: £nil).

SHARE CAPITAL

On 18 December 2008 the Share Capital of the Company was increased by £32,700,000 through the issue of 23,525,000 Ordinary shares of £1 each, at a premium of £0.39 per share increasing the share premium account by £9,175,000 to £16,979,000.

PINNACLE INSURANCE PLC

DIRECTORS' REPORT (Continued)

REVIEW OF BUSINESS

2008 Performance

The Company has been impacted, in particular in the last quarter of 2008, by a combination of the severe economic downturn in the UK and the volatility witnessed in the worldwide credit markets. These events have significantly contributed to the loss for the year of £24.3m after tax, compared to a £8.7m profit after tax achieved in 2007. As a result, the share capital of the Company was increased by £32.7m in December 2008.

The economic downturn in the UK has resulted in increased claims and reserve strengthening in particular in relation to unemployment exposure and motor vehicle RTI (Return to Invoice) business. An associated unexpired risk provision of £5.5m has been established as at 31 December 2008. The Company has started a process of repricing its protection business as appropriate during times of changing claims experience.

The Company has also provided £25.3m against its exposure to the UK regulated subsidiary, Kaupthing Singer & Friedlander, of the Icelandic banking Group, Kaupthing. This is disclosed in the Profit and loss account technical account long term business and the profit and loss account non technical account within unrealised (loss) / gain on investments. An additional provision of £6.5m has also been made to cover wider credit default scenarios. The Directors consider these provisions to be sufficient to fully meet the credit risk exposure.

The Company has continued to focus upon fully developing and embedding Treating Customers Fairly (TCF) principles across the business by ensuring TCF is at the heart of its operations.

Protection business

Throughout 2008, the Company continued to operate within a climate of considerable stagnation in the creditor insurance market, particularly as a result of the Competition Commission's review of the market. As a result of the uncertainty there remained less business available for tender in the marketplace in 2008 as distributors of the products stayed with existing carriers as the outcome of the review was awaited.

The Company has worked closely on the Competition Commission requirements through the review of the creditor insurance market, helping to ensure the Company is now well placed to react positively to the outcome of this review.

The performance of the Company has been affected by the lower volumes of consumer lending, particularly in banking where lower lending levels contributed to a decline in the Protection business Gross Written Premium of 41% to £124m (2007 £210m). The protection business is split between the general business and long term business technical fund profit and loss accounts.

Investment business

The first three quarters of 2008 continued to be successful for the Investment business in relation to both our Flexible Asset Bond ("FAB") and Guaranteed Investment Bond ("GIB") products. As the credit crisis worsened in the fourth quarter of 2008, new investors partially withdrew from the bond market as shorter term investment alternatives were sought.

Although the investment business experienced a year on year reduction in Gross Written Premiums compared to 2007 of 19% (2008: £847m, 2007 £1,044m), this was still significantly ahead of 2006 Gross Written Premium levels of £464m. This business is reflected in the long term business profit and loss account.

PINNACLE INSURANCE PLC

DIRECTORS' REPORT (Continued)

REVIEW OF BUSINESS (Continued)

2009 outlook

In January 2009, the Competition Commission published its final report into Payment Protection Insurance (PPI), setting out the measures it has decided are needed to address the lack of competition in the PPI market. The final remedies are in line with our own internal anticipation of the outcomes, leaving the Company well placed to develop its business into 2009 and 2010. The Competition Commission requires these measures to come into force during 2010, with the 'information' measures in place by April 2010 and the more significant de-coupling measures coming into effect by October 2010.

As mentioned earlier, the previous uncertainty in the PPI market resulted in less business available for tender in the marketplace in 2008, however we are already experiencing a significant increase in market tenders post publication of the final Competition Commission report. In addition, the Company is well advanced in its strategic positioning post the Competition Commission review and as a result is well placed to take advantage of the current environment.

During December 2008 the Share Capital of the Company was increased by £32.7m through the issue of ordinary share capital. This has resulted in a year on year increase in our shareholders' funds of £8.5m, leaving the Company with sufficient capital to meet its expansion plans.

Although the wider economic environment within the UK is likely to remain difficult through 2009 and 2010, a combination of the focused Company strategy, the financial strength of the Company and its parent Group and the removal of PPI market uncertainty following the Competition Commission report, means that overall the Company is positive about its positioning within its principal markets over the longer term.

PINNACLE INSURANCE PLC

DIRECTORS' REPORT (Continued)

DIRECTORS

The Directors who held office during the year were :

G Binet (Chairman) *	
Cardif-Assurance Risques Divers	
Cardif Assurance Vie	
BNP Paribas Assurance	
J Castagno	
P E Glen	
A J Golding	
R J Mee *	
A D Swain	
I R C Shackell	appointed 25 September 2008
B A Carte *	appointed 12 March 2009
P J Bloxham	resigned 31 March 2008
A W Dreyer	resigned 30 June 2008
G B Raingold *	resigned 25 March 2009

* Non-Executive Directors

PAYMENT OF SUPPLIERS

The Company's policy on the payment of creditors is to abide by the settlement terms agreed with our suppliers.

ACTUARIAL VALUATION

An actuarial valuation was carried out as at 31 December 2008 in respect of the long-term fund and a report has been prepared by the Head of Actuarial Function advising the board on this valuation.

CORPORATE GOVERNANCE

The Board

The Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to oversee that the Company is adequately resourced and effectively controlled.

Board committees

The Board has established the following committees to oversee and debate important issues of policy and oversight outside the main Board meetings.

- Audit Committee (Chairman: R J Mee);
- Investment Committee (Chairman: A J Golding);
- Remuneration Committee (Chairman: R J Mee); and
- Risk Based Capital Committee (Chairman: A J Golding).

During the year the Chairman of each committee provided the Board with a summary of the key issues considered at the meetings of the Committees.

PINNACLE INSURANCE PLC

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE (Continued)

Directors' attendance

The Company requires Directors to attend all meetings of the Board and the committees on which they serve and to devote sufficient time to the Company in order to perform their duties. The attendance of the Directors at the Board and committee meetings held in 2008 was as follows:

	Board ¹	Audit Committee	Investment Committee ²	Remuneration Committee	Risk Based Capital Committee
Number of meetings held	8	4	12	2	4
G Binet	7/8	-	-	-	-
BNP Paribas Assurance	8	4	-	2	2/4
Cardif Assurance Vie	6/8	-	-	-	-
Cardif-Assurances Risques Divers	6/8	-	-	-	-
J Castagno	7/8	-	7/12	-	4
P E Glen	8	-	11/12	-	4
A J Golding	8	-	12	-	4
R J Mee	7/8	4	-	2	-
G B Raingold	8	3/4	-	-	-
I R C Shackell (appointed 25 September 2008)	4/4	-	4/5	-	2/2
A D Swain	7/8	-	4/12	-	-
Former Directors					
A W Dreyer (retired 30 June 2008)	4/4	-	2/3	-	-
P J Bloxham (retired 31 March 2008)	2/2	-	1/1	-	-

- Indicates not a member of that committee

1 In addition to the 8 scheduled meetings, the Board also met on quorate basis on 1 occasion.

2 In addition to the 12 scheduled meetings, the Investment Committee met on several other occasions as market conditions dictated.

PINNACLE INSURANCE PLC**DIRECTORS' REPORT (Continued)****CORPORATE GOVERNANCE (Continued)*****Internal controls***

The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness, while the implementation of internal control systems is the responsibility of management. The Company's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material financial misstatement or loss.

The systems are designed to:

- Safeguard assets;
- Maintain proper accounting records;
- Provide reliable financial information;
- Identify and manage business risks;
- Maintain compliance with appropriate legislation and regulation; and
- Identify and adopt best practice.

The principal features of the control framework and the methods by which the Board satisfies itself that it is operating effectively are detailed below.

Control environment

The Group has an established governance framework, the key features of which include:

- A Corporate Governance manual including matters reserved for the Board and Terms of Reference for each of the Board's committees;
- A clear organisational structure, with documented delegation of authority from the Board to executive management;
- A policy framework, which sets out risk management and control standards for the Company's operations;
- Defined procedures for the approval of major transactions and capital allocation; and

There is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Company which has operated throughout 2008 and up to the date of signing this report. The Company's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of its business objectives. The Company has a set of formal policies which govern the management and control of both financial and non-financial risks.

The Board has conducted a review of the effectiveness of the Group's systems of internal control. Where weaknesses were identified as part of the control review, mitigating actions have been taken or plans put in place. These are monitored by the appropriate committee on behalf of the Board. The Board is not aware of any significant internal control weaknesses that do not have mitigating action plans in place.

PINNACLE INSURANCE PLC**DIRECTORS' REPORT (Continued)****CORPORATE GOVERNANCE (Continued)*****Audit Committee***

The Audit Committee is chaired by Robert Mee who is an independent non-executive director. The other members of the Committee are Gerald Raingold, independent Non-Executive Director, and the Head of Business Risk and Compliance, BNP Paribas Assurance. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the Head of Internal Audit and other representatives from the Company's parent company internal audit and control functions are regular attendees. The Chairman and other members of executive management are also invited to attend from time to time. The outcomes of meetings are reported to the Board.

The Committee's principal duties are as follows:

- To coordinate and have oversight of the Company's financial reporting process
- To monitor compliance
- To have oversight of internal and external audit functions
- To manage the systems of internal controls
- To review matters relating to the legal risk
- To provide assurance on the effectiveness of the Company's risk management.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditors.

The Committee meets periodically with internal and external auditors without management present. The partner of the Company's external auditors, who is responsible for the external audit, attends meetings regularly. Each year, the Committee considers the performance of the external auditors.

RISK MANAGEMENT

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

Insurance risk

The Company's business is to accept insurance risk which is appropriate to enable the Company to meet its objectives. Within a Board approved underwriting policy and a delegated authority framework, the Company seeks to balance this insurance risk with reward. Particular attention is paid to actual and forecast loss ratios.

Credit risk

The Company's exposure to credit risk arises from its direct insurance trading activities, reinsurances and those of its investment activities. The Company, through the Board and the Investment Committee, seeks to limit exposure to credit risk as far as is practical, and has established guidelines, procedures and monitoring requirements to manage credit risk. Particular attention has been paid to the quality of investment counterparties in the light of market developments during 2008.

PINNACLE INSURANCE PLC**DIRECTORS' REPORT (Continued)****RISK MANAGEMENT (Continued)****Liquidity risk**

Liquidity risk is the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due. The Company, through the Board and the Investment Committee, seeks to limit exposure to liquidity risk by ensuring liquidity is optimally managed and that all known cash flows can be met out of readily available sources of funding. The Company maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, and call accounts, the proceeds of much of which are readily realisable.

Market risk

Market risk is the risk arising from fluctuations in the values of, or income from assets, interest rates or exchange rates. The Company has a low risk appetite for this type of risk, investing predominantly in short-term bonds or cash to match the short-tail nature of claims. This risk is managed through the Board and the Investment Committee.

Operational risk

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

INTERNAL AUDIT FUNCTION

An independent internal audit function provides assurance to the Audit Committee as to the effectiveness of internal systems and controls, making reports and monitoring progress in relation to recommendations as appropriate.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditor to the Company will be proposed at the forthcoming annual general meeting.

By order of the Board



Company Secretary

M J Lorimer

Date: 30 March 2009

PINNACLE INSURANCE PLC**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2008**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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 are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO AUDITOR

Under the Companies Act 1985 section 243A, we confirm that: -

(a) so far as we are aware, there is no relevant audit information of which the Company's auditor is unaware, and;

b) we have taken all the steps that we ought to have taken as Directors in order to make us aware of any relevant information and to establish that the Company's auditor is aware of that information.

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

We have audited the financial statements of Pinnacle Insurance plc for the year ended 31 December 2008, which comprise the Profit and Loss Account, the reconciliation of movements in shareholders' funds, the Balance Sheet, and the related notes. These financial statements have been prepared under 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 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 the 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 (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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 apparent misstatement.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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 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 PLC

INDEPENDENT AUDITORS' REPORT (Continued)

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 affairs of the Company as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP
Chartered Accountants
Registered Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
Date: 30 March 2009

PINNACLE INSURANCE PLC

**PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	<u>2008</u>	<u>2007</u>
		£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	4(a)	108,645	161,728
Outward reinsurance premiums		(5,989)	(11,126)
		<hr/>	<hr/>
		102,656	150,602
Change in the gross provision for unearned premiums	19(a)	122,744	109,746
Change in the provision for unearned premiums, reinsurers' share	19(a)	(5,290)	(3,881)
		<hr/>	<hr/>
		117,454	105,865
		<hr/>	<hr/>
Earned premiums, net of reinsurance		220,110	256,467
		<hr/>	<hr/>
Allocated investment return transferred from the non-technical account		2,690	5,819
		<hr/>	<hr/>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(46,856)	(47,624)
Reinsurers' share		6,030	9,827
		<hr/>	<hr/>
		(40,826)	(37,797)
Change in the provision for claims			
Gross amount	19(a)	(5,755)	(9,650)
Reinsurers' share	19(a)	(3,339)	2,321
		<hr/>	<hr/>
		(9,094)	(7,329)
		<hr/>	<hr/>
Claims incurred, net of reinsurance		(49,920)	(45,126)
		<hr/>	<hr/>
Net operating expenses	7	(191,811)	(226,548)
		<hr/>	<hr/>
Balance on the technical account-general business		(18,931)	(9,388)
		<hr/>	<hr/>

PINNACLE INSURANCE PLC

**PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – LONG TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	<u>2008</u> £000	<u>2007</u> £000
Earned premiums, net of reinsurance			
Gross premiums written	4(b)	862,074	1,092,228
Outward reinsurance premiums		3,876	(3,139)
		<hr/>	<hr/>
		865,950	1,089,089
Investment income	6	82,113	67,709
Realised loss on investments	6	(164)	(842)
		<hr/>	<hr/>
		81,949	66,867
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,228,296)	(503,901)
Reinsurers' share		1,795	4,637
		<hr/>	<hr/>
		(1,226,501)	(499,264)
Change in the provision for claims			
Gross amount	19(b)	18	999
Reinsurers' share	19(b)	(166)	(685)
		<hr/>	<hr/>
		(148)	314
		<hr/>	<hr/>
Claims incurred, net of reinsurance		(1,226,649)	(498,950)
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
Gross amount	19(b)	279,747	(347,916)
Reinsurers' share	19(b)	(2,014)	(3,367)
Technical provisions for linked liabilities	19(b)	57,982	(249,096)
		<hr/>	<hr/>
		335,715	(600,379)
		<hr/>	<hr/>
Net operating expenses	7	(48,180)	(43,245)
Unrealised (loss) / gain on investments	6	(24,178)	782
		<hr/>	<hr/>
Balance on the technical account-long term business		(15,393)	14,164

PINNACLE INSURANCE PLC
PROFIT AND LOSS ACCOUNT NON TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
Balance on the technical account-general business		(18,931)	(9,388)
Balance on the technical account-long term business		(15,393)	14,164
		<u>(34,324)</u>	<u>4,776</u>
Investment income	6	12,273	13,574
Unrealised (loss) / gain on investments	6	(7,876)	67
Realised gain / (loss) on investments	6	21	(188)
Foreign exchange gain		265	-
		<u>4,683</u>	<u>13,453</u>
Allocated investment return transferred to the general business account		(2,690)	(5,819)
		<u>1,993</u>	<u>7,634</u>
Operating (loss) / profit from continuing activities and (loss) / profit on ordinary activities before tax		(32,331)	12,410
Taxation on ordinary activities	11	8,081	(3,723)
(Loss) / profit for the financial year		<u>(24,250)</u>	<u>8,687</u>

The Company has no recognised gains or losses other than the loss for the year.

The loss for the year arises from continuing operations.

PINNACLE INSURANCE PLC

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	<u>2008</u>	<u>2007</u>
		£000	£000
Proceeds from share issue	17	32,700	-
(Loss) / profit for the financial year	18(a)	(24,250)	8,687
Net addition to shareholders' funds		<u>8,450</u>	<u>8,687</u>
Opening shareholders' funds		<u>164,019</u>	<u>155,332</u>
Closing shareholders' funds		<u><u>172,469</u></u>	<u><u>164,019</u></u>

PINNACLE INSURANCE PLC

BALANCE SHEET - ASSETS
AT 31 DECEMBER 2008

	Note	2008 £000	2007 £000
ASSETS			
Investments			
Investments in group undertakings	12(a)	14,000	14,000
Other financial investments	12(b)	1,066,328	1,373,042
		<hr/>	<hr/>
		1,080,328	1,387,042
Assets held to cover linked liabilities	13	215,304	273,286
Reinsurers' share of technical provisions			
Provision for unearned premiums	19(a)	2,389	7,679
Long term business provision	19(b)	23,365	25,379
Claims outstanding	19(c)	7,699	11,204
		<hr/>	<hr/>
		33,453	44,262
Debtors			
Debtors arising out of direct insurance operations	14	16,991	17,889
Debtors arising out of reinsurance operations	15	4,246	5,969
Amounts owed by group undertakings		14,217	9,508
Other debtors	16	8,646	-
		<hr/>	<hr/>
		44,100	33,366
Other assets			
Cash at bank and in hand		159,092	114,544
Prepayments and accrued income			
Accrued interest		34,483	43,216
Deferred acquisition costs	19(d)	177,878	299,370
Other prepayments and accrued income		14,854	2,713
		<hr/>	<hr/>
		227,215	345,299
		<hr/>	<hr/>
Total assets		1,759,492	2,197,799

PINNACLE INSURANCE PLC
BALANCE SHEET - LIABILITIES
AT 31 DECEMBER 2008

	Note	2008	2007
		£000	£000
LIABILITIES			
Capital and reserves			
Called up share capital	17	97,721	74,196
Share Premium	17	16,979	7,804
Profit and loss account	18	57,769	82,019
		172,469	164,019
Technical provisions			
Provision for unearned premiums	19(a)	174,683	290,081
Long term business provision	19(b)	1,010,199	1,289,554
Claims outstanding	19(c)	55,921	48,956
		1,240,803	1,628,591
Technical provisions for linked liabilities	19(b)	215,304	273,286
Creditors			
Creditors arising out of direct insurance operations	20	86,877	100,041
Creditors arising out of reinsurance operations	21	2,679	7,854
Amounts owed to credit institutions	22	24,344	779
Other creditors including taxation and social security	23	13,054	17,366
Amounts due to Group undertakings		3,962	5,863
		130,916	131,903
Total liabilities		1,759,492	2,197,799

These financial statements were approved by the board of Directors on 30 March 2009.

Signed on behalf of the board by:


A J Golding


P E Glen

PINNACLE INSURANCE PLC**NOTES FOR THE YEAR ENDING 31 DECEMBER 2008****1. Basis of preparation**

The financial statements have been prepared in accordance with the provisions of Section 255 of 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 2006. The financial statements have also been prepared in accordance with applicable accounting standards on a going concern basis and under the historical cost accounting rules, modified to include the revaluation of investments.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

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 ultimate parent undertaking publishes consolidated financial statements which include the financial statements 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.

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.

Premiums

In respect of general business and long term protection business, premium income included in the profit and loss account is shown gross of commissions paid to intermediaries and is exclusive of Insurance Premium Tax and duties levied on premiums.

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet received or notified, less an allowance for cancellations.

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

Unearned premiums – gross and reinsurance

The general business provision for gross and reinsured unearned premiums represents the proportion of premiums written in the year that relates to the risks of unexpired terms of policies in force at the balance sheet date. This is calculated on a time apportionment basis adjusted to reflect the Company's experience of the incidence of claims incurred over the term of those policies.

Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned. The basis of amortisation reflects the experience of the underlying earned premiums.

PINNACLE INSURANCE PLC (Notes continued)**Claims – gross and reinsurance**

Claims incurred in respect of general business comprise claims and related expenses paid in the financial period and the movements in provision for outstanding claims and related expenses including provisions for claims incurred but not reported.

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 provision for accident and sickness outstanding claims including claims incurred but not reported.

Claims outstanding

Outstanding claims comprise provisions for the estimated cost of claims incurred but not settled at the balance sheet date whether reported or not, together with related expenses.

The Company's actuaries produce an estimate of reserves which are then assessed by management. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. As provisions for claims outstanding are based on information which is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account in the year in which these claims are re-estimated or settled.

Unexpired risks provision

Provision has been made for any deficiencies arising when unearned premiums net of unexpensed reinsurance premiums, and net of associated acquisition costs are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

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 credit life business is based on an unearned 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.

Expenses

Underwriting acquisition costs, general overheads and other expenses are charged as incurred to the profit and loss technical account, net of the change in deferred acquisition costs. Investment expenses are charged to the profit and loss non-technical account.

Investments

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

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

Derivatives are held at cost and included in other financial investments in the balance sheet.

PINNACLE INSURANCE PLC (Notes continued)**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, 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.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date. The gains or losses arising are included in the non-technical account. Income and expenditure expressed in foreign currencies are translated into sterling at the rate of exchange ruling on the date on which the transaction occurs.

Taxation

The element of the taxation charge that relates to 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 long-term business technical 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 element of the taxation charge that relates to general business and to non-technical account items is based on the general business technical account profit for the year together with income and gains included in the non-technical account. It takes into account taxation deferred because of timing differences between certain items for taxation and accounting purposes.

Full provision is made for deferred tax in accordance with FRS 19 'Deferred Tax'.

PINNACLE INSURANCE PLC (Notes continued)

3. Segmental analysis by class of business	2008 £000	2007 £000
Gross premiums written		
General business	108,645	161,728
Long term business	862,074	1,092,228
	<u>970,719</u>	<u>1,253,956</u>
(Loss) / profit before taxation:		
Non technical items have been allocated to general business		
General business	(16,938)	(1,754)
Long term business	(15,393)	14,164
	<u>(32,331)</u>	<u>12,410</u>
Segmental net assets		
General business (including shareholders' funds)	144,851	121,008
Long term business	27,618	43,011
	<u>172,469</u>	<u>164,019</u>

The business materially relates to one geographical market (United Kingdom) and therefore no geographical analysis is presented.

4. Segmental analysis

4(a) Analysis of general business	2008 Gross Premiums Written £000	2008 Gross Premiums Earned £000	2008 Gross Claims Incurred £000	2008 Gross Operating Expenses £000	2008 Reinsurance Balance £000
Direct Insurance					
Creditor	94,835	184,979	(41,315)	(160,805)	(5,758)
Warranty	12,521	45,391	(6,552)	(31,445)	(711)
	<u>107,356</u>	<u>230,370</u>	<u>(47,867)</u>	<u>(192,250)</u>	<u>(6,469)</u>
Reinsurance	1,289	1,019	(4,744)	(1,680)	-
	<u>108,645</u>	<u>231,389</u>	<u>(52,611)</u>	<u>(193,930)</u>	<u>(6,469)</u>
	2007 Gross Premiums Written £000	2007 Gross Premiums Earned £000	2007 Gross Claims Incurred £000	2007 Gross Operating Expenses £000	2007 Reinsurance Balance £000
Direct Insurance					
Creditor	121,400	216,326	(43,029)	(180,880)	969
Warranty	34,706	50,147	(14,044)	(47,166)	(109)
	<u>156,106</u>	<u>266,473</u>	<u>(57,073)</u>	<u>(228,046)</u>	<u>860</u>
Reinsurance	5,622	5,001	(201)	(2,222)	-
	<u>161,728</u>	<u>271,474</u>	<u>(57,274)</u>	<u>(230,268)</u>	<u>860</u>

PINNACLE INSURANCE PLC (Notes continued)

4(b) Analysis of long term business premiums	2008 £000	2007 £000
Single Premiums	860,282	1,079,418
Periodic Premiums	1,792	12,810
	<u>862,074</u>	<u>1,092,228</u>

The linked business premiums for 2008 were £247,717,000 (2007: £337,899,000).

4(c) Reinsurance balance – long term business	2008 £000	2007 £000
Reinsurance balance – long term business	<u>1,559</u>	<u>1,412</u>

5. Prior years' claims provisions for general business

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

	2008 £000	2007 £000
Change before associated expenses	(716)	(6,372)
Unexpired risks	4,279	(325)
Less associated expenses	89	1,381
	<u>3,652</u>	<u>(5,316)</u>

6. Investment return	Technical account long term business		Non-technical account	
	2008 £000	2007 £000	2008 £000	2007 £000
Income from Group undertakings	-	-	965	885
Income from other financial investments	82,113	67,709	11,308	12,689
Investment Income	82,113	67,709	12,273	13,574
Unrealised (loss) / gain on investments	(24,178)	782	(7,876)	67
Realised (loss) / gain on investments	(164)	(842)	21	(188)
	<u>57,771</u>	<u>67,649</u>	<u>4,418</u>	<u>13,453</u>

Included within the unrealised loss on investments in the technical account and the non technical account are provisions of £25,300,000 (2007: £nil) against the Company's exposure to the UK regulated subsidiary, Kaupthing Singer & Friedlander, of the Icelandic banking group, Kaupthing.

PINNACLE INSURANCE PLC (Notes continued)

7. Net operating expenses	General business		Long term business	
	2008 £000	2007 £000	2008 £000	2007 £000
Acquisition costs	88,662	134,336	16,161	39,935
Change in gross deferred acquisition costs	95,507	87,394	27,786	3,614
Administrative expenses	9,761	8,538	2,301	2,347
Gross operating expenses	<u>193,930</u>	<u>230,268</u>	<u>46,248</u>	<u>45,896</u>
Reinsurance commissions and profit participation	(589)	(1,113)	3,360	(632)
Change in deferred reinsurance commission	<u>(1,530)</u>	<u>(2,607)</u>	<u>(1,428)</u>	<u>(2,019)</u>
	<u>191,811</u>	<u>226,548</u>	<u>48,180</u>	<u>43,245</u>

8. (Loss) / profit on ordinary activities before tax is stated after charging:	2008 £000	2007 £000
Auditors' remuneration		
Audit fees	141	103
Non audit fees	5	16
	<u>146</u>	<u>119</u>

9. Remuneration of Directors

Directors' emoluments in respect of services to Pinnacle Insurance plc were as follows:

	2008 £000	2007 £000
Emoluments	744	704
Pension contributions to a defined contribution scheme	88	112
	<u>832</u>	<u>816</u>
	2008 £000	2007 £000
Emoluments of highest paid Director	203	190
Pension contributions of highest paid Director	19	28
	<u>222</u>	<u>218</u>

The number of Directors to whom retirement benefits are accruing under a defined contribution scheme are 7 (2007: 6).

10. Staff numbers and costs

Cardif Pinnacle Insurance Management Services plc provides a staff management service and recharges all staff costs to Pinnacle Insurance plc. Total staff numbers, remuneration and pension contributions are disclosed in the accounts of that Company.

PINNACLE INSURANCE PLC (Notes continued)

11. Taxation on ordinary activities

Analysis of (credit) / charge in the year	2008 £'000	2007 £'000
UK Corporation tax on (loss) / profit for the year	-	3,790
Adjustment in respect of prior years	564	(67)
Total current tax charge	<u>564</u>	<u>3,723</u>
Deferred tax credit for the year	(8,646)	-
Tax on (loss) / profit on ordinary activities	<u>(8,081)</u>	<u>3,723</u>

Factors affecting tax charge for the year

	2008 £'000	2007 £'000
(Loss) / profit on ordinary activities before tax	(32,331)	12,410
(Loss) / profit on ordinary activities multiplied by standard rate in the UK of 28.5% (2007: 30%)	(9,215)	3,723
<u>Effects of:</u>		
Taxation of long term business	(6,841)	-
Unrelieved losses carried forward	16,057	-
Dividend Income not taxable	(1)	-
Adjustment in respect of prior years	564	(67)
Other Differences	-	67
Current tax charge	<u>564</u>	<u>3,723</u>

Deferred taxation

	2008 £'000	2007 £'000
Deferred tax asset at the beginning of the year	-	-
Charge for the year	8,646	-
Deferred tax asset at the end of year	<u>8,646</u>	<u>-</u>

The deferred tax asset arises from losses during the year. The deferred tax asset is included within Other debtors (note 16).

12. Investments

(a) Investments in Group undertakings

The Company holds mortgages over properties held by a fellow subsidiary undertaking. As at 31 December 2008 the amounts invested were £14,000,000 (2007: £14,000,000).

(b) Other financial investments	Market Value		Cost	
	2008 £000	2007 £000	2008 £000	2007 £000
Listed shares	1,193	1,969	1,659	2,206
Debt securities and other fixed income securities	63,636	66,182	65,191	63,876
Deposits with credit institutions	<u>1,001,499</u>	<u>1,304,891</u>	<u>1,001,499</u>	<u>1,304,891</u>
	<u>1,066,328</u>	<u>1,373,042</u>	<u>1,068,349</u>	<u>1,370,973</u>

PINNACLE INSURANCE PLC (Notes continued)

13. Assets held to cover linked liabilities

The total market value of assets held to cover linked liabilities was £215,304,000 (2007: £273,286,000) and includes £1,121,000 (2007: £1,566,000) relating to a combination of medium term notes and derivatives held to back an equity based product linked to the FTSE 100 or Nasdaq 100.

The purchase price of investments included under assets held to cover linked liabilities was £215,318,000 (2007: £272,940,000).

14. Debtors arising out of direct insurance operations	2008 £000	2007 £000
Amounts owed by policyholders	<u>16,991</u>	<u>17,889</u>
15. Debtors arising out of reinsurance operations	2008 £000	2007 £000
Amounts due from reinsurers	<u>4,246</u>	<u>5,969</u>
16. Other debtors	2008 £000	2007 £000
Deferred tax	<u>8,646</u>	<u>-</u>
17. Share capital	2008 £000	2007 £000
Authorised 100 million ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	2008 £000	2007 £000
Allotted, called up and fully paid Ordinary shares of £1 each	97,721	74,196
Share Premium	<u>16,979</u>	<u>7,804</u>
	<u>114,700</u>	<u>82,000</u>

On 18 December 2008 the share capital was increased by £32,700,000 through the issue of 23,525,000 Ordinary shares of £1 each, which were issued at £1.39 per share increasing the share premium account by £9,175,000 to £16,979,000.

18(a) Shareholders' fund movements

	Share Capital £000	Share Premium £000	Profit & Loss £000	Total £000
At 1 January 2008	74,196	7,804	82,019	164,019
Ordinary share issue	23,525	9,175	-	32,700
Loss for the financial year	-	-	(24,250)	(24,250)
At 31 December 2008	<u>97,721</u>	<u>16,979</u>	<u>57,769</u>	<u>172,469</u>

Non-distributable reserves in respect of the surplus on the long term business that must be maintained by the Company as at 31 December 2008 were £27,618,000 (2007: £43,011,000).

PINNACLE INSURANCE PLC (Notes continued)

18(b) Capital statement

	2008 £000	2007 £000
Shareholders' funds held outside the fund	144,851	121,008
Shareholders' funds held in the fund	<u>27,618</u>	<u>43,011</u>
Total shareholders' funds	172,469	164,019
Other adjustments	<u>(12,682)</u>	<u>(3,514)</u>
Total available capital resources	<u>159,787</u>	<u>160,505</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.

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 £760,000 (2007: £760,000) on £909,173,000 (2007: £1,152,415,000) of liabilities.

The technical reserve for the new Flexible Asset Bond unit linked product is calculated as unit price x number of units. The regulatory Insurance Expense Risk Capital Component attributed to unit linked products does not have a material impact on the life fund.

Investment returns are guaranteed for income and 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 Company 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 scheme ceased in January 2007. 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 Company.

PINNACLE INSURANCE PLC (Notes continued)

19.	Technical provisions	Provision for Unearned Premiums £000	Claims Outstanding £000	Total £000	
19(a)	General business				
	Gross Amount				
	At beginning of year	290,081	48,340	338,421	
	Foreign exchange translation	7,346	1,219	8,565	
	Movement in the provision	(122,744)	5,755	(116,989)	
	At end of year	<u>174,683</u>	<u>55,314</u>	<u>229,997</u>	
	Reinsurance amount				
	At beginning of year	(7,679)	(10,963)	(18,642)	
	Movement in the provision	5,290	3,339	8,629	
	At end of year	<u>(2,389)</u>	<u>(7,624)</u>	<u>(10,013)</u>	
	Net technical provisions				
	Opening balance	282,402	37,377	319,779	
	Foreign exchange translation	7,346	1,219	8,565	
	Movement in the provision	(117,454)	9,094	(108,360)	
	At end of year	<u>172,294</u>	<u>47,690</u>	<u>219,984</u>	
19(b)	Long term business	Long Term Business Provision £000	Technical Provisions for Linked Liabilities £000	Claims Outstanding £000	Total £000
	At beginning of year	1,289,554	273,286	616	1,563,456
	Foreign exchange translation	392	-	9	401
	Movement in the provision	(279,747)	(57,982)	(18)	(337,747)
	At end of year	<u>1,010,199</u>	<u>215,304</u>	<u>607</u>	<u>1,226,110</u>
	Reinsurance amount				
	At beginning of year	(25,379)	-	(241)	(25,620)
	Movement in the provision	2,014	-	166	2,180
	At end of year	<u>(23,365)</u>	<u>-</u>	<u>(75)</u>	<u>(23,440)</u>
	Net technical provisions				
	Opening balance	1,264,175	273,286	375	1,537,836
	Foreign exchange translation	392	-	9	401
	Movement in the provision	(277,733)	(57,982)	148	(335,567)
	At end of year	<u>986,834</u>	<u>215,304</u>	<u>532</u>	<u>1,202,670</u>

PINNACLE INSURANCE PLC (Notes continued)

19(b) Long term business (continued)

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

	2008	2007		
<u>Rates of interest</u>				
Assurance :				
Without profit	4.0%	5.0%		
Guaranteed Growth Bonds				
Outstanding term less than 1 year	4.8%	5.7%		
Outstanding term less than 2 years	4.2%	5.3%		
Outstanding term less than 3 years	4.3%	4.9%		
Outstanding term less than 4 years	5.7%	5.1%		
Outstanding term less than 5 years	3.9%	5.9%		
Guaranteed Income Bonds				
Outstanding term less than 1 year	4.0%	5.8%		
Outstanding term less than 2 years	4.3%	5.2%		
Outstanding term less than 3 years	3.3%	5.0%		
Outstanding term less than 4 years	4.4%	5.0%		
Outstanding term less than 5 years	4.5%	5.0%		
Monthly Income Bonds				
Outstanding term less than 1 year	4.3%	5.5%		
Outstanding term less than 2 years	5.2%	5.7%		
Outstanding term less than 3 years	3.0%	5.1%		
Outstanding term less than 4 years	4.1%	4.7%		
Outstanding term less than 5 years	2.5%	5.3%		
Annuities :				
Without profit - Life	4.0%	4.75%		
Without profit - Pensions	4.0%	4.75%		
<u>Mortality tables</u>				
Assurances	50% of A67/70 ultimate AM80 / AF80 ELT14	50% of A67/70 ultimate AM80 / AF80 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		
	Gross Amount	Reinsurance Amount		
19(c) Claims outstanding	2008	2007	2008	2007
	£000	£000	£000	£000
General business	55,314	48,340	(7,624)	(10,963)
Long term business	607	616	(75)	(241)
	<u>55,921</u>	<u>48,956</u>	<u>(7,699)</u>	<u>(11,204)</u>

Included within the general business claims outstanding balance is the unexpired risk provision £12,185,000 (2007: £9,963,000).

PINNACLE INSURANCE PLC (Notes continued)

19(d) Deferred acquisition costs	Gross Amount		Reinsurance Amount	
	2008 £000	2007 £000	2008 £000	2007 £000
General business	118,452	212,438	1,644	3,174
Long term business	59,426	86,932	404	1,832
	<u>177,878</u>	<u>299,370</u>	<u>2,048</u>	<u>5,006</u>

The reinsured amount of £2,048,000 (2007: £5,006,000) is included within Note 21 below.

19(e) Long term fund

At 31 December 2008 the total amount of assets representing the long term fund as required to be shown by paragraph 10(2) of schedule 9A to the Companies Act 1985 was £1,304,254,000 (2007: £1,626,782,000).

20. Creditors arising out of direct insurance	2008 £000	2007 £000
Other creditors	<u>86,877</u>	<u>100,041</u>
21. Creditors arising out of reinsurance operations	2008 £000	2007 £000
Other creditors	<u>2,679</u>	<u>7,854</u>
22. Amounts owed to credit institutions	2008 £000	2007 £000
Payable in less than one year	<u>24,344</u>	<u>779</u>
23. Other creditors including taxation and social security	2008 £000	2007 £000
Corporation tax payable	4,069	4,173
Other taxes	7,136	5,932
Payment on account	-	5,370
Other creditor	1,849	1,891
	<u>13,054</u>	<u>17,366</u>
24. Commitments		

There were no outstanding capital commitments at 31 December 2008 (2007: £nil).

PINNACLE INSURANCE PLC (Notes continued)**25. 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.

26. Ultimate parent undertaking

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

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

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