



**CARDIF
PINNACLE**

A BNP PARIBAS company



Accounts

Cardif Pinnacle Insurance Holdings plc
Directors' Report and Financial Statements
31st December 2004

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31st December 2004



Company Details

Directors: Pierre de Villeneuve (Chairman)
Norman A Shuker B.A., A.S.A., F.I.A.
Christopher J Schwick M.B.A.
Christopher S Mills LL.B. (Hons) Solicitor
Stephen D Williams F.I.M.I.
Anthony W Dreyer B.A. (Hons), F.C.C.A.
Peter J Bloxham F.C.I.I.
Robert J Mee F.C.I.B.S.*
Gerald B Raingold F.C.A., M.Sc. F.Inst.D.*
Cardif S.A.
Cardif Assurance Vie
Banque Financière Cardif

* Non-Executive Directors

Secretary: K Cranston 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
Chief Office
38 Threadneedle Street
London
EC2P 2EH

Royal Bank of Scotland
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

Directors' Report

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31st December 2004.

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 29.86 (2003: 24.42).

Proposed Dividend

The directors recommend the payment of a dividend of £105,000 (2003: £104,000) in respect of the ordinary shares (10.0p per share) and £14,000 (2003: £14,000) in respect of the preference shares.

After deducting the dividends of £119,000 (2003: £118,000) the profit for the year retained in the group is £12,729,000 (2003: £12,643,000).

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.

Change of Company Name

The company changed its name from Pinnacle Insurance Holdings Plc to Cardif Pinnacle Insurance Holdings Plc with effect from 29th March 2005.

Post Balance Sheet Events

On the 23rd March 2005, the company's preference shares held in Pinnacle Insurance Plc were converted to ordinary shares.

Directors' Report (Continued)

Directors and Directors' Interests

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

Pierre de Villeneuve (Chairman)
Norman A Shuker B.A., A.S.A., F.I.A.
Christopher J Schwick M.B.A.
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AUDITORS

Mazars LLP replaced Mazars as the independent auditor to the Company during 2004. 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



K Cranston
Company Secretary

Date: 10th June 2005

DIRECTORS' RESPONSIBILITIES

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.

ACCOUNTS OF CARDIF PINNACLE INSURANCE HOLDINGS PLC

Information included in these accounts

The accounts set out on page 6 to page 27 do not constitute the Company's consolidated statutory financial statements for the year ended 31st December 2004.

The Company's consolidated statutory financial statements contain additional information which is not included in these accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
 TECHNICAL ACCOUNT - GENERAL BUSINESS FOR THE YEAR ENDED 31ST DECEMBER 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Earned premiums, net of reinsurance					
Gross premiums written	4(a)	347,380		316,634	
Outward reinsurance premiums		(18,261)		(28,380)	
			329,119		288,254
Change in the gross provision for unearned premiums	28(a)	(79,989)		(18,590)	
Change in the provision for unearned premiums, reinsurers' share	28(a)	(3,198)		(11,391)	
			(83,187)		(29,981)
			245,932		258,273
Allocated investment return transferred from the non-technical account			5,223		4,126
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(55,984)		(62,827)	
Reinsurers' share		6,054		10,425	
			(49,930)		(52,402)
Change in the provision for claims					
Gross amount	28(a)	(13,778)		(4,935)	
Reinsurers' share	28(a)	7,976		(1,562)	
			(5,802)		(6,497)
			195,423		203,500
Net operating expenses	7		(184,692)		(190,987)
Sub-total (balance on the technical account-general business)			10,731		12,513

CONSOLIDATED PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – LONG TERM BUSINESS FOR THE YEAR ENDED 31ST DECEMBER 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Earned premiums, net of reinsurance					
Gross premiums written	4(b)	500,228		193,656	
Outward reinsurance premiums		(25,150)		(12,360)	
			475,078		181,296
Investment income					
Investment income	6	19,329		17,114	
Unrealised (losses)/gains on investments		(205)		1,723	
Realised losses on investments		(811)		(936)	
			18,313		17,901
			493,391		199,197
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(177,561)		(142,657)	
Reinsurers' share		11,970		4,038	
			(165,591)		(138,619)
Change in the provision for claims					
Gross amount	28(b)	(101)		116	
Reinsurers' share	28(b)	-		(76)	
			(101)		40
			327,699		60,618
Change in other technical provisions net of reinsurance					
Long term business provision					
Gross amount	28(b)	(296,796)		(34,476)	
Reinsurers' share	28(b)	768		(2,061)	
Technical provisions for linked liabilities	28(b)	16,224		23,604	
			(279,804)		(12,933)
Net operating expenses	7		(47,485)		(45,569)
Sub-total (balance on the technical account-long term business)			410		2,116

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2004**

		2004	2004	2003	2003
	Note	£000	£000	£000	£000
Balance on the general business technical account			10,731		12,513
Balance on the long term business technical account			410		2,116
			11,141		14,629
Investment income	6	10,282		5,953	
Unrealised gains on investments		2,917		1,373	
Realised (losses)/gains on investments		(28)		132	
Investment expenses and charges		(2,586)		(2,213)	
		10,585		5,245	
Allocated investment return transferred to the general business account		(5,223)		(4,126)	
			5,362		1,119
Other Income	8		47,000		66,092
Other charges	8		(46,932)		(63,758)
Operating profit from continuing activities and profit on ordinary activities before taxation	9		16,571		18,082
Tax on profit on ordinary activities	12		(3,952)		(5,330)
Profit on ordinary activities after taxation			12,619		12,752
Minority Interest			229		9
Profit for the financial year			12,848		12,761
Dividends proposed Equity and non-equity	14		(119)		(118)
Retained profit for the financial year			12,729		12,643

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2004**

	2004	2003
Profit for the financial year	12,848	12,761
Foreign translation adjustment	20	42
Total recognised gains for the financial year	12,868	12,803

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2004

		2004	2004	2003	2003
	Note	£000	£000	£000	£000
ASSETS					
Intangible assets	23		1,056		239
Investments					
Land and buildings	17	18,640		19,065	
Other financial investments	18	769,820		409,073	
			788,460		428,138
Investments in participating interests	16		3,365		4,038
Assets held to cover linked liabilities	19		8,887		25,111
Reinsurers' share of technical provisions					
Provision for unearned premiums	28(a)	23,462		26,659	
Long term business provision	28(b)	22,579		21,811	
Claims outstanding	28(c)	9,779		1,803	
			55,820		50,273
Debtors					
Debtors arising out of direct insurance operations	20	31,591		55,502	
Debtors arising out of reinsurance operations	21	8,827		5,623	
Other debtors	22	40,586		48,361	
			81,004		109,486
Other Assets					
Tangible assets	24	4,628		3,468	
Cash at bank and in hand		60,234		56,337	
			64,862		59,805
Prepayments and accrued income					
Accrued interest		16,264		7,908	
Deferred acquisition costs	28(d)	310,117		234,943	
Other prepayments and accrued income		25,023		20,267	
			351,404		263,118
Total assets			1,354,858		940,208


CONSOLIDATED BALANCE SHEET (continued)
AT 31st DECEMBER 2004

		2004	2004	2003	2003
	Note	£000	£000	£000	£000
LIABILITIES					
Capital and reserves					
Called up share capital	25		1,296		1,296
Share premium	27		1,644		1,617
Profit and loss account	27		92,045		79,296
Shareholders' funds attributable to equity interests			94,735	81,959	
Shareholders' funds attributable to non equity interests	25		250		250
Total shareholders' funds			94,985	82,209	
Minority interest			38	311	
Technical provisions					
Provision for unearned premiums	28(a)	344,616		264,626	
Long term business provision	28(b)	600,348		303,552	
Claims outstanding	28(c)	43,284		29,405	
			988,248	597,583	
Technical provisions for linked liabilities					
	28(b)		8,887	25,111	
Creditors					
Creditors arising out of direct insurance operations		83,584		80,996	
Creditors arising out of direct reinsurance operations		19,611		26,840	
Amounts owed to credit institutions	29	25,034		9,747	
Other creditors including taxation and social security	30(a)	93,554		67,915	
			221,783	185,498	
Accruals and deferred income			40,917	49,496	
Total liabilities			1,354,858	940,208	

**PARENT COMPANY BALANCE SHEET
AT 31st DECEMBER 2004**

		2004	2004	2003	2003
	Note	£000	£000	£000	£000
Fixed Assets					
Investments in group undertakings	15		159,426		126,565
Current Assets					
Debtors	22	3,783		1,762	
Cash at bank in hand		1		-	
		3,784		1,762	
Creditors: Amounts falling due within one year	30(b)	(1,179)		(3,658)	
Net current assets/(liabilities)			2,605		(1,896)
Total assets less current liabilities			162,031		124,669
Creditors: Amounts falling due after more than one year	30(c)		(66,576)		(42,370)
Net Assets			95,455		82,299
Capital and reserves					
Equity shareholders' funds					
Called up share capital	25		1,296		1,296
Share premium	27		1,644		1,617
Revaluation Reserves	27		81,716		74,381
Profit and loss account	27		10,799		5,005
Total equity shareholders' funds			95,205		82,049
Total non-equity shareholders' funds	25		250		250
Total shareholders' funds			95,455		82,299

These financial statements were approved by the Board of directors on 10th June 2005, and signed on its behalf by:


N A Shuker


A W Dreyer

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.

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 Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated 21st November 2003. 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 2004. 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's 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.

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 general business include all claims and claims settlement expense payments made in respect of the financial period and the movements in provision for outstanding claims and settlement expenses, and includes 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. A provision in respect of potential profit share commission payable to cedants is included within creditors. Anticipated reinsurance recoveries are disclosed separately as an asset.

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 credit 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 mid-market value 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

Amounts relating to investments supporting general business technical provisions are allocated from the non-technical account to the technical account.

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

Investments in subsidiary undertakings are valued at the net asset value of the underlying subsidiaries 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.

Investment in Participating Interests

In the consolidated accounts, investments in participating interests are valued at the net asset value plus the carrying value of any related goodwill, less any provision for impairment. In the parent company, they are stated at cost.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is recorded as an intangible asset. Goodwill arising on the acquisition of associated undertakings is recorded in the carrying value of investment in associates. 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.

3. Segmental analysis by class of business	2004 £000	2003 £000
Gross premiums written		
General business	347,380	316,634
Long term business	500,228	193,656
Other income		
Non-insurance business	47,000	66,092
	894,608	576,382
Profit before taxation		
General business	10,731	12,513
Long term business	410	2,116
Non-insurance business	5,430	3,453
	16,571	18,082
Segmental net assets		
General business	76,882	64,247
Long term business	17,261	16,429
Non-insurance business	854	1,533
	94,997	82,209

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

4. Analysis of gross premiums

4.(a) Analysis of general business	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
	330,882	255,977	(58,568)	(167,364)	(19,648)
Reinsurance	16,498	11,414	(11,194)	(5,109)	-
	347,380	267,391	(69,762)	(172,473)	(19,648)

	2003 Gross Premiums Written £000	2003 Gross Premiums Earned £000	2003 Gross Claims Incurred £000	2003 Gross Operating Expenses £000	2003 Reinsurance Balance £000
Direct Insurance					
Creditor	246,596	219,869	(49,587)	(133,714)	(33,597)
Warranty	73,403	66,304	(15,350)	(43,331)	(3,671)
	319,999	286,173	(64,937)	(177,045)	(37,268)
Reinsurance	(3,365)	11,870	(2,825)	(7,582)	-
	316,634	298,043	(67,762)	(184,627)	(37,268)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2004

4. (b) Analysis of long term business premiums	2004 £000	2003 £000
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Single premiums	491,457	185,697
Periodic premiums	8,771	7,959
	500,228	193,656

Included in single premiums, are premiums of Enil (2003: £1,136,379) in respect of linked business.

4. (c) Reinsurance balance - Long term business	2004 £000	2003 £000
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Reinsurance balance - Long term business	(6,383)	(6,080)
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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:

	2004 £000	2003 £000
Change before associated expenses	(944)	(5,107)
Less associated expenses	1,541	2,933
	597	(2,174)

6. Investment Income

	Technical Account-Long Term Business		Non-technical account	
	2004 £000	2003 £000	2004 £000	2003 £000
Income from other investments	19,329	17,114	10,282	5,953

7. Net operating expenses

	General Business		Long Term Business	
	2004 £000	2003 £000	2004 £000	2003 £000
Acquisition costs	216,229	199,260	76,483	53,054
Change in gross deferred acquisition costs	(50,918)	(21,566)	(24,670)	(4,334)
Administrative expenses	7,162	6,933	1,701	1,228
Gross operating expenses	172,473	184,627	53,514	49,948
Reinsurance commissions and profit participation	15,745	11,191	(7,401)	(2,505)
Change in deferred reinsurance commission	(3,526)	(4,831)	1,372	(1,874)
	184,692	190,987	47,485	45,569

8. Other Income/(charges)	2004	2003
£000	£000	
Turnover	47,000	66,092
Cost of sales	(45,861)	(63,396)
Distribution costs	(722)	(348)
Administrative expenses	(349)	(14)
	(46,932)	(63,758)
	68	2,334

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

9. Profit on ordinary activities before tax is stated after charging:	2004	2003
	£000	£000
Auditors' remuneration		
Audit - Group	165	115
Audit - Company	15	13
Other services	47	42
Amortisation of goodwill	439	320
Depreciation of buildings and other tangible assets	2,130	2,067

10. Remuneration of directors	2004	2003
	£000	£000

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

Emoluments	1,151	1,153
Pension contributions	255	235
	1,406	1,388

Emoluments of highest paid director	285	285
Pension contributions of highest paid director	86	80
	371	365

The numbers of directors to whom retirement benefits are accruing under a defined contribution scheme are 6 (2003: 6).

11. Staff numbers and costs	2004	2003
	£000	£000

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

Sales	216	76
Administration	473	478
	689	554

Employment Costs	2004	2003
	£000	£000
Wages and salaries	16,321	14,411
Social Security costs	1,676	1,496
Other pension costs	1,310	1,326
	19,307	17,233

12. Taxation on profits on ordinary activities	2004	2003
	£000	£000

Analysis of charge of period

Tax on the group's profit:		
Corporation tax (30%)	4,917	5,221
Adjustment in respect of prior years	(1,065)	7
Total current tax (factors below)	3,852	5,228
Deferred taxation	100	102
Tax on profits on ordinary activities	3,952	5,330

Factors affecting tax charge for period	2004	2003
	£000	£000

Profit on ordinary activities	16,571	18,082
Assessment at standard rate of UK corporation tax (30%)	4,971	5,425
Effects of:		
Expenses not liable for tax purposes	350	233
Capital Allowances in excess of depreciation	27	58
Sales proceeds of leased assets	(11)	(41)
Adjustment in respect of prior years	(1,065)	7
Lower tax rate on overseas earnings	(122)	(91)
Other Differences	(298)	(363)
Current tax charge (analysis above)	3,852	5,228

13. Deferred Taxation	2004	2003
Included in Other prepayments and accrued income	£000	£000

Deferred tax asset at 1st January 2004	114	217
Credit for accelerated capital allowances	(100)	(103)
Deferred tax asset at 31st December 2004	14	114

Unprovided deferred tax in relation to revaluation of shares in subsidiaries amounted to £19.5m (2003:£17.5m).

14. Dividends	2004	2003
	£000	£000
Ordinary dividend proposed (2003: paid)	105	104
Preference dividend paid and proposed (2003: paid)	14	14
	119	118

15. Investments in Group Undertakings	Company
	2004
	£000

Cost or Valuation

Opening balance 1st January 2004	132,676
Additions	24,000
Revaluations	7,335
Closing balance 31st December 2004	164,011

15. Investments in Group Undertakings – continued

2004

£000

Provision for diminution in value

Opening balance 1st January 2004	6,111
Net write off for the year	(1,526)
Closing balance 31st December 2004	4,585

Net Book Value

At 31st December 2004	159,426
At 1st January 2004	126,565

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

These valuations include the investment in participating interest Cardiff Pinnacle Holdings Inc as laid out in note 16.

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

Subsidiary Company	Country of Incorporation	Principal Activity	Class and Percentage of Shares Held		
			2004	2003	
Cardif Pinnacle Insurance Management Services Plc (formerly Pinnacle Insurance Management Services Plc)	Great Britain	Management Services	Ordinary	100%	100%
			Preference	100%	100%
Pinnacle Insurance Plc	Great Britain	General and Life Insurance	Ordinary Preference	100%	100%
Financial Telemarketing Services Limited	Great Britain	Telemarketing	Ordinary	100%	100%
European Reinsurance (Guernsey) Limited	Guernsey	Reinsurance	Ordinary	100%	100%
Cardif Pinnacle Insurance Property Services Plc (formerly 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 [^]	South Africa	General Insurance	Ordinary	100%	100%
Pinnafrica Life Limited [^]	South Africa	Life Insurance	Ordinary	100%	100%
Guaranteed Underwriting Agency Limited	Great Britain	Insurance Broker	Ordinary	100%	95%
			Preference	100%	100%
Pinnacle Pet Healthcare Limited	Great Britain	Insurance Broker	Ordinary	95%	95%
Pinnacle Europe Plc	Great Britain	Holding	Ordinary	100%	100%
USP Strategies Plc*	Great Britain	Other Services	Ordinary	100%	74.9%
Extended ServicePlan Limited#	Guernsey	Warranty Sales	Ordinary	100%	74.9%
ServicePlan Limited#	Isle of Man	Warranty Sales	Ordinary	100%	74.9%
First Home Services Limited#	Isle of Man	Warranty Sales	Ordinary	100%	74.9%
ServicePlus Limited#	Isle of Man	Warranty Sales	Ordinary	100%	74.9%
Pinnacle ServicePlan Limited#	Isle of Man	Management	Ordinary	100%	74.9%

15. Investments in Group Undertakings – continued

Subsidiary Company	Country of Incorporation	Principal Activity	Class and Percentage of Shares Held		
			2004	2003	
Pinnacle Service Solutions Limited#	Great Britain	Warranty Sales	Ordinary	100%	74.9%
Avida Solutions Limited	Great Britain	Other Services	Ordinary	100%	100%
Cardif Pinnacle Forsakring AB (formerly Pinnacle Forsakring AB)	Sweden	Insurance Broker	Ordinary	100%	100%
Pinnacle Insurance Pension Trust Company Limited	Great Britain	Trust Business	Ordinary	100%	100%

Cardif Pinnacle Forsakring AB and Pinnacle Insurance Pension Trust Company Limited are not consolidated on the basis that they are immaterial to the group. Dormant companies are also excluded.

* Shares held by Pinnacle Europe Plc.

Shares held by USP Strategies Plc.

^ Shares held by Pinnacle Insurance Holdings (Proprietary) Limited

The preference shares held in Pinnacle Insurance Plc were converted to ordinary shares on 23rd March 2005.

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% of Cardif Holdings' ordinary shares.

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Share of associates assets on acquisition	2,230	2,230	2,230	2,230
Goodwill arising on acquisition	1,898	1,898	1,898	1,898
Amortisation of goodwill	(470)	(90)	-	-
Foreign exchange movement	(293)	-	(293)	-
Share of associates post acquisition profit	-	-	-	-
	3,365	4,038	3,835	4,128

The results of the associate for the periods presented were not significant. 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 2004	19,490
Valuation at 31st December 2004	19,490
Depreciation at 1st January 2004	425
Charge for the year	425
Depreciation at 31st December 2004	850
Net Book Value at 31st December 2004	18,640
Net Book Value at 1st January 2004	19,065

17. Land and Buildings – continued

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 £1,607,943 and £12,943,183 respectively.

The group's freehold properties were valued by Stimpsons, Chartered Surveyors on 31st December 2003. In their opinion, the open market value for the existing use at that time was £19,490,000. At 31st December 2004 the directors were not aware of any material change in value since the last valuation.

No provision has been made for additional United Kingdom taxation of £942,758 (2003: £1,044,603), which would arise if the properties were disposed of at their revalued amount.

18. Other financial investments – Group

	Market Value		Cost	
	2004 £000	2003 £000	2004 £000	2003 £000
Listed shares	1,662	1,497	1,795	1,670
Debt securities and other fixed income securities	97,536	129,647	98,006	130,668
Deposits with credit institutions	670,622	277,929	670,622	277,629
	769,820	409,073	770,423	409,967

19. Assets held to cover linked liabilities – Group

The total market value of assets held to cover linked liabilities is £8,887,341 (2003: £25,111,000) and includes £8,766,486 (2003: £24,533,000) 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 £7,356,572 (2003: £26,836,000).

20. Debtors arising out of direct insurance operations – Group

	2004 £000	2003 £000
Amounts owed by intermediaries	31,591	55,502

21. Debtors arising out of reinsurance operations – Group

	2004 £000	2003 £000
Amounts due from reinsurers	8,827	5,623

22. Other Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	858	256	-	-
Amounts due from group undertakings	-	-	3,261	1,762
Tax debtor	96	-	309	-
Sundry debtors	39,632	48,105	213	-
	40,586	48,361	3,783	1,762

23. Intangible Assets – Group

	Goodwill £000
Cost at 1st January 2004	1,314
Additions	1,256
Cost at 31st December 2004	2,570
Amortisation at 1st January 2004	1,075
Provided during the year	439
Amortisation at 31st December 2004	1,514
Net Book Value at 31st December 2004	1,056
Net Book Value at 1st January 2004	239

24. Tangible Assets – Group

	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £000	Total £000
Cost at 1st January 2004	5,882	1,889	5,345	13,116
Additions	1,164	471	1,311	2,946
Disposals	(14)	(314)	-	(328)
Cost at 31st December 2004	7,032	2,046	6,656	15,734
Depreciation at 1st January 2004	4,396	827	4,425	9,648
Disposals	-	(247)	-	(247)
Charge for the year	635	445	625	1,705
Depreciation at 31st December 2004	5,031	1,025	5,050	11,106
Net Book Value at 31st December 2004	2,001	1,021	1,606	4,628
Net Book Value at 1st January 2004	1,486	1,062	920	3,468

25. Share Capital

	2004 £000	2003 £000
Authorised		
Ordinary shares of £1 each	2,500	2,500
Redeemable floating rate cumulative preference shares of £1 each	2,500	2,500
	5,000	5,000
Allotted, called up and fully paid		
Ordinary shares of £1 each*	1,046	1,046
Redeemable floating rate cumulative preference shares of £1 each	250	250
	1,296	1,296

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 Barclays Bank plc Interbank rate on the first business day of each calendar year.

*Ordinary share capital increased by £200 during the year, resulting in the share premium increase shown in notes 26 and 27.

26. Reconciliation of Movements In Shareholders' Funds For the Year Ended 31st December 2004 – Group

	2004 £000	2003 £000
Profit on ordinary activities after taxation	12,619	12,752
Minority interest	229	9
Dividends	(119)	(118)
Share capital subscribed	-	1
Share premium change	27	121
Foreign translation adjustment	20	42
Net addition to shareholders' funds	12,776	12,807
Opening shareholders' funds	82,209	69,402
Closing shareholders' funds	94,985	82,209

27. Reserves

Group	Share premium £000	Profit & Loss £000	Total £000
At 1st January 2004	1,617	79,296	80,913
Retained profit for the year	-	12,729	12,729
Foreign translation adjustment	-	20	20
Premium arising on share issue	27	-	27
At 31st December 2004	1,644	92,045	93,689

Company	Share premium £000	Revaluation Reserves £000	Profit & Loss £000	Total £000
At 1st January 2004	1,617	74,381	5,005	81,003
Retained profit for the year	-	-	5,794	5,794
Premium arising on share issue	27	-	-	27
Revaluation of net investments	-	7,335	-	7,335
At 31st December 2004	1,644	81,716	10,799	94,159

Non distributable reserves in respect of the surplus on the long term business that must be maintained by the company as at 31st December 2004 were £15,282,000 (2003: £14,684,000).

28. Technical Provisions

28. (a) General Business	Provision for unearned premiums £000	Claims Outstanding £000	Total £000
Gross Amount			
At 1st January 2004	264,626	29,181	293,807
Foreign translation adjustment	1	-	1
Movement in the provisions	79,989	13,778	93,767
At 31st December 2004	344,616	42,959	387,575
Reinsurance amount			
At 1st January 2004	(26,659)	(1,727)	(28,386)
Foreign translation adjustment	(1)	-	(1)
Movement in the provisions	3,198	(7,976)	(4,778)
At 31st December 2004	(23,462)	(9,703)	(33,165)
Net technical provisions			
At 31st December 2004	321,154	32,256	354,410
At 1st January 2004	237,967	27,454	265,421

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 2004

28. Technical Provisions – continued	Long Term Business Provision	Technical Provisions for Linked Liabilities	Claims Outstanding	Total
28. (b) Long Term Business	£000	£000	£000	£000
Gross Amount				
At 1st January 2004	303,552	25,111	224	328,887
Movement in the provisions	296,796	(16,224)	101	280,673
Foreign translation adjustment	-	-	-	-
At 31st December 2004	600,348	8,887	325	609,560
Reinsurance amount				
At 1st January 2004	(21,811)	-	(76)	(21,887)
Movement in the provisions	(768)	-	-	(768)
Foreign translation adjustment	-	-	-	-
At 31st December 2004	(22,579)	-	(76)	(22,655)
Net technical provisions				
At 1st January 2004	281,741	25,111	148	307,000
Movement in the provisions	296,028	(16,224)	101	279,905
Foreign translation adjustment	-	-	-	-
At 31st December 2004	577,769	8,887	249	586,905

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

	2004	2003
Rates of interest		
Assurance :		
Without profit	3.5%	3.5%
Guaranteed Growth Bonds		
Outstanding term less than 1 year	4.6%	3.8%
Outstanding term less than 2 years	4.7%	3.9%
Outstanding term less than 3 years	4.7%	3.8%
Outstanding term less than 4 years	4.6%	3.9%
Outstanding term less than 5 years	4.8%	4.0%
Guaranteed Income Bonds		
Outstanding term less than 1 year	4.7%	3.8%
Outstanding term less than 2 years	4.7%	4.0%
Outstanding term between 3 years	4.7%	3.8%
Outstanding term between 0 to 2 years	4.8%	4.2%
Outstanding term between 2 to 5 years	3.8%	3.8%
Decreasing Income Bonds		
Outstanding term between 2 and 3 years	4.2%	4.2%
Monthly Income Bonds		
Outstanding term less than 1 year	4.7%	-
Outstanding term less than 2 years	4.7%	-
Outstanding term less than 3 years	4.7%	-
Outstanding term less than 4 years	4.4%	-
Outstanding term less than 5 years	4.6%	-
Annuities:		
Without profit – Life	4.3%	4.3%
Without profit – Pensions	4.4%	4.4%
Mortality tables		
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

28. Technical Provisions – continued	Gross Amount		Reinsurance Amount	
	2004	2003	2004	2003
28. (c) Claims Outstanding	£000	£000	£000	£000
General business	42,959	29,181	(9,703)	(1,727)
Long term business	325	224	(76)	(76)
	43,284	29,405	(9,779)	(1,803)

28. (d) Deferred Acquisition Costs	Gross Amount		Reinsurance Amount	
	2004	2003	2004	2003
	£000	£000	£000	£000
General business	245,144	193,556	15,283	18,575
Long term business	64,973	41,387	2,998	1,626
	310,117	234,943	18,281	20,201

28. (e) Long Term Fund

At 31st December 2004, the total amount of assets representing the long-term fund as defined in the Interim Prudential Sourcebook for Insurers (formerly Insurance Companies Act 1982) was £538,438,000 (2003: £281,234,000).

29. Amounts owed to credit institutions	2004	2003
	£000	£000
Payable in less than one year	25,034	9,747

30. Creditors	Group	
	2004	2003
30. (a) Other creditors including taxation and social security	£000	£000
Amounts falling due within one year		
Corporation tax payable	4,405	2,962
Loan – Banque Financière Cardif	-	2,000
Loan – BNP Paribas London	1,500	-
Loan – Cardif	-	3,131
Other	29,075	25,452
	34,980	33,545
Amounts falling due after more than one year		
Loan – Cardif S.A.	20,000	20,000
Loan – Banque Financière Cardif	25,839	12,673
Loan – Banque Paribas	12,735	1,697
	58,574	34,370
Total	93,554	67,915

Other creditors includes other taxes and social security costs of £6,258,524 (2003: £5,548,000).

30. (b) Creditors: Amounts falling due within one year	Company	
	2004	2003
	£000	£000
Amounts owed to group undertakings	75	699
Accruals and deferred income	1,104	2,959
	1,179	3,658

30. Creditors – continued

	Company	
	2004	2003
30. (c) Creditors: Amounts falling due after more than one year	£000	£000
Loans from subsidiary undertakings	8,000	8,000
Loans – Cardif S.A.	20,000	20,000
Loans – Banque Financière Cardif	12,737	12,673
Loans – Banque Paribas S.A.	1,839	1,697
Loans – BNP Paribas S.A.	24,000	-
	66,576	42,370

Creditors for amounts falling due after more than one year of £66,576,000 (2003: £42,370,000) include:

Four unsecured rolling loans totalling £20 million from the parent company Cardif S.A. The interest on the loans is calculated 3-month LIBOR plus 0.40% payable on 30th June and 31st December. The four rolling loans from the parent company are repayable at 3 months notice.

One unsecured rolling South African Rand loan totalling £1,839,493 (translated) from Compagnie Financière de Paribas, the immediate parent company of Cardif S.A. The interest on the loan is calculated at 38.5 basis points above 3 month JIBOR that is rolled into the capital.

Two unsecured rolling South African loans from Banque Financière Cardif totalling £1,839,493 (translated). The interest on the loans are calculated at a 3-month JIBOR plus 0.40%, which is rolled into the capital.

One unsecured rolling South African loan from Banque Financière Cardif totalling £919,746 (translated). The interest on the loan is calculated at a 3-month JIBOR plus 0.40%, which is rolled into the capital.

One loan of £6 million from Banque Financière Cardif, which has no set term of repayment.

Two loans totalling £24 million from BNP Paribas S.A.. The interest on the loan is calculated at a 3-month LIBOR plus 0.07% paid quarterly.

Two loans of £3 million each 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.

Six US dollar loans of £3,976,965 (translated) from Banque Financière Cardif, 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.

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 2004, 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).



Cardif Pinnacle is a trading style of Pinnacle Insurance plc
Registered office: Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire WD6 2XX.
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