CARDIF PINNACLE INSURANCE HOLDINGS PLC

Company Registration Number: 2713318

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

CONTENTS

COMPANY INFORMATION

Directors	N J Atkinson, B Sc (Hons) M Sc F I A G Binet (Chairman) BNP Paribas Assurance Cardif Assurance Risques Divers Cardif Assurance Vie J Castagno A C I I B A Carte TD F C I B F C T * A J Golding B Sc (Hons) F C A P E Glen B Sc A C A R J Mee F C I B S * I R C Shackell BA (Hons) F C A A D Swain B Ed Cert Ed * Independent Non-Executive Directors
Secretary	Matthew Lorimer LL B (Hons) Solicitor
Registered Office	Pinnacle House A1 Barnet Way Borehamwood Hertfordshire WD6 2XX
Head of Actuarial Function	S K Grout B Sc F I A
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Principal Bankers	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

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009 The Company number is 2713318

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 income replacement cover

Brokerage activities are carried out through three subsidiaries, Direct Life & Pension Services Limited and Warranty Direct Limited both acquired during 2008, and Financial Telemarketing Services Limited Third party administration is provided by Cardif Pinnacle Insurance Management Services plc

The Company is a subsidiary of BNP Paribas Assurance, a worldwide provider of insurance and savings products, with a Standard and Poor's credit rating of AA- The Company is part of the global banking group BNP Paribas, a European leader in banking and financial services, with a Standard and Poor's long term rating of AA The Group has one of the largest international banking networks, a presence in over 80 countries and over 200,000 employees

RESULTS AND DIVIDENDS

The net profit after taxation and minority interest for the financial year for the Group is £3,864,000 (2008 loss £27,497,000)

The Directors do not recommend the payment of a dividend (2008 £ nil) in respect of the ordinary shares, however recommend the payment of a dividend of £10,500 (2008 £18,000) in respect of the preference shares

SHARE CAPITAL

There have been no changes to share capital during 2009 In 2008, the Share Capital of the Company was increased by £85,650,000 through the issue of 617,887 Ordinary Shares of £1 each at an average share premium of £137 62 per share, £36,350,000 was used to fund acquisitions, £13,600,000 was used to reduce borrowings, and £35,700,000 was used to provide further capital to the Company's subsidiary undertakings

DIRECTORS' REPORT (Continued)

Sale of subsidiary undertakings

On 2 April 2009 the Company disposed of its operations in South Africa, receiving proceeds of £8,006,000 Net assets at the date of disposal were £7,728,000 The resulting gain on disposal after fees was £56,000

REVIEW OF BUSINESS

2009 Performance

The Group has been impacted by a combination of the severe economic downturn in the UK and Ireland and the volatility witnessed in the worldwide credit markets Given these events, however, the Group is pleased to announce a post tax profit of £3 9m for 2009 (2008 loss of £27 5m) The equity shareholders' funds of the Group have decreased by £4 2m to £184 0m at 31 December 2009 (31 December 2008 £188 2m)

In October 2009 the Mortgage Payment Protection Insurance (MPPI) industry and the FSA reached agreement in relation to repricing of MPPI A key feature of the agreement was that no MPPI price increases were to take place before 1 January 2010 The Group has fully embraced the agreement, with the impact on the Group profitability for 2009 being £2 4m

The economic downturn in the UK and Ireland has resulted in increased claims and reserve strengthening in particular in relation to unemployment cover exposure In line with 2009 agreed industry practice, the Group has a process of repricing its protection business as appropriate during times of changing claims experience

Based on latest market information, the Company has also been able to release £11 8m (2008 charge of £27 3m) in relation to its exposure to the UK regulated subsidiary, Kaupthing Singer & Friedlander, of the Icelandic banking Group Kaupthing, which entered into administration in 2008

DIRECTORS' REPORT (Continued)

REVIEW OF BUSINESS (Continued)

Protection business

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 General Insurance business account Gross Written Premium of 13% to £95 5m (2008 £109 4m)

Earned premiums, net of reinsurance, within the General Insurance business account were £158 5m (2008 £228 5m) a year on year reduction of 31% This decease largely reflects the market shift away from single premium business to monthly or annually renewable contracts

Claims incurred net of reinsurance within the General Insurance business account increased by 35% to £74 8m (2008 £55 3m) This is in particular a direct result of the significant increase unemployment rates experienced both in the UK and Ireland during the period

The Irish economy, in particular, has suffered the severest recession of any advanced economy and, despite taking appropriate measures to manage our portfolio during the economic downturn, this continues to be reflected in the very high loss ratios and the rapid and ongoing deterioration of the Group's claims experience This is unsustainable and following a strategic review of the Group's Irish operation, which also considered the medium term prospects of the Irish economy, the Group has taken the necessary decision to no longer underwrite any new Creditor business in Ireland on key schemes for the foreseeable future

In October 2009 the FSA published Consultation Paper (CP) 09/23 in relation to the assessment and redress of PPI complaints, a further Consultation Paper 10/06 on the same issue was published in March 2010 Discussions between the industry and FSA are ongoing and as such the Company does not know the outcome of the consultation The Group does not at this stage consider the outcome will give rise to a material obligation on the part of the Group as the CP predominantly relates to the distribution of PPI products which the Company does not undertake in significant volumes A £0 5m provision has, however, been made in relation to related expenses

Investment business

The Investment business has experienced a significant year on year reduction in Gross Written Premiums compared to 2008 to £48 9m (2008 £847 2m) Credit quality available within the market to back the Investment business, coupled with low interest rates, has made it impossible to offer competitive bond rates

The Group has, therefore, decided to focus on core UK creditor and warranty businesses and to withdraw from the investment product market for the time being

The Group's Investment business is reflected in the long term business profit and loss account

Brokerage activities

The Group continues to develop its brokerage capabilities across three of its subsidiaries, including the two recent acquisitions of Direct Life and Pension Services Ltd and Warranty Direct Ltd in 2008, and Financial Telemarketing Services Ltd which remains a key element in the business' growth strategy These companies combined contributed £29 2m (2008 £32 2m) to Group turnover

DIRECTORS' REPORT (Continued)

REVIEW OF BUSINESS (Continued)

2010 outlook

The UK Creditor insurance market continues to undergo a period of unprecedented change as a result of the evolving regulatory landscape and also the Competition Commission's investigation into the payment protection insurance market This is against the background of the global credit crunch and the subsequent events witnessed in the wider economic environment which resulted in the UK and Ireland being in recession for the majority of 2009 and experiencing significant levels of rising unemployment

Whilst recognising these changes pose key challenges for the Creditor Insurance industry, they also create opportunities The Cardif Pinnacle UK sub-group, which includes the Company, has been executing a strategy over the last 18 months that supports and embraces the increased and ongoing regulatory focus in the market and the 'new world' post implementation of the Competition Commission PPI remedies

As such, the Group has developed and invested in a multi-channel distribution and administration solution which consists of a customer led sales platform, a flexible and needs based lifestyle protection offering that can be tailored to customers' individual needs The Group also invested in its telemarketing business to enable it to provide specialist telephony services to its business to business clients as well as providing sales direct to the consumer for the Group The two recent acquisitions of Warranty Direct Ltd and Direct Life and Pension Services Ltd will facilitate further diversification and growth

The Group has received considerable feedback on this strategic shift from its corporate clients and is encouraged by the support received from these clients The Group achieved early success by acquiring underwriting income from a number of building societies, this will lead to increased volumes towards the end of 2010 and throughout 2011 It expects increasing support from its business customers throughout 2010

Although the wider economic environment within the UK is likely to remain difficult throughout 2010 a combination of the focused Group strategy, the financial strength of the Group and its parent Group and the ongoing 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 Group also remains focussed upon continually developing and embedding the Treating Customers Fairly (TCF) principles across the business ensuring TCF is at the heart of its operations

DIRECTORS' REPORT (Continued)

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 23 67 (2008 22 46)

ACTUARIAL VALUATION

An actuarial valuation was carried out as at 31 December 2009 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

DIRECTORS' REPORT (Continued)

The Directors who held office during the year were

G Binet (Chairman) *	
Cardif-Assurance Risques Divers	
Cardif Assurance Vie	
BNP Paribas Assurance	
J Castagno	
P E Glen	
A J Golding	
R J Mee *	
A D Swain	
I R C Shackell	
B A Carte *	appointed 12 March 2009
G B Raingold *	resigned 25 March 2009
N J Atkinson	appointed 8 March 2010

* Non-Executive Directors

CORPORATE GOVERNANCE

The Board

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

The principal subsidiary of the Group is Pinnacle Insurance plc The governance regime of Pinnacle Insurance plc is summarised as follows

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),
- Risk Based Capital Committee (Chairman A J Golding)

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

Directors' attendance

The Group requires Directors to attend all meetings of the Board and the committees on which they serve and to devote sufficient time to the Group in order to perform their duties The attendance of the Directors at the Board and committee meetings held in 2009 was as follows

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE (Continued)

	Board	Audit Committee	Investment Committee	Remuneration Committee	Risk Based Capital Committee
Number of meetings held	**7**	**4**	**12**	**2**	**6**
G Binet	7	-	-	-	-
BNP Paribas Assurance	7	4	7	2	3
Cardif Assurance Vie	3	-	-	-	-
Cardif-Assurances Risques Divers	7	-	-	-	-
B A Carte (appointed 12 March 2009)	6/6	3/3	-	-	-
J Castagno	7	-	9	-	6
P E Glen	7	-	9	-	5
A J Golding	7	-	12	-	6
R J Mee	6	4	-	1	-
I R C Shackell	7	-	11	-	6
A D Swain	6	-	4	-	1
Former Directors					
G B Raingold (resigned 25 March 2009)	1/2	2/2	-	-	-

- indicates not a member of that committee

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 2009 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

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE (Continued)

Audit Committee

The Audit Committee is chaired by Mr R J Mee who is an independent Non-Executive Director The other members of the Committee are Mr B A Carte, independent Non-Executive Director, and the Global Head of Compliance and Control, BNP Paribas Assurance The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the Head of Internal Audit and other representatives from the Group's parent company internal audit and control functions are regular attendees The Chairman and other members of executive management are also invited to attend from time to time The outcomes of meetings are reported to the Board

The Committee's principal duties are as follows

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

The Committee has unrestricted access to Group's documents and information, as well as to employees of the Group's and the external auditors

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

DIRECTORS' REPORT (Continued)

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 Risks

Insurance risk is defined as risk in relation to fluctuations in the timing, frequency and severity (including expenses) of claims, relative to the expectations of the firm at the time of underwriting

The Group is exposed to insurance risks which are affected by -

- Macro-economic Climate – affecting demand and claims
- Competitive environment (affected by the current review of the PPI market by the Competition Commission)
- Claims increases arising from recessionary forces
- Quality of claims handling
- Ability to review premiums in stated circumstances
- The longevity of claims which is often dependant on the customer's ability to find alternative employment
- The de-coupling of insurance products from the underlying credit facility

Effective Mitigants/Controls for the insurance risks include -

- Ability to monitor economic/claims trends
- Ability to review prices at relatively short notice
- Extensive claims management experience, including management and audit of third party suppliers in the warranty sector
- A good spread of risk (geographic)
- Up-front underwriting control – reducing anti-selection forces
- Withdrawal from non-strategic geographic sectors which show severe adverse experience
- Benefit limits (amounts and claims duration)

Market and Credit Risks

Market risk is the risk arising from the type and nature of market activity undertaken by the Group including exposure to changes in the market value of the Group's assets

The Group manages its market risks by adhering to the Investment policy set by the Investment Committee and approved by the Board The Investment Committee meets regularly throughout the year to ensure that the investment strategy is followed In summary the investment policy seeks to minimise risk by limiting the asset classes in which the Group invests to cash/corporate bonds and to a pre-defined "flight to quality" list of organisations The flight to quality consists of selected organisations based on rating agencies and BNP Paribas Assurance assessments

Credit Risk relates to organisations/third parties that fail to honour obligations to the Group This includes counterparty exposure in respect of the Group's financial assets, including receivables from intermediaries (that are advanced commission) and reinsurance arrangements For the foreseeable future the Group has concluded that it will not seek to re-insure any of its core insurance risks However reinsurance is in place for public liability risks (as in the pet insurance products) risks and historic run off books Also to minimise the exposure to credit risk intermediaries the Group has decided to only offer indemnity commission terms where there is adequate creditor security in place

DIRECTORS' REPORT (Continued)

RISK MANAGEMENT (Continued)

Liquidity Risk

Liquidity risk is the risk arising from the type and nature of the Group's cash flows and asset/liability mix These include the liquidity management framework and the composition of liquidity to allow funding of the operational and financial obligations of the business, both day-to-day and in crisis situations

The Board has decided to maintain a strong liquidity position, with the investment policy also allowing for assets to be liquidated within a short period

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

Risk Reporting

The Board has developed and encourages a culture of risk reporting Each department is charged with the responsibility to identify, quantify and escalate risk at the earliest opportunity Key risks are reported to the Audit and Risk Based Capital Committees and the Board

INTERNAL AUDIT FUNCTION

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

GOING CONCERN

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

AUDITOR

In accordance with Section 489(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:

MJ Larimer.

Date: 25 June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and 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 2006 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

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

Disclosure of information to auditors

Under the Companies Act 2006 section 499, 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIF PINNACLE INSURANCE HOLDING PLC

We have audited the financial statements of Cardif Pinnacle Insurance Holdings plc for the year ended 31 December 2009 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mazars LLP

Mazars LLP, Chartered Accountants (Statutory auditor)
Andrew Heffron (Senior statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD
25 June 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT
PROFIT AND LOSS TECHNICAL ACCOUNT - GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4(a)	95,491	109,409
Outward reinsurance premiums		87	(597)
		95,578	108,812
Change in the gross provision for unearned premium		63,994	124,993
Change in the provision for unearned premium reinsurers' share		(1,072)	(5,256)
		62,922	119,737
		158,500	228,549
Allocated investment return transferred		2,503	2,690
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(60,129)	(47,183)
Reinsurers' share		1,469	829
		(58,660)	(46,354)
Change in the provision for claims			
Gross amount		(14,811)	(5,906)
Reinsurers' share		(1,293)	(3,073)
		(16,104)	(8,979)
		(74,764)	(55,333)
Net operating expenses	7	(99,476)	(191,065)
Sub-total (balance on the technical account-general business)		(13,237)	(15,159)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
PROFIT AND LOSS TECHNICAL ACCOUNT - LONG TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4(b)	44,358	862,354
Outward reinsurance premiums		(3,364)	3,726
		40,994	866,080
Investment income	6	26,951	82,113
Realised gains / (losses) on investments		348	(163)
		27,299	81,950
		68,293	948,030
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,014,089)	(1,228,498)
Reinsurers' share		1,807	1,844
		(1,012,282)	(1,226,654)
Change in the provision for claims			
Gross amount		202	(202)
Reinsurers' share		(65)	(167)
		137	(369)
		(1,012,145)	(1,227,023)
Change in other technical provisions,			
Long term business provision			
Gross amount		778,553	281,415
Reinsurers' share		(319)	(2,014)
Technical provisions for linked liabilities		182,565	57,982
		960,799	337,383
Net operating expenses	7	(16,904)	(48,515)
Unrealised gain / (loss) on investments		10,534	(24,178)
Sub-total (balance on the technical account -long term business)		10,577	(14,303)

CONSOLIDATED PROFIT AND LOSS ACCOUNT
PROFIT AND LOSS NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
Balance on the general business technical account		(13,237)	(15,159)
Balance on the long term business technical account		10,577	(14,303)
		(2,660)	(29,462)
Investment income	6	3,217	15,107
Unrealised gain /(loss) on investments		3,693	(7,876)
Realised gain /(loss) on investments		836	21
Investment expenses and charges		(522)	(5,516)
		7,224	1,736
Allocated investment return transferred to the general business account		(2,503)	(2,690)
Other income	8	32,003	29,050
Other charges	8	(35,503)	(32,382)
		1,221	(4,286)
Operating loss from continuing activities		(1,439)	(33,748)
Profit on disposal of subsidiaries	9	56	0
Amortisation of goodwill	23	(1,616)	(1,616)
Loss on ordinary activities before tax	10	(2,999)	(35,364)
Tax on loss on ordinary activities	13	6,983	7,865
Net profit / (loss) for the financial year		3,984	(27,499)
Minority interest		(120)	2
Net profit / (loss) for the financial year		3,864	(27,497)

The profit / (loss) for the year arises from continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009

		2009	2008
		£'000	£'000
Net profit / (loss) for the financial year		3,864	(27,497)
Revaluation reserve	18	(6,828)	(3,570)
Foreign exchange translated adjustment		(1,240)	323
Total recognised (losses) / gains for the financial year		(4,204)	(30,744)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
ASSETS			
Intangible assets	23	29,093	30,709
Investments			
Land and buildings	18	10,150	17,718
Other financial investments	19	394,137	1,085,666
		433,380	1,134,093
Assets held to cover linked liabilities	20	32,739	215,304
Reinsurers' share of technical provisions			
Provision for unearned premiums	28(a)	465	1,135
Long term business provision	28(b)	22,198	24,813
Claims outstanding	28(c)	4,848	4,582
		27,511	30,530
Debtors			
Debtors arising out of direct insurance operations	21	10,133	17,262
Debtors arising out of direct reinsurance operations	22(a)	2,430	4,246
Other debtors	22(b)	14,479	16,004
		27,042	37,512
Other assets			
Tangible assets	24	10,854	3,252
Cash at bank and in hand		104,955	197,938
		115,809	201,190
Prepayments and accrued income			
Accrued interest		7,440	34,483
Deferred acquisition costs	28(d)	109,909	178,694
Other prepayments and accrued income		3,219	21,091
		120,568	234,268
Total assets		757,049	1,852,897

CONSOLIDATED BALANCE SHEET (continued)
AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	25	1,922	1,922
Share premium	27(a)	88,173	88,173
Profit and loss account	27(a)	92,854	90,230
Revaluation Reserves	27(a)	1,064	7,892
		184,013	188,217
Minority interest		181	100
Total shareholders' funds		184,194	188,317
Technical provisions			
Provision for unearned premiums	28(a)	110,689	178,368
Long term business provision	28(b)	231,646	1,012,619
Claims outstanding	28(c)	70,532	56,118
		412,867	1,247,105
Technical provisions for linked liabilities	28(b)	32,739	215,304
Creditors			
Creditors arising out of direct insurance operations		59,023	87,971
Creditors arising out of direct reinsurance operations		1,575	2,805
Amounts owed to credit institutions	29	2,484	25,492
Other creditors including taxation and social security	30(a)	57,673	77,302
Amounts due to Group undertakings		1,675	3,430
		122,430	197,000
Accruals and deferred income		4,819	5,171
Total liabilities		757,049	1,852,897

PARENT COMPANY BALANCE SHEET
AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	16	219,377	232,000
Other financial investments		1,909	1,800
		221,286	233,800
Current assets			
Debtors	22	2,324	3,827
Cash at bank and in hand		1,478	2,199
		3,802	6,026
Creditors :			
Amount falling due within one year	30(b)	(1,075)	(7,209)
Net current assets		2,727	(1,183)
Total assets less current liabilities		224,013	232,617
Creditors :			
Amount falling due after more than one year	30(c)	(40,000)	(44,400)
Net assets		184,013	188,217
Capital and reserves			
Equity shareholders' funds			
Called up share capital	25	1,922	1,922
Share premium	27(a)	88,173	88,173
Revaluation Reserves	27(a)	69,563	72,613
Profit and loss account	27(a)	24,355	25,509
Total shareholders' funds		184,013	188,217

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board by:

A J Golding 25 JUNE 2010

J Castagno 25/6/2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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 the Companies Act 2006, with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), and under the historical cost convention as modified by the revaluation of investments

The financial statements have been prepared in accordance with the provisions of Schedule 3 of SI 2008 No 410 The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated December 2006 As permitted by Section 408 of the Companies Act 2006, 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 2009 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

Going concern

The financial statements have been prepared on the going concern basis

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	20% - 33% per annum

Land and buildings

Land and buildings are revalued every five years with an interim valuation every third year Increases in value are transferred to Profit & Loss Non-Technical Account to the extent of previously recognised losses, increases in surplus above previously recognised losses are transferred to the revaluation reserve Decreases in value are transferred to the revaluation reserve to the extent that a revaluation exists, losses in surplus of the revaluation reserve are taken to Profit & Loss Non-Technical Account 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 and prior years that relates to the risks of unexpired terms of policies in force at the balance sheet date This is calculated on a time apportionment basis adjusted to reflect the Company's experience of the incidence of claims incurred over the term of those policies

Acquisition costs

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

Claims – gross and reinsurance

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

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

Claims outstanding

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

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

Unexpired risks provision

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

Long term business provision

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

Expenses

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

Investments

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

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

Investment income

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit Dividends are recognised when the investments to which they relate are declared "ex dividend" Interest income is accrued up to the balance sheet date

Realised gains or losses represent the difference between net sales proceeds and purchase price

Unrealised gains and losses on investments

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

Allocation of investment return

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

Foreign currencies

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

Taxation

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

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

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

Derivatives

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

3. Segmental analysis by class of business

	2009 £'000	2008 £'000
Gross premiums written and Other income		
General business	95,491	109,409
Long term business	44,358	862,354
Non-underwriting business	32,003	29,050
	171,852	1,000,813
(Loss)/profit before taxation		
General business	(13,237)	(15,159)
Long term business	10,577	(14,303)
Non-underwriting business	(339)	(5,902)
	(2,999)	(35,364)
Segmental net assets		
General business	144,578	156,095
Long term business	38,920	31,632
Non-underwriting business	515	490
	184,013	188,217

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. (a). Business analysis - General business

	2009 Gross Premiums Written £'000	2009 Gross Premiums Earned £'000	2009 Gross Claims Incurred £'000	2009 Gross Operating Expenses £'000	2009 Reinsurance Balance £'000
Direct Insurance					
Creditor	78,089	123,777	(60,999)	(88,076)	1,588
Warranty	17,356	32,671	(11,053)	(15,329)	0
	95,445	156,448	(72,052)	(103,405)	1,588
Reinsurance	46	3,037	(2,888)	1,532	0
	95,491	159,485	(74,940)	(101,873)	1,588

	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)
	108,120	233,384	(48,343)	(191,504)	(5,979)
Reinsurance	1,289	1,018	(4,746)	(1,679)	0
	109,409	234,402	(53,089)	(193,183)	(5,979)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

4. (b). Business analysis – Long term business

	2009 £'000	2008 £'000
Single premiums	43,609	860,561
Periodic premiums	749	1,793
	44,358	862,354

The linked business premiums for 2009 were £22,338,000 (2008 £247,717,000)

4. (c). Reinsurance balance – Long term business

	2009 £'000	2008 £'000
Reinsurance balance – Long term business	81	1,475

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

	2009 £'000	2008 £'000
Change before associated expenses	(4,053)	(716)
Unexpired risks	0	4,279
Less associated expenses	6,612	3,724
	2,559	7,287

6. Investment Income

	Technical Account Long Term Business		Non-technical account	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Income from other investments	26,951	82,113	3,217	15,107

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

7. Net operating expenses

	General Business		Long Term Business	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Acquisition costs	43,917	88,211	(1,971)	16,556
Change in gross deferred acquisition costs	48,782	95,210	19,187	27,723
Administrative expenses	9,174	9,762	2,215	2,303
Gross operating expenses	101,873	193,183	19,431	46,582
Reinsurance commissions and profit participation	(1,011)	(589)	(2,369)	3,361
Change in deferred reinsurance commission	(1,386)	(1,529)	(158)	(1,428)
	99,476	191,065	16,904	48,515

8. Other income / (charges)

	Other Continuing Operations	Direct Life & Pension Services Ltd	Warranty Direct Ltd	Total 2009	Total 2008
	£'000	£'000	£'000	£'000	£'000
Turnover	5,152	19,386	7,465	32,003	29,050
Cost of Sales	(5,057)	(12,488)	(2,053)	(19,598)	(19,589)
Administrative Expenses	(5,278)	(6,599)	(4,028)	(15,905)	(13,568)
Income deferred					775
	(10,335)	(19,087)	(6,081)	(35,503)	(32,382)
	(5,183)	299	1,384	(3,500)	(3,332)

The turnover mainly relates to brokerage income

9. Disposal of Subsidiary

On 2 April 2009, the Company disposed of all of its interests in the South African operation CPIH (Pty) Ltd The net asset value of CPIH (Pty) Ltd was £7,728k at the date of disposal, proceeds received were £8,006k After deducting costs directly attributable to the disposal of £222k the resulting gain on disposal is £56k

10. Profit / (loss) on ordinary activities before tax is stated after charging:

	2009 £'000	2008 £'000
Auditors' remuneration		
Audit – Group	317	427
Audit – Company	51	59
Amortisation of goodwill	1,616	1,616
Depreciation of tangible assets on Acquisition addition	0	1,445
Depreciation of other tangible assets	2,104	1,409
Depreciation of buildings	(654)	123

11. Remuneration of Directors

	2009 £'000	2008 £'000
Emoluments	896	681
Pension contributions	95	121
	991	802

	2009 £'000	2008 £'000
Emoluments of highest paid Director	592	381
Pension contributions of highest paid Director	66	66
	658	447

The numbers of Directors to whom retirement benefits are accruing under a defined contribution scheme are 5 (2008 7)

12. Staff numbers and cost

The average number of employees (including Directors) during the year was	2009 Number	2008 Number
Sales	143	217
Administration	705	702
	848	919

Employment costs	2009 £'000	2008 £'000
Wages and salaries	26,100	26,710
Social Security costs	2,965	2,811
Other pension costs	1,816	1,786
	30,881	31,307

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

13. Taxation on profits on ordinary activities

	2009 £'000	2008 £'000
Tax on the Group's profit		
Corporation tax	(3,892)	564
(Over) / under provision	(7,648)	580
Total current tax (factors below)	(11,540)	1,144
Deferred taxation	4,976	(9,009)
Tax on profits on ordinary activities	(6,564)	(7,865)

Factors affecting the tax charge for the period	2009 £'000	2008 £'000
Loss on ordinary activities	(2,999)	(35,364)
Assessment at standard rate of UK corporation tax (2009 28% and 2008 28 5%)	(840)	(10,079)
Effects of		
Expenses not liable for tax purposes	80	1,092
UK basis of taxation of long-term business	777	(6,841)
Unrelieved losses carried forward	215	16,057
Depreciation in excess of Capital Allowances	(358)	220
Profit on sale of fixed assets	130	0
(Over) / under provision	(7,648)	580
Relief of loss bought forward	(4,346)	0
Lower tax rate on overseas earnings	0	(50)
Other differences	27	165
Current tax charge (analysis above)	(11,963)	1,144

14. Deferred taxation

Included in other prepayments and accrued income	2009 £'000	2008 £'000
Deferred tax asset at 1 January 2009	9,202	193
Charge for accelerated capital allowances	(926)	350
Acquisition	0	13
Deferred tax credit to P&L	(5,029)	8,646
Adjustment in respect of prior years	447	0
Deferred tax asset at 31 December 2009	3,694	9,202

15. Reserves and dividends (Company)

		2009	2008
		£'000	£'000
(a)	Amounts transferred to reserves (including proposed amounts)	(1,164)	8,280
(b)	Ordinary share dividends paid	0	0
(c)	Preference share dividends paid	(10)	(18)

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 2009	239,651
Disposal	(6,993)
Revaluations	(3,050)
Closing balance 31 December 2009	229,608
Provision for diminution in value	
Opening balance 1 January 2009	7,651
Net write off for the year	964
Amortisation goodwill	1,616
Closing balance 31 December 2009	10,231
Net Book Value	
At 31 December 2009	219,377
At 1 January 2009	232,000

The disposal relates to the disposal of a subsidiary company (note 9) The revaluations relate to the movement in net asset values of the investments

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

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 2009	Holding 2008
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%
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 [2]	Great Britain	Other Services	Ordinary	100%	100%
Extended ServicePlan Limited [3]	Guernsey	Warranty Sales	Ordinary	100%	100%
ServicePlan Limited [3]	Isle of Man	Warranty Sales	Ordinary	100%	100%
First Home Services Limited [3]	Isle of Man	Warranty Sales	Ordinary	100%	100%
ServicePlus Limited [3]	Isle of Man	Warranty Sales	Ordinary	100%	100%
Warranty ServicePlan Limited [3]	Isle of Man	Management	Ordinary	100%	100%
Warranty Service Solutions Limited [3]	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 [4]	Turks and Caicos	Non life insurance	Ordinary	88 33%	-
Interstate National Dealer Services Limited [4]	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 Cardif Pinnacle Europe Limited
[3] Shares held by USP Strategies Limited
[4] Shares held by Warranty Direct Limited

17. Investment in participating interests

The Group owns 88 33% of the ordinary share capital of Warranty Direct Ltd, the remaining 11 67% minority share is owned outside of the Group The value of minority interest at 31 December 2009 is £181k (2008 £100k)

18. Land and buildings – Group Freehold Property

	£'000
Valuation at 1 January 2009	18,372
Revaluation	(8,222)
Valuation at 31 December 2009	10,150
Depreciation at 1 January 2009	654
Charge for the year	440
Revaluation	(1,094)
Depreciation at 31 December 2009	0
Net Book Value at 31 December 2009	10,150
Net Book Value at 1 January 2009	17,718

The historical cost of the properties is £13 5m Accumulated depreciation and the net book value of the properties if they had been valued at historical cost would have been £2 3m and £11 2m respectively

The Company's freehold properties were valued by BNP Paribas Real Estate, on 09 December 2009 In their opinion, the open market value for the existing use at that time was £10 2m As a result of the valuations being incorporated in the balance sheet at 31 December 2009, an amount of £6,828k has been charged to the revaluation reserve, and £300k taken to the profit and loss non-technical accounts

No additional United Kingdom taxation would arise if the properies were disposed of at their revalued amount

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

19. Other financial investments - Group

	Market Value		Cost	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Shares and other variable-yield securities and units in unit trusts	32	1,193	129	1,659
Debt securities and other fixed income securities	73,182	63,636	71,129	65,191
Deposits with credit institutions	320,923	1,020,837	320,923	1,020,837
	394,137	1,085,666	392,181	1,087,687

20. Assets held to cover linked liabilities – Group

The total market value of assets held to cover linked liabilities was £32,739,000 (2008 £215,304,000) and includes £63,000 (2008 £1,121,000) relating to fixed interest securities held to back an equity based product linked to the FTSE, S&P, Dow Jones and Nikkei

The purchase price of investments included under assets held to cover linked liabilities was £32,800,000 (2008 £215,318,000)

21. Debtors arising out of direct insurance operations – Group

	2009	2008
	£'000	£'000
Amounts owed by intermediaries	10,133	17,262

22. (a). Debtors arising out of direct reinsurance operations – Group

	2009	2008
	£'000	£'000
Amounts due from reinsurers	2,430	4,246

22. (b). Other Debtors

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade debtors	4,436	2,922	0	0
Amounts due from group undertakings	244	727	1,820	2,250
Tax debtor	9,671	9,164	287	1,577
Sundry debtors	128	3,191	217	0
	14,479	16,004	2,324	3,827

23. Intangible Assets – Group

	Goodwill £'000
Cost at 1 January 2009	32,325
Additions	0
Cost at 31 December 2009	32,325
Amortisation at 1 January 2009	1,616
Provided during the year	1,616
Amortisation at 31 December 2009	3,232
Net Book Value at 31 December 2009	29,093
Net Book Value at 1 January 2009	30,709

Intangible assets equate to purchased goodwill on acquisition of two subsidiaries in 2008, amortisation is charged on the basis of a useful life of 20 years with a full year of amortisation being charged in the year of acquisition

24. Tangible assets - Group

	Fixtures & Fittings £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost at 1 January 2009	11,100	1,938	9,046	22,084
Additions	1,124	624	7,996	9,744
Disposals	(113)	(693)	0	(806)
Cost at 31 December 2009	12,111	1,869	17,042	31,022
Depreciation at 1 January 2009	9,597	937	8,298	18,832
Disposals	(90)	(678)	0	(768)
Charge for the year	885	439	780	2,104
Depreciation at 31 December 2009	10,392	698	9,078	20,168
Net Book Value at 31 December 2009	1,719	1,171	7,964	10,854
Net Book Value at 1 January 2009	1,503	1,001	748	3,252

25. Share capital

	2009 £'000	2008 £'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	1,672	1,672
Redeemable floating rate cumulative preference shares of £1 each	250	250
	1,922	1,922

In 2008, the Share Capital of the Company was increased by £85,650,096 through the issue of 617,887 Ordinary Shares, £36,349,664 was used to fund acquisitions, £13,600,000 was used to reduce borrowings, and £35,700,432 was used to provide further capital to the Company's subsidiary undertakings

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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

26. Reconciliation of movements in shareholders' funds for the year ended 31 December 2009 - Group

	2009 £'000	2008 £'000
Profit / (Loss) on ordinary activities after taxation	3,984	(27,499)
Minority Interest	(120)	2
Share capital subscribed	0	618
Share premium change	0	85,032
Revaluation of fixed assets	(6,828)	(3,570)
Other	(1,240)	323
Net (reduction) / addition to shareholders' funds	(4,204)	54,906
Opening shareholders' funds	188,217	133,311
Closing shareholders' funds	184,013	188,217

27. (a). Share Premium and Reserves

Group	Share Premium £'000	Revaluation Reserves £'000	Profit & Loss £'000	Total £'000
At 1 January 2009	88,173	7,892	90,230	186,295
Retained profit for the year	0	0	3,864	3,864
Premium arising on share issue	0	0	0	0
Revaluation	0	(6,828)	0	(6,828)
Other	0	0	(1,240)	(1,240)
At 31 December 2009	88,173	1,064	92,854	182,091

Company	Share Premium £'000	Revaluation Reserves £'000	Profit & Loss £'000	Total £'000
At 1 January 2009	88,173	72,613	25,509	186,295
Retained loss for the year	0	0	(1,154)	(1,154)
Premium arising on share issue	0	0	0	0
Revaluation of net investments	0	0	0	0
Revaluation reserves adjustment	0	(3,050)	0	(3,050)
At 31 December 2009	88,173	69,563	24,355	182,091

27. **(b). Capital statement**

Available Capital Resources	**Total**
	£'000
Shareholders' funds held outside the fund	145,093
Shareholders' funds held in the fund	38,920
Shareholders' funds	184,013

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 £150,000 (2008 £760,000) on £151,938,000 (2008 £909,173,000) of liabilities

The technical reserve for the 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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

28. (a). Technical provisions – general business

	Provision for Unearned Premiums	Claims Outstanding	Total
	£'000	£'000	£'000
Gross Amount			
At 1 January 2009	178,368	55,513	233,881
Movement in the year	(67,679)	14,614	(53,065)
At 31 December 2009	110,689	70,127	180,816
Reinsurance amount			
At 1 January 2009	(1,135)	(3,313)	(4,448)
Movement in the year	670	(1,525)	(855)
At 31 December 2009	(465)	(4,838)	(5,303)
Net technical provisions			
At 31 December 2009	110,224	65,289	175,513
At 1 January 2009	177,233	52,200	229,433

28. (b). Technical provisions – long term business

	Long Term Business Provision	Technical Provisions for Linked Liabilities	Claims Outstanding	Total
	£'000	£'000	£'000	£'000
Gross amount				
At 1 January 2009	1,012,619	215,304	605	1,228,528
Movement in the year	(780,973)	(182,565)	(200)	(963,738)
At 31 December 2009	231,646	32,739	405	264,790
Reinsurance amount				
At 1 January 2009	(24,813)	0	(1,269)	(26,082)
Movement in the year	2,615	0	1,259	3,874
At 31 December 2009	(22,198)	0	(10)	(22,208)
Net technical provisions				
At 31 December 2009	209,448	32,739	395	242,582
At 1 January 2009	987,806	215,304	(664)	1,202,446

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

28. (b). Technical provisions - long term business (continued)

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

	2009	2008
Rates of interest		
Assurance		
Without profit	2 5%	4 0%
Guaranteed Growth Bonds		
Outstanding term less than 1 year	3 5%	4 8%
Outstanding term less than 2 years	3 0%	4 2%
Outstanding term less than 3 years	3 0%	4 3%
Outstanding term less than 4 years	2 4%	5 7%
Outstanding term less than 5 years	2 1%	3 9%
Guaranteed Income Bonds		
Outstanding term less than 1 year	3 0%	4 0%
Outstanding term less than 2 years	1 9%	4 3%
Outstanding term less than 3 years	2 1%	3 3%
Outstanding term less than 4 years	2 7%	4 4%
Outstanding term less than 5 years	2 1%	4 5%
Monthly Income Bonds		
Outstanding term less than 1 year	2 4%	4 3%
Outstanding term less than 2 years	2 5%	5 2%
Outstanding term less than 3 years	3 2%	3 0%
Outstanding term less than 4 years	3 7%	4 1%
Outstanding term less than 5 years	2 6%	2 5%
Annuities		
Without profit - Life	2 5%	4 0%
Without profit - Pensions	2 5%	4 0%
Mortality tables		
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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

28. (c). Claims outstanding

	Gross Amount		Reinsurance Amount	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
General business	70,127	55,513	(4,838)	(3,313)
Long term business	405	605	(10)	(1,269)
	70,532	56,118	(4,848)	(4,582)

Included within the general business claims outstanding balance is the unexpired risk provision of £12,699,000 (2008 £12,185,000)

28. (d). Deferred acquisition costs

	Gross Amount		Reinsurance Amount	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
General business	69,670	119,269	258	1,644
Long term business	40,239	59,425	246	404
	109,909	178,694	504	2,048

The movement in deferred acquisition costs has been included in net operating expenses

28. (e). Long-term Fund

At 31 December 2009 the total amount of assets representing the long term fund as required to be shown by Schedule 3 of SI 2008 No 410 The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 was £312,490,000 (2008 £1,304,254,000)

29. Amounts owed to credit institutions

	2009	2008
	£'000	£'000
Payable in less than one year	2,484	25,492

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

30. (a). Creditors

Other creditors including taxation and social security	Group 2009 £'000	Group 2008 £'000
Amounts falling due within one year		
Corporation tax payable	1,414	5,742
Loan ZAR- BNP Paribas London	0	5,991
Other	16,259	21,169
	17,673	32,902
Amounts falling due after more than one year		
Loan GBP- BNP Paribas London	40,000	44,400
Total	57,673	77,302

Other creditors include other taxes and social secutiry costs of £6,520k (2008 £8,554k)

30. (b). Creditors - Amounts falling due within one year

	Company 2009 £'000	Company 2008 £'000
Amounts owed to group undertakings	331	422
Accruals and deferred income	744	796
Loans-BNP Paribas S A (London branch)	0	5,991
	1,075	7,209

30. (c). Creditors – Amounts falling due after one year

	Company 2009 £'000	Company 2008 £'000
Loans - BNP Paribas S A (London branch)	40,000	44,400
	40,000	44,400

Creditors for amounts falling due after more than one year of £40,000,000 (2008 £44,000,000) comprises four loans from BNP Paribas S A The interest on the loans is calculated at a 3 month LIBOR rate plus 0 04% 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

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2009

31. Related party transactions

In accordance with Financial Reporting Standard 8 'Related Party Disclosures' the Group reports related party transactions between entities not wholly owned within the Group There are no related party transactions to report for the 2009 or the 2008 financial years

32. Commitments

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

33. Contingent liabilities

In October 2009 the FSA published Consultation Paper (CP) 09/23 in relation to the assessment and redress of PPI complaints, a further Consultation Paper 10/06 on the same issue was published in March 2010 Discussions between the industry and FSA are ongoing and as such the Company does not know the outcome of the consultation The Group does not at this stage consider the outcome will give rise to a material obligation on the part of the Group as the CP predominantly relates to the distribution of PPI products which the Company does not undertake in significant volumes A £0 5m provision has, however, been made in relation to related expenses

34. 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)