

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Company Registration Number: 2713318

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2008

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CARDIF PINNACLE INSURANCE HOLDINGS PLC

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CARDIF PINNACLE INSURANCE HOLDINGS PLC

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

* Independent Non-Executive Directors

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

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

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

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

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

Barclays Bank plc
54 Lombard Street
London
EC3P 3AH

CARDIF PINNACLE INSURANCE HOLDINGS PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a holding company investing in the provision of underwriting, brokerage and insurance administrative services through its subsidiary undertakings. The Group operates mainly in the UK and to a lesser extent in the Republic of Ireland and, until April 2009, also in South Africa.

Trading under the style of Cardif Pinnacle, Underwriting is provided by Pinnacle Insurance plc, which continues to be one of the leading providers of creditor, warranty and protection insurance and income replacement cover. Pinnacle Insurance plc also provides competitive, tax efficient investment products via Independent Financial Advisors ("IFAs") and direct to the public.

Brokerage activities are carried out through two newly acquired subsidiaries Direct Life & Pension Services Limited and Warranty Direct Limited. Third party administration and telemarketing are provided by Cardif Pinnacle Insurance Management Services plc and Financial Telemarketing Services Ltd respectively.

The Company is a subsidiary of BNP Paribas Assurance, a worldwide provider of insurance and savings products, with a Standard & 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 & 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 DIVIDENDS

The net loss before tax for the financial year for the group is £27,497,000 (2007: profit £12,116,000).

The Directors do not recommend the payment of a dividend (2007:£105,000) in respect of the ordinary shares (10.0p per share), however recommend the payment of a dividend of £18,000 (2007: £17,000) in respect of the preference shares.

SHARE CAPITAL

On 18th March 2008 the Share Capital of the Company was increased by £21,049,600 through the issue of 101,200 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £20,948,400 to £24,089,176. The increased funds were utilised in the acquisition of Direct Life & Pension Services Limited.

On 3rd April 2008 the Share Capital of the Company was increased by £15,300,064 through the issue of 73,558 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £15,226,506 to £39,315,682. The increased funds were utilised in the acquisition of Warranty Direct Limited.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT (Continued)****SHARE CAPITAL (Continued)**

On 29th July 2008 the Share Capital of the Company was increased by £3,000,400 through the issue of 14,425 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £2,985,975 to £42,301,657. The increased funds were utilised in providing further capital resources to the Company's subsidiary undertaking Financial Telemarketing Services Limited.

On 19th December 2008 the Share Capital of the Company was increased by £46,300,032 through the issue of 428,704 Ordinary shares of £1 each, at a premium of £107 per share increasing the share premium account by £45,871,328 to £88,172,985. Of the increased funds, £32,700,032 was utilised in providing further capital resources to the Company's subsidiary undertaking Pinnacle Insurance plc and £13,600,000 was utilised in reducing the external borrowings of the company.

Coupled with the result of the Group for the year, the capital increases have resulted in a net overall increase in the shareholder's funds of the Group to £188.4m as at 31 December 2008 compared to £133.3m as at 31 December 2007.

ACQUISITIONS

On 19 March 2008 the Company acquired 100% of the share capital of Direct Life & Pension Service Ltd total for consideration of £21,316,328. Direct Life & Pension Services Limited's principle activity is selling life insurance products to consumers. See note 17a of these financial statements for more details.

On 4 April 2008 the Company acquired 88.33% of the share capital of Warranty Direct Ltd for consideration of £14,036,005. Warranty Direct Limited's principle activity is designing, marketing and the administration of insurance policies providing protection against the breakdown of motor vehicles and domestic appliances. See note 17a of these financial statements for more details.

POST BALANCE SHEET EVENT

On 2 April 2009 the Company disposed of its South African Operations at book value of £7,727,761 as this no longer formed part of the strategic direction of the Group.

REVIEW OF BUSINESS***2008 Performance***

The Group 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 £27.5m after tax, compared to a £12.1m profit after tax achieved in 2007. As a result, the share capital of the Company was increased by £46.3m in December 2008.

In relation to Pinnacle Insurance Plc, 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. Pinnacle Insurance Plc has started a process of repricing its protection business as appropriate during times of changing claims experience.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT (Continued)****REVIEW OF BUSINESS (Continued)****2008 Performance (Continued)**

The Group has also provided £27.3m 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 Group, and in particular Pinnacle Insurance Plc, 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 Group has worked closely on the Competition Commission requirements through the review of the creditor insurance market, helping to ensure the Group is now well placed to react positively to the outcome of this review.

The performance of the Group 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 £216m). The Protection business is split between the general business and long term business technical fund profit and loss accounts.

Investment business

In relation to the subsidiary undertaking Pinnacle Insurance Plc, 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.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT (Continued)****REVIEW OF BUSINESS (Continued)*****2008 performance and future 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 Group 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 Group 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 2008 the Share Capital of the Group was increased by £85.7m through the issue of ordinary share capital, £36.4m of this capital was for the purchase of Direct Life & Pension Services and Warranty Direct. These new acquisitions leave the Group well placed to take advantage of the intermediary insurance services market in relation to both life and warranty products.

Although the wider economic environment within the UK is likely to remain difficult throughout 2009 and 2010, a combination of focused strategy and removal of PPI market uncertainty following the Competition Commission report means that overall the Group is positive about its positioning within its principal markets over the longer term. The addition of Warranty Direct Ltd and Direct Life & Pension Services Ltd strengthens the Group by widening distribution channels and enhancing administrative and brokerage capabilities.

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 22.46 (2007: 26.25).

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.

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.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT (Continued)**

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

BNP Paribas Assurance (formerly Cardif S.A.)

Cardif Assurance Vie

Cardif Assurance Risques Divers

P E Glen

R J Mee*

G B Raingold*

resigned 25 March 2009

A D Swain

G Binet (Chairman) *

J Castagno

A Golding

B A Carte *

appointed 12 March 2009

I R C Shackell

appointed 25 September 2008

P J Bloxham

resigned 31 March 2008

A W Dreyer

resigned 30 June 2008

C J Schwick

resigned 9 October 2008

* Non-Executive Directors

CORPORATE GOVERNANCE***The Board***

The Directors are responsible to shareholders for ensuring that the Group is appropriately managed and that it achieves its objectives. The Board meets regularly to determine the Group's strategic direction, to review the Group's operating and financial performance and to oversee that the Group 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) [in relation to Pinnacle Insurance Plc]

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.

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:

CARDIF PINNACLE INSURANCE HOLDINGS PLC

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE (Continued)

	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.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE (Continued)

Internal controls

The Board has the overall responsibility for maintaining the systems of internal control of the Group and for monitoring their effectiveness, while the implementation of internal control systems is the responsibility of management. The Group'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.

There is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has operated throughout 2008 and up to the date of signing this report. The Group'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 Group 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.

CARDIF PINNACLE INSURANCE HOLDINGS 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 Brian Carte, 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 Group'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 Group'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.

FINANCIAL INSTRUMENTS

Treasury operations and financial instruments

The Group operates a treasury function which is responsible for managing the liquidity risks associated with the Group's activities.

The Group has various financial assets and liabilities such as trade receivables and trade payables arising directly from its operations. Derivative contracts which the Group enters into are Equity bond options. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

RISK MANAGEMENT

The Group's activities expose the business to a number of key risks which have the potential to affect the Group'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 Group'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 Group seeks to balance this insurance risk with reward.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**DIRECTORS' REPORT (Continued)****RISK MANAGEMENT (Continued)****Credit risk**

The Group's exposure to credit risk arises from its direct insurance trading and broking activities, reinsurances and those of its investment activities. The Group, 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.

Liquidity risk

Liquidity risk is risk that sufficient financial resources are not available in cash to enable the Group to meet obligations as they fall due. The Group, 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 Group maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, and call accounts, the proceeds 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 Group has a low risk appetite for this 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 Group 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.

Foreign currency risk

The Group's principal foreign currency exposures arise from trading operations with overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

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.

Auditor

In accordance with Section 489(4) of the Companies Act 2006, 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

Signed:



P. E. GREEN

Date: 24. 7. 08

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements Directors are required to:

- (i) select suitable accounting policies and apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) prepare the financial statements based on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to auditors

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.

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

We have audited the Group and Parent Company financial statements ('the financial statements') of Cardif Pinnacle Insurance Holdings plc for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of 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 (UK and Ireland).

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2008 and of the Group's 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
and Registered Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date: *July 27, 2009*

CARDIF PINNACLE INSURANCE HOLDINGS PLC
CONSOLIDATED PROFIT AND LOSS TECHNICAL ACCOUNT - GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2008

		<u>2008</u>	<u>2007</u>
	<u>Note</u>	£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	4(a)	109,409	167,385
Outward reinsurance premiums		(597)	(5,784)
		<hr/> 108,812	<hr/> 161,601
Change in the gross provision for unearned premiums		124,993	111,077
Change in the provision for unearned premiums, reinsurers' share		(5,256)	(3,811)
		<hr/> 119,737	<hr/> 107,266
		<hr/> 228,549	<hr/> 268,867
Allocated investment return transferred		2,690	5,818
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(47,183)	(48,065)
Reinsurers' share		829	6,036
		<hr/> (46,354)	<hr/> (42,029)
Change in the provision for claims			
Gross amount		(5,906)	(10,168)
Reinsurers' share		(3,073)	2,714
		<hr/> (8,979)	<hr/> (7,454)
		<hr/> (55,333)	<hr/> (49,483)
Net operating expenses	7	(191,065)	(227,291)
Sub-total (balance on the technical account -general business)		<hr/> (15,159)	<hr/> (2,089)

CARDIF PINNACLE INSURANCE HOLDINGS PLC
CONSOLIDATED PROFIT AND LOSS TECHNICAL ACCOUNT - LONG TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2008

		<u>2008</u>	<u>2007</u>
	<u>Note</u>	£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	4(b)	862,354	1,092,648
Outward reinsurance premiums		3,726	(3,296)
		<hr/> 866,080	<hr/> 1,089,352
Investment income	6	82,113	67,709
Realised gains/(losses) on investments		(163)	(842)
		<hr/> 81,950	<hr/> 66,867
		<hr/> 948,030	<hr/> 1,156,219
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,228,498)	(504,078)
Reinsurers' share		1,844	4,558
		<hr/> (1,226,654)	<hr/> (499,520)
Change in the provision for claims			
Gross amount		(202)	1,045
Reinsurers' share		(167)	(682)
		<hr/> (369)	<hr/> 363
		<hr/> (1,227,023)	<hr/> (499,157)
Change in other technical provisions			
Long term business provision			
Gross amount		281,415	(346,872)
Reinsurers' share		(2,014)	(1,919)
Technical provisions for linked liabilities		57,982	(249,096)
		<hr/> 337,383	<hr/> (597,887)
Net operating expenses	7	(48,515)	(44,410)
Unrealised (losses)/gains on investments		(24,178)	782
Sub-total (balance on the technical account -long term business)		<hr/> <u>(14,303)</u>	<hr/> <u>15,547</u>

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

	Note	<u>2008</u> £000	<u>2007</u> £000
Balance on the general business technical account		(15,159)	(2,089)
Balance on the long term business technical account		(14,303)	15,547
		<u>(29,462)</u>	<u>13,458</u>
Investment income	6	15,107	16,204
Unrealised (losses) / gains on investments		(7,876)	27
Realised gains/(losses) on investments		21	(188)
Investment expenses and charges		(5,516)	(4,680)
		<u>1,736</u>	<u>11,363</u>
Allocated investment return transferred to the general business account		(2,690)	(5,818)
Other income	8	29,050	15,082
Other charges	8	(32,382)	(18,409)
		<u>(4,286)</u>	<u>2,218</u>
Operating (loss)/profit from continuing activities		(33,748)	15,676
Profit on sale of subsidiaries from discontinued activities		0	520
Amortisation of goodwill	24	(1,616)	0
Share of associated operating loss from discontinuing activities		0	(316)
		<u>(1,616)</u>	<u>(316)</u>
(Loss)/profit on ordinary activities before tax	10	(35,364)	15,880
Tax on profit on ordinary activities	13	7,865	(3,764)
		<u>(27,499)</u>	<u>12,116</u>
Net (loss)/profit for the financial year		(27,499)	12,116
Minority interest		2	0
Net (loss)/profit for the financial year		<u>(27,497)</u>	<u>12,116</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>2008</u>	<u>2007</u>
	£000	£000
Net (loss)/gain for the financial year	(27,497)	12,116
Revaluation reserves	(3,570)	0
Foreign exchange translated adjustment	323	206
Total recognised (loss)/profit for the financial year	<u>(30,744)</u>	<u>12,322</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

		2008	2007
	Note	£000	£000
ASSETS			
Intangible assets	24	30,709	0
Investments			
Land and buildings	18	17,718	21,799
Other financial investments	19	1,085,666	1,396,994
		<hr/>	<hr/>
		1,134,093	1,418,793
Assets held to cover linked liabilities	20	215,304	273,286
Reinsurers' share of technical provisions			
Provision for unearned premiums	29(a)	1,135	6,214
Long term business provision	29(b)	24,813	26,827
Claims outstanding	29(c)	4,582	10,174
		<hr/>	<hr/>
		30,530	43,215
Debtors			
Debtors arising out of direct insurance operations	21	17,262	21,078
Debtors arising out of direct reinsurance operations	22	4,246	5,969
Other debtors	23	16,004	7,253
		<hr/>	<hr/>
		37,512	34,300
Other assets			
Tangible assets	25	3,252	3,134
Cash at bank and in hand		197,938	141,541
		<hr/>	<hr/>
		201,190	144,675
Prepayments and accrued income			
Accrued interest		34,483	43,216
Deferred acquisition costs	29(d)	178,694	300,568
Other prepayments and accrued income		21,091	6,251
		<hr/>	<hr/>
		234,268	350,035
		<hr/>	<hr/>
Total assets		1,852,897	2,264,304
		<hr/>	<hr/>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 2008

		<u>2008</u>	<u>2007</u>
	Note	£000	£000
LIABILITIES			
Capital and reserves			
Called up share capital	26	1,922	1,304
Share premium	28(a)	88,173	3,141
Profit and loss account	28(a)	90,230	117,404
Revaluation Reserves	28(a)	7,892	11,462
		<u>188,217</u>	<u>133,311</u>
Minority interest		100	0
		<u>188,317</u>	<u>133,311</u>
Technical provisions			
Provision for unearned premiums	29(a)	178,368	296,100
Long term business provision	29(b)	1,012,619	1,293,675
Claims outstanding	29(c)	56,118	51,414
		<u>1,247,105</u>	<u>1,641,189</u>
Technical provisions for linked liabilities	29(b)	215,304	273,286
Creditors			
Creditors arising out of direct insurance operations		87,971	100,796
Creditors arising out of direct reinsurance operations		2,805	8,005
Amounts owed to credit institutions	30	25,492	779
Other creditors including taxation and social security	31(a)	77,302	93,940
Amounts due to Group undertakings		3,430	4,816
		<u>197,000</u>	<u>208,336</u>
Accruals and deferred income		5,171	8,182
		<u>1,852,897</u>	<u>2,264,304</u>
Total liabilities		<u>1,852,897</u>	<u>2,264,304</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC
PARENT COMPANY BALANCE SHEET
AT 31 DECEMBER 2008

		2008	2007
	<u>Note</u>	£000	£000
Fixed assets			
Investments	16	232,000	203,038
Other financial investments		<u>1,800</u>	<u>1,000</u>
		233,800	204,038
Current assets			
Debtors	23	3,827	4,819
Cash at bank and in hand		<u>2,219</u>	<u>755</u>
		6,026	5,574
Creditors :			
Amount falling due within one year	31(b)	<u>(7,209)</u>	<u>(2,235)</u>
Net current assets		<u>(1,183)</u>	<u>3,339</u>
Total assets less current liabilities		232,617	207,377
Creditors :			
Amount falling due after more than one year	31(c)	<u>(44,400)</u>	<u>(74,066)</u>
Net assets		<u>188,217</u>	<u>133,311</u>
Capital and reserves			
Equity shareholders' funds			
Called up share capital	26	1,922	1,304
Share premium	28(a)	88,173	3,141
Revaluation Reserves	28(a)	72,613	116,118
Profit and loss account	28(a)	<u>25,509</u>	<u>12,748</u>
Total shareholders' funds		<u>188,217</u>	<u>133,311</u>

These financial statements were approved by the Board of Directors on 24.7.09

Signed on behalf of the Board by:



A J Golding



P E Glen

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

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 the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated December 2006. 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 31 December 2008. In the Group financial statements, associates are accounted for using the equity method.

2. Accounting policies

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

Basis of accounting for general and long term insurance business

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

Fixed assets and depreciation

Fixtures, fittings and equipment 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

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008****Land and buildings**

Land and buildings are revalued every five years with an interim valuation every third. Any increase or decrease in value is transferred to the revaluation reserve. Depreciation on buildings is provided at 2% per annum on a straight-line basis.

Premiums

In respect of general 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 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 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 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.

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.

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2008

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 a best 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.

Long term business provision

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

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, 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.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2008

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

Transactions in currencies other than Sterling are translated at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Sterling at the rates of exchange ruling at the end of the financial year. Foreign exchange differences are reported in the profit and loss account in the period in which they arise.

Taxation

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 certain items for taxation and accounting purposes. Full provision is made for deferred tax in accordance with FRS 19 'Deferred Tax'.

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 transfer from the long term business technical account to the non-technical account is grossed up at the rate of tax applicable for the period.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008**

Derivatives

The Company has acquired two equity bond derivatives to back policyholder investments bonds. The derivatives are linked to the FTSE 100 index on the London stock exchange and are held at cost and included in other financial investments in the balance sheet.

Investments in subsidiaries and participating interests

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

Goodwill

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

Pension Costs

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

3. Segmental analysis by class of business	2008 £000	2007 £000
Gross premiums written and Other income		
General business	109,409	167,385
Long term business	862,354	1,092,648
Non-insurance business	29,050	15,082
	<u>1,000,813</u>	<u>1,275,115</u>
(Loss)/profit before taxation		
General business	(15,159)	(2,089)
Long term business	(14,303)	15,547
Non-insurance business	(5,902)	2,422
	<u>(35,364)</u>	<u>15,880</u>
Segmental net assets		
General business	156,095	86,886
Long term business	31,632	46,586
Non-insurance business	490	(161)
	<u>188,217</u>	<u>133,311</u>

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

4. Business Analysis

4(a) 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	95,599	187,993	(41,791)	(160,059)	(5,268)
Warranty	12,521	45,391	(6,552)	(31,445)	(711)
	<u>108,120</u>	<u>233,384</u>	<u>(48,343)</u>	<u>(191,504)</u>	<u>(5,979)</u>
Reinsurance	1,289	1,018	(4,746)	(1,679)	0
	<u>109,409</u>	<u>234,402</u>	<u>(53,089)</u>	<u>(193,183)</u>	<u>(5,979)</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	123,004	216,325	(43,329)	(181,623)	2,655
Warranty	34,706	50,147	(14,044)	(47,166)	(109)
	<u>157,710</u>	<u>266,472</u>	<u>(57,373)</u>	<u>(228,789)</u>	<u>2,546</u>
Reinsurance	9,675	11,991	(305)	(2,222)	0
	<u>167,385</u>	<u>278,463</u>	<u>(57,678)</u>	<u>(231,011)</u>	<u>2,546</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

4(b) Long term business premiums	2008 £000	2007 £000
Single premiums	860,561	1,079,838
Periodic premiums	1,793	12,810
	<u>862,354</u>	<u>1,092,648</u>

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

4(c) Reinsurance balance – Long term business	2008 £000	2007 £000
Reinsurance balance – Long term business	<u>1,475</u>	<u>1,086</u>

5. Prior years' claims provisions for general business

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

	2008 £000	2007 £000
Change before associated expenses	(716)	(6,372)
Unexpired risks	4,279	(325)
Less associated expenses	<u>3,724</u>	<u>1,381</u>
	<u>7,287</u>	<u>(5,316)</u>

6. Investment Income	Technical Account Long Term Business		Non-technical account	
	2008 £000	2007 £000	2008 £000	2007 £000
Income from other investments	<u>82,113</u>	<u>67,709</u>	<u>15,107</u>	<u>16,204</u>

7. Net operating expenses	General Business		Long Term Business	
	2008 £000	2007 £000	2008 £000	2007 £000
Acquisition costs	88,211	135,023	16,556	41,164
Change in gross deferred acquisition costs	95,210	87,450	27,723	3,550
Administrative expenses	9,762	8,538	2,303	2,347
Gross operating expenses	<u>193,183</u>	<u>231,011</u>	<u>46,582</u>	<u>47,061</u>
Reinsurance commissions and profit participation	(589)	(1,113)	3,361	(632)
Change in deferred reinsurance commission	(1,529)	(2,607)	(1,428)	(2,019)
	<u>191,065</u>	<u>227,291</u>	<u>48,515</u>	<u>44,410</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

8. Other income/(charges)	Continuing Operations	Direct Life & Pension Services Ltd £'000	Warranty Direct Ltd £'000	Total 2008 £'000	Total 2007 £'000
Turnover	7,853	17,665	3,532	29,050	15,082
Cost of Sales	(6,572)	(12,566)	(451)	(19,589)	(15,514)
Distribution Costs	(1,367)	0	0	(1,367)	(587)
Administrative Expenses	(3,524)	(5,531)	(3,146)	(12,201)	(2,308)
Income deferred	0	788	(13)	775	0
	(11,463)	(17,309)	(3,610)	(32,382)	(18,409)
	(3,610)	356	(78)	(3,332)	(3,327)

The turnover mainly relates to brokerage income.

9. Profit/(loss) on sale of subsidiaries from discontinued activities

	2008 £000	2007 £000
Gain on disposal of net assets in Cardif Pinnacle Försäkring AB.	0	872
Loss on disposal of net assets in Cardif Holdings inc.	0	(352)
	<u>0</u>	<u>520</u>

On 28 March 2007 the Company sold its investment in Cardif Pinnacle Försäkring AB. The investment was sold for £882,000 which represents a profit on disposal of £872,000.

On 14 November 2007 the Company sold its investment in Cardif Holdings inc for £5,703,000 with the amortisation of the remaining goodwill and foreign exchange loss excluded the company realised a loss in disposal of £352,000

10. Loss on ordinary activities before tax is stated after charging:

	2008 £000	2007 £000
Auditors' remuneration		
Audit – Group	427	393
Audit – Company	59	45
Amortisation of goodwill	1,616	316
Depreciation of tangible assets on Acquisition addition	1,445	0
Depreciation of other tangible assets	1,409	2,108
Depreciation of buildings	123	531
	<u>5,079</u>	<u>3,393</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 December 2008**11. Remuneration of Directors**

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

	2008	2007
	£000	£000
Emoluments	681	737
Pension contributions	121	155
	<u>802</u>	<u>892</u>
	2008	2007
	£000	£000
Emoluments of highest paid Director	381	419
Pension contributions of highest paid Director	66	61
	<u>447</u>	<u>480</u>

The numbers of Directors to whom retirement benefits are accruing under a defined contribution scheme are 7 (2007: 2).

12. Staff numbers and costs

	2008	2007
	Number	Number
The average number of employees (including Directors) during the year was:		
Sales	217	188
Administration	702	526
	<u>919</u>	<u>714</u>
	2008	2007
	£000	£000
Employment costs		
Wages and salaries	26,710	19,603
Social Security costs	2,811	2,123
Other pension costs	1,786	1,617
	<u>31,307</u>	<u>23,343</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

13. Taxation on profits on ordinary activities

Analysis of charge for the period

	2008 £000	2007 £000
Tax on the Group's profit:		
Corporation tax	564	4,949
Under/(over) provision	580	(1,089)
Total current tax (factors below)	1,144	3,860
Deferred taxation	(9,009)	(96)
Tax on profits on ordinary activities	(7,865)	3,764

	2008 £000	2007 £000
Factors affecting the tax charge for the period		
(Loss)/profit on ordinary activities	(35,364)	15,880
Assessment at standard rate of UK corporation tax (2008: 28.5% and 2007: 30%,)	(10,079)	4,764

Effects of:

Expenses not liable for tax purposes	1,092	334
UK basis of taxation of long-term business	(6,841)	0
Unrelieved losses carried forward	16,057	0
Depreciation in excess of Capital Allowances	220	99
Profit on disposal subsidiaries	0	(156)
Under/(over) provision	580	(1,089)
Lower tax rate on overseas earnings	(50)	(407)
Other differences	165	315
Current tax charge (analysis above)	1,144	3,860

14. Deferred taxation	2008 £000	2007 £000
Included in other prepayments and accrued income		
Deferred tax asset at 1 January 2008	193	97
Charge for accelerated capital allowances	350	99
Acquisition	13	0
Deferred tax credit to P&L	8,646	0
Adjustment in respect of prior years	0	(3)
Deferred tax asset at 31 December 2008	9,202	193

There is plan for Cardif Pinnacle Holdings plc to dispose of its investments in Group undertakings in 2009, however, should such a disposal occur, it is anticipated that there would be a negligible capital gains liability as the substantial shareholding exemption would be used against any chargeable gains.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008**

15. Reserves and dividends (Company)	2008 £000	2007 £000
(a) Amounts transferred to reserves (including proposed amounts)	8,280	1,347
(b) Ordinary share dividends paid	0	105
(c) Preference share dividends paid	18	17

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

16. Investments held as fixed assets-Company

	£000
Cost or valuation	
Opening balance 1 January 2008	207,222
Additions	71,434
Revaluations	(39,005)
Closing balance 31 December 2008	<u>239,651</u>
Provision for diminution in value	
Opening balance 1 January 2008	4,184
Net write off for the year	5,083
Amortisation goodwill	(1,616)
Closing balance 31 December 2008	<u>7,651</u>
Net Book Value	
At 31 December 2008	<u>232,000</u>
At 1 January 2008	<u>203,038</u>

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

16. Investments held as fixed assets-continued

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

Subsidiary Company	Country of Incorporation	Principal Activity	Class of shares held	Holding 2008	Holding 2007
Cardif Pinnacle Insurance Management Services plc	Great Britain	Management Services	Ordinary Preference	100% 100%	100% 100%
Pinnacle Insurance plc	Great Britain	General and Life Insurance	Ordinary	100%	100%
Financial Telemarketing Services Limited	Great Britain	Telemarketing	Ordinary	100%	100%
Avida Solutions Limited ¹	Great Britain	Other Services	Ordinary	100%	100%
European Reinsurance Limited	Guernsey	Reinsurance	Ordinary	100%	100%
Cardif Pinnacle Insurance Property Services plc	Great Britain	Property	Ordinary	100%	100%
Pinnacle Insurance Holdings (Proprietary) Limited	South Africa	Holding	Ordinary	100%	100%
Pinnafrica Insurance Limited ²	South Africa	General Insurance	Ordinary	100%	100%
Pinnafrica Life Limited ²	South Africa	Life Insurance	Ordinary	100%	100%
Guaranteed Underwriting Agency Limited	Great Britain	Insurance Broker	Ordinary Preference	100% 100%	100% 100%
Pinnacle Pet Healthcare Limited	Great Britain	Insurance Broker	Ordinary	100%	100%
Cardif Pinnacle Europe Limited	Great Britain	Holding	Ordinary	100%	100%
USP Strategies Limited ³	Great Britain	Other Services	Ordinary	100%	100%
Extended ServicePlan Limited ⁴	Guernsey	Warranty Sales	Ordinary	100%	100%
ServicePlan Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
First Home Services Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
ServicePlus Limited ⁴	Isle of Man	Warranty Sales	Ordinary	100%	100%
Warranty ServicePlan Limited ⁴	Isle of Man	Management	Ordinary	100%	100%
Warranty Service Solutions Limited ⁴	Great Britain	Warranty Sales	Ordinary	100%	100%
St George's Insurance Service Limited ²	Great Britain	Service Business	Ordinary	100%	100%
Direct life and Pension Services Limited	Great Britain	Insurance Broker	Ordinary	100%	-
Warranty Direct Limited	Great Britain	Insurance Broker	Ordinary	88.33%	-
Archway Reinsurance Company Limited	Turks and Caicos	Non life insurance	Ordinary	88.33%	-
Interstate National Dealer Services Limited	Great Britain	Non life insurance	Ordinary	88.33%	-

Dormant companies are excluded from this list.

¹ Shares held by Financial Telemarketing Services Limited

² Shares held by Pinnacle Insurance Holdings (Proprietary) Limited

³ Shares held by Cardif Pinnacle Europe Limited.

⁴ Shares held by USP Strategies Limited.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

17. Investments in participating interests

17(a) Acquisitions

Warranty Direct Ltd

The Group acquired 88.33% of Warranty Direct Ltd on the 4th of April 2008, financed by an issue of shares to BNP Paribas which raised £15.3m of capital. Since the acquisition there has been no additional consideration paid apart from final settlement payments on finalisation of completion accounts, which are reflected in the figures below. Purchased goodwill is accounted for in accordance with FRS10 and is amortised over 20 years on a straight-line basis, with a full year of amortisation being charged in the year of acquisition, being 2008.

Purchase Consideration	Quantity of Shares No.	Shares Acquired No.	Price per Share £	Consideration £000
Equity Shares	520,000	459,316	28.29	12,993
Cumulative Redeemable Preference Shares	105,000	105,000	1.88	197
				<u>13,190</u>
Pre-acquisition profits in 2008				228
				<u>13,418</u>
Advisory legal and accounting fees				496
Stamp Duty				67
Other fees and finance charges				55
Total Purchase Consideration				<u>14,036</u>

Net Assets of Acquiree	Value £000	Share Acquired %	Acquired £000
Equity Shares (£1 each)	520	88.33%	459
CRP Shares (£1 each)	105	100.00%	105
Pre-acquisition profit prior to 2008	98	88.33%	86
Pre-acquisition profit in 2008	258	88.33%	228
Total Net Assets	<u>981</u>		<u>878</u>

Goodwill	£000
Purchased Goodwill (Costs less net assets acquired)	13,158
Goodwill amortised in year	(658)
Remaining unamortised Goodwill at 31 December 2008	<u>12,500</u>

Net Assets	Total £ 000	Minority Share (11.66%) £ 000	Group Share (88.33%) £ 000
Net assets of Acquiree at acquisition date	981	114.41	878
Post-acquisition profits in year	144	16.79	127
Net assets of WD at 31 December 2008	<u>1,125</u>	<u>131</u>	<u>1,005</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

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For the year ended 31 December 2008

17(a) Acquisitions (continue)**Direct Life & Pension Services Ltd**

The Group acquired 100% of DLPS on the 19th of March 2008, financed by an issue of shares to BNP Paribas which raised £21.0m of capital. Post-acquisition during 2008 DLPS redeemed £675k worth of cumulative preference shares at par, resulting in the transfer of this amount from Retained Earnings into a Capital Redemption Reserve; this reserve remains in place within DLPS' accounts at year-end. Purchased goodwill is accounted for in accordance with FRS10 and is amortised over 20 years on a straight-line basis, with a full year of amortisation being charged in the year of acquisition, being 2008.

Purchase Consideration	Quantity of Shares No.	Shares Acquired No.	Price per Share £	Consideration £000
Equity Shares	1,142,857	1,142,857	16.62	19,000
Cumulative Redeemable Preference Shares	13,454,130	13,454,130	0.10	1,345
				20,345
Pre-acquisition profits in 2008				401
				20,746
Advisory legal and accounting fees				406
Stamp Duty				102
Other fees and finance charges				62
Total Purchase Consideration				21,316

Net Assets of Acquiree	Value £000	Share Acquired %	Acquired £000
Equity Shares (£1 each)	1	100%	1
CRP Shares (£0.10 each)	1,345	100%	1,345
Pre-acquisition profit prior to 2008	256	100%	256
Pre-acquisition profit in 2008	546	100%	546
Total Net Assets	2,148		2,148

Goodwill	£ 000
Purchased Goodwill (Costs less net assets acquired)	19,168
Goodwill amortised in year	(958)
Remaining unamortised Goodwill at 31 December 2008	18,210

Net Assets	Group Share (100%) £ 000
Net assets of Acquiree at acquisition date	2,148
Redemption of preference shares	(675)
Post-acquisition profits in year	292
Net assets of DLPS at 31 December 2008	1,765

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008****17. Investments in participating interests(continued)****17(b) Minority interest**

The Group acquired 88.33% of the ordinary share capital of Warranty Direct Limited.

18. Land and buildings-Group	Freehold Property £000
Group	
Valuation at 1 January 2008	22,330
Revaluation	(3,958)
Valuation at 31 December 2008	<u>18,372</u>
Depreciation at 1 January 2008	531
Charge for the year	531
Revaluation	(408)
Depreciation at 31 December 2008	<u>654</u>
Net Book Value at 31 December 2008	<u>17,718</u>
Net Book Value at 1 January 2008	<u>21,799</u>

The historical costs of the properties are £13,499,000. Accumulated depreciation and the net book value of the properties if they had been valued at historical cost would have been £2,319,000 and £11,180,000 respectively.

The Company's freehold property New Horizon was valued as director's requested, on 31 December 2008. In their opinion, the open market value for the existing use at that time was £4,401,679. As a result of the devaluations being incorporated in the balance sheet at 31 December 2008, an amount of £3,550,516 has been deducted to the revaluation reserve.

No provision has been made for additional United Kingdom taxation of £1,092,000 which would arise if the properties were disposed of at their revalued amount.

Properties are secured by a legal mortgage held by a fellow subsidiary undertaking.

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)**
For the year ended 31 December 2008**18. Land and building-Group (continued)****Property Valuation**

All three properties were valued at 31st December 2006. It is policy to revalue these properties every 5 years with an interim valuation every 3 years. A valuation is performed where there is reason to believe that the value of any property has changed materially since the previous valuation.

At 31 December 2006 New Horizons was fully occupied and was valued according to future cash flow. Rushes Restaurant, taking up part of New Horizons, was allocated a vacant freehold possession value of £713,600. Since the valuation, 27,000 sq ft of New Horizons has been vacated and we do not expect new tenants to take up this space; Rushes Restaurant is no longer used. The remaining 36,500 sq ft is currently being rented out on similar terms to those in place at the time of the previous valuation.

In light of the vacated and unused space, and decreased opportunity to let in the current economic environment, we estimate the value of New Horizons to be £4.4m, a drop in value of £3.6m. At 31 December 2007 a property revaluation reserve of £11.4m was held in respect of the three CPIPS properties within CPIH's accounts. This reserve now reduces by £3.6m to £7.9m at 31 December 2008. The revised value of £4.4m for New Horizons has been calculated based on future cash flow.

The values of Pinnacle House and Pinnacle Place were also revised, however as these are based upon future cash flow (which remains unchanged) no adjustment to valuation was deemed necessary.

CPIPS Property Valuation	Pinnacle House	Pinnacle Place	New Horizons	Total
	£'000	£'000	£'000	£'000
NBV at 1 January 2008	6,356	7,287	8,156	21,799
Depreciation in 2008	(164)	(163)	(204)	(531)
NBV at 31 December 2008 before revaluation	6,192	7,124	7,952	21,268
Reverse depreciation	0	0	408	408
Change in value	0	0	(3,958)	(3,958)
Valuation at 31 December 2008	6,192	7,124	4,402	17,718
Revaluation Reserve				
Revaluation reserve at 31 December 2007	2,840	3,010	5,592	11,442
Write-down New Horizons net of depreciation	0	0	(3,550)	(3,550)
Revaluation reserve at 31 December 2008	2,840	3,010	2,042	7,892

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

19. Other financial investments - Group	Market Value		Cost	
	2008	2007	2008	2007
	£000	£000	£000	£000
Shares and other variable-yield securities and units in unit trusts	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>1,020,837</u>	<u>1,328,843</u>	<u>1,020,837</u>	<u>1,328,843</u>
	<u>1,085,666</u>	<u>1,396,994</u>	<u>1,087,687</u>	<u>1,394,925</u>

20. Assets held to cover linked liabilities - Group

The total market value of assets held to cover linked liabilities is £215,304,000 (2007: £273,286,000) and includes £1,121,000 (2007: £1,566,000) 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 £215,318,000 (2007: £272,940,000).

21. Debtors arising out of direct insurance operations - Group	2008	2007
	£000	£000
Amounts owed by intermediaries	<u>17,262</u>	<u>21,078</u>

22. Debtors arising out of direct reinsurance operations - Group	2008	2007
	£000	£000
Amounts due from reinsurers	<u>4,246</u>	<u>5,969</u>

23. Other Debtors	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	2,922	3,073	0	0
Amounts due from group undertakings	727	0	2,250	3,290
Tax debtor	9,164	412	1,577	0
Sundry debtors	<u>3,191</u>	<u>3,768</u>	<u>0</u>	<u>1,529</u>
	<u>16,004</u>	<u>7,253</u>	<u>3,827</u>	<u>4,819</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

24. Intangible Assets – Group	Goodwill £000			
Cost at 1 st January 2008	0			
Additions	32,326			
Cost at 31 st December 2008	<u>32,326</u>			
Amortisation at 1 st January 2008	0			
Provided during the year	1,616			
Amortisation at 31 st December 2008	<u>1,616</u>			
Net Book Value at 31 st December 2008	<u>30,709</u>			
Net Book Value at 1 st January 2008	<u>0</u>			
25. Tangible assets – Group	Fixtures & Fittings £000	Motor Vehicles £000	Computer Equipment £000	Total £000
Cost at 1 January 2008	8,670	1,929	8,513	19,112
Acquisition addition	1,755	0	0	1,755
Additions	720	607	544	1,871
Disposals	(45)	(598)	(11)	(654)
Cost at 31 December 2008	<u>11,100</u>	<u>1,938</u>	<u>9,046</u>	<u>22,084</u>
Depreciation at 1 January 2008	7,313	969	7,696	15,978
Acquisition addition	1,445	0	0	1,445
Disposals	0	(468)	0	(468)
Charge for the year	839	436	602	1,877
Depreciation at 31 December 2008	<u>9,597</u>	<u>937</u>	<u>8,298</u>	<u>18,832</u>
Net Book Value at 31 December 2008	<u>1,503</u>	<u>1,001</u>	<u>748</u>	<u>3,252</u>
Net Book Value at 1 January 2008	<u>1,357</u>	<u>960</u>	<u>817</u>	<u>3,134</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008**

26. Share capital	2008 £000	2007 £000
Authorised		
Ordinary shares of £1 each	2,500	2,500
Redeemable floating rate cumulative preference shares of £1 each	<u>2,500</u>	<u>2,500</u>
	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,672	1,054
Redeemable floating rate cumulative preference shares of £1 each*	<u>250</u>	<u>250</u>
	<u>1,922</u>	<u>1,304</u>

On 18th March 2008 the Share Capital of the Company was increased by £21,049,600 through the issue of 101,200 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £20,948,400 to £24,089,176. The increased funds were utilised in the acquisition of Direct Life & Pension Services Limited.

On 3rd April 2008 the Share Capital of the Company was increased by £15,300,064 through the issue of 73,558 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £15,226,506 to £39,315,682. The increased funds were utilised in the acquisition of Warranty Direct Limited.

On 29th July 2008 the Share Capital of the Company was increased by £3,000,400 through the issue of 14,425 Ordinary shares of £1 each, at a premium of £207 per share increasing the share premium account by £2,985,975 to £42,301,657. The increased funds were utilised in providing further capital resources to the Company's subsidiary undertaking Financial Telemarketing Services Limited.

On 19th December 2008 the Share Capital of the Company was increased by £46,300,032 through the issue of 428,704 Ordinary shares of £1 each, at a premium of £107 per share increasing the share premium account by £45,871,328 to £88,172,985. Of the increased funds, £32,700,032 was utilised in providing further capital resources to the Company's subsidiary undertaking Pinnacle Insurance plc and £13,600,000 was utilised in reducing the external borrowings of the company.

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

27. Reconciliation of movements in shareholders' funds**For the year ended 31 December 2008 – Group**

	2008	2007
	£000	£000
(Loss)Profit on ordinary activities after taxation	(27,499)	12,116
Dividends	0	(105)
Minority Interest	2	0
Share capital subscribed	618	5
Share premium change	85,032	1,081
Revaluation of fixed assets	(3,570)	0
Other	323	206
Net addition to shareholders' funds	<u>54,906</u>	<u>13,303</u>
Opening shareholders' funds	133,311	120,008
Closing shareholders' funds	<u>188,217</u>	<u>133,311</u>

28(a) Share Premium and Reserves

Group	Share Premium £000	Revaluation Reserves £000	Profit & Loss £000	Total £000
At 1 January 2008	3,141	11,462	117,404	132,007
Retained loss for the year	0	0	(27,497)	(27,497)
Premium arising on share issue	85,032	0	0	85,032
Revaluation	0	(3,570)	0	(3,570)
Other	0	0	323	323
At 31 December 2008	<u>88,173</u>	<u>7,892</u>	<u>90,230</u>	<u>186,295</u>

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

Company	Share Premium £000	Revaluation Reserves £000	Profit & Loss £000	Total £000
At 1 January 2008	3,141	116,118	12,748	132,007
Retained profit for the year	0	0	8,261	8,261
Premium arising on share issue	85,032	0	0	85,032
Revaluation of net investments	0	(39,005)	0	(39,005)
Revaluation reserves adjustment	0	(4,500)	4,500	0
At 31 December 2008	<u>88,173</u>	<u>72,613</u>	<u>25,509</u>	<u>186,295</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

28(b) Capital statement

Available Capital Resources	UK and Republic of Ireland £000	South Africa £000	Total £000
Shareholders' funds held outside the fund	144,851	3,743	156,510
Shareholders' funds held in the fund	27,618	4,089	31,707
Shareholders' funds	172,469	7,832	188,217

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.

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
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29(a) Technical provisions - general business	Provision for Unearned Premiums £000	Claims Outstanding £000	Total £000
Gross Amount			
At 1 January 2008	296,100	50,730	346,830
Movement in the year	(117,732)	4,783	(112,949)
At 31 December 2008	<u>178,368</u>	<u>55,513</u>	<u>233,881</u>
Reinsurance amount			
At 1 January 2008	(6,214)	(8,738)	(14,952)
Movement in the year	5,079	5,425	8,329
At 31 December 2008	<u>(1,135)</u>	<u>(3,313)</u>	<u>(4,448)</u>
Net technical provisions			
At 31 December 2008	<u>177,233</u>	<u>52,200</u>	<u>229,433</u>
At 1 January 2008	<u>289,886</u>	<u>41,992</u>	<u>331,878</u>

29(b) Technical provisions - long term business	Long Term Business Provision £000	Technical Provisions for Linked Liabilities £000	Claims Outstanding £000	Total £000
Gross amount				
At 1 January 2008	1,293,675	273,286	683	1,567,644
Movement in the year	(281,056)	(57,982)	(78)	(339,116)
At 31 December 2008	<u>1,012,619</u>	<u>215,304</u>	<u>605</u>	<u>1,228,528</u>
Reinsurance amount				
At 1 January 2008	(26,827)	0	(1,436)	(28,263)
Movement in the year	2,014	0	167	1,901
At 31 December 2008	<u>(24,813)</u>	<u>0</u>	<u>(1,269)</u>	<u>(26,082)</u>
Net technical provisions				
At 31 December 2008	<u>987,806</u>	<u>215,304</u>	<u>(664)</u>	<u>1,202,446</u>
At 1 January 2008	<u>1,266,848</u>	<u>273,286</u>	<u>(753)</u>	<u>1,539,381</u>

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008

29 (b) Technical provisions - 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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Notes to the Consolidated Financial Statements (continued)
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29(c) Claims outstanding	Gross Amount		Reinsurance Amount	
	2008	2007	2008	2007
	£000	£000	£000	£000
General business	55,513	50,751	(3,313)	(8,738)
Long term business	605	663	(1,269)	(1,436)
	<u>56,118</u>	<u>51,414</u>	<u>(4,582)</u>	<u>(10,174)</u>

29(d) Deferred acquisition costs	Gross Amount		Reinsurance Amount	
	2008	2007	2008	2007
	£000	£000	£000	£000
General business	119,269	213,636	1,644	3,174
Long term business	59,425	86,932	404	1,832
	<u>178,694</u>	<u>300,568</u>	<u>2,048</u>	<u>5,006</u>

The movement in deferred acquisition costs have been included in net operating expenses.

29(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: £1,629,711,000)

30. Amounts owed to credit institutions	2008	2007
	£000	£000
Payable in less than one year	<u>25,492</u>	<u>779</u>

31. Creditors	Group	
31 (a) Other creditors including taxation and social security	2008	2007
	£000	£000
Amounts falling due within one year		
Corporation tax payable	5,742	4,173
Loan ZAR- BNP Paribas London	5,991	0
Other	<u>21,169</u>	<u>23,701</u>
	<u>32,902</u>	<u>27,874</u>
Amounts falling due after more than one year		
Loan GBP- BNP Paribas London	<u>44,400</u>	<u>66,066</u>
Total	<u>77,302</u>	<u>93,940</u>

Other creditors include other taxes and social security costs of £ 8,554,000 (2007: £ 8,008,000).

CARDIF PINNACLE INSURANCE HOLDINGS PLC**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008**

31 (b) Creditors - Amounts falling due within one year	Company	
	2008 £000	2007 £000
Amounts owed to group undertakings	422	991
Accruals and deferred income	796	1,224
Loans-BNP Paribas S.A (London branch)	5,991	0
	<u>7,209</u>	<u>2,235</u>

Four unsecured rolling South African Rand loans totalling £5,991,000 (translated) from BNP Paribas S.A. The interest on the loans is calculated at a 3 month JIBAR rate plus 0.07% payable quarterly.

31 (c) Creditors - Amounts falling due after more than one year	Company	
	2008 £000	2007 £000
Loans from subsidiary undertakings	0	8,000
Loans - BNP Paribas S.A. (London branch)	44,400	66,066
	<u>44,400</u>	<u>74,066</u>

Creditors for amounts falling due after more than one year of £44,000,000 (2007: £74,066,000) include:

Five loans totalling £44,000,000 from BNP Paribas S.A. The interest on the loan is calculated at a 3 month LIBOR rate plus 0.07% payable quarterly.

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

**Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2008**

32. 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.

33. Post balance sheet event

On 2 April 2009 the Company sold 100% of its interest in of Cardif Pinnacle Holdings (Proprietary) Ltd in South Africa.

34. Commitments

The Company has provided letters of support to three of its subsidiaries Financial Telemarketing Services Limited, Cardif Pinnacle Europe Limited, and Pinnacle Pet Healthcare Limited and has committed to provide financial assistance to these subsidiaries if required.

35. Ultimate Parent Company

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, BNP Paribas Assurance (incorporated in France). Copies of its consolidated financial statements are available from 1 Boulevard Haussmann, 75009 Paris, France.

The immediate parent Company of the Group is CB (UK) Limited (incorporated in England).