CARDIF PINNACLE INSURANCE HOLDINGS PLC
Company Registration Number: 02713318

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

CARDIF PINNACLE INSURANCE HOLDINGS PLC

CONTENTS

CARDIF PINNACLE INSURANCE HOLDINGS PLC

Company Information

Directors:	G Binet (Chairman) M Haderer N D Rochez * A M Wigg M J Lorimer S L P F Chevalet R A Hines * S M Luton (appointed 10 December 2020) H E Rennie (appointed 10 December 2020) * Independent Non-Executive Director
Company Secretary:	M J Lorimer
Registered Office:	Pinnacle House A1 Barnet Way Borehamwood Hertfordshire WD6 2XX
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ
Principal Bankers:	Barclays Bank PLC 54 Lombard Street London EC3P 3AH

STRATEGIC REPORT

Cardif Pinnacle Insurance Holdings PLC ("the Company") was formed in 1992. 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 in the UK. The Company and its subsidiaries form the Cardif Pinnacle Group ("the Group").

Trading under the brand of Cardif Pinnacle, underwriting is provided by Pinnacle Insurance PLC which has established itself as a provider of personal lines insurance, principally within the UK. The subsidiary provides Creditor, Warranty, Gap and Pet insurance products.

The Group's brokerage activity is carried out through its subsidiary, BNP Paribas Cardif Limited (formerly known as Warranty Direct Limited) and third-party administration is provided by Cardif Pinnacle Insurance Management Services PLC.

The Company is a subsidiary of the insurance group BNP Paribas Cardif. The Company is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, with a Standard and Poor's long-term rating of A+ (stable outlook). BNP Paribas SA has one of the largest international banking networks, with a presence in 68 countries and employs more than 193,000 employees.

The financial statements for the year have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Report has been prepared in accordance with section 414c of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

BUSINESS REVIEW

Pre-tax loss

The Company reported a pre-tax loss of £10.3m (2019: loss £4.6m). The results for the year are set out on page 21.

Key Performance Indicators

Key performance indicators are factors by reference to which the performance or position of the business of the Company can be measured effectively. The Company's key financial performance indicators during the year were as follows:

	2020 £'000	2019 £'000
Pre-tax loss	(10,332)	(4,602)
Shareholder's funds	121,372	131,683

The pre-tax loss of £10.3m (2019: loss of £4.6m) is stated after the impairment of an expected credit loss allowance of £4.3m (2019: £6.1m) together with administrative expenses interest on loans and impairment of investment in a subsidiary of £6m.

PRINCIPAL RISKS AND UNCERTAINTIES

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

STRATEGIC REPORT (continued)

Operational Risk

Operational risk is the risk of loss resulting from inadequate internal processes, human or system errors, or from external events. The Company seeks to mitigate this risk 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.

Liquidity Risk

Liquidity risk is the risk that insufficient financial resources are available in cash to enable the Company to meet obligations as they fall due. The Company seeks to limit exposure to liquidity risk by negotiating settlement terms for its outflows that can be managed against its own working capital cycles.

Credit Risk / Counterparty risk

Credit risk refers to the risk that the Company debtors will default by failing to make required payments. The Company accepts only credit risk associated with other related parties from the BNP Paribas Group. In the context of the Company's service arrangements with its related parties, contractual terms regulate the collection of cash flows for the activities rendered. The timing of these cash flows is one of the factors the Company considers to manage the liquidity risk noted earlier.

Brexit

There continues to be uncertainty with Financial Services provision between the United Kingdom and the European Union which might affect the Company. As these might affect the Company developments are being monitored carefully.

COVID-19

The effect of the COVID-19 pandemic, specifically the invocation of the remote working model has had a significant impact on a number of processes. In anticipation of the first lockdown, a comprehensive re-assessment of the key processes, resources and suppliers was carried out to identify the best way to provide continuity of service to our customers. This has been reviewed throughout successive lockdowns.

This assessment also identified a small number of processes that could only be undertaken on the premises and consideration was given to the protection of information with additional security protocols being introduced to reduce the risk and potential impact of data loss or human error. As the Company begins to plan for a post lock down environment, continued staff welfare remains the primary consideration. All staff will be consulted before being asked to return to the office, to ensure their individual circumstances and responsibilities are considered and accounted for.

STRATEGIC REPORT (continued)

GOING CONCERN

Taking into account the Company's current position and its principal risks on pages 3 to 4, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for at least the next 12 months. As a result of COVID-19, markets might reasonably be expected to be volatile which might have an impact on Company's return on its investments in subsidiaries in particular its main subsidiary undertaking, Pinnacle Insurance PLC. However, the Company:

- is part of the global banking group BNP Paribas SA, a European leader in banking and financial services, and is supported by its strong parent with strong capital and cash flows; and

- has access to a loan facility of £112.6m (£81.6m undrawn) with BNP Paribas SA.

In assessing the prospects of the company, the Directors note that such an assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty. The directors' assessment has taken into account the above resources and options available to the Company.

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

STRATEGIC REPORT (continued)

Section 172 Statement

The following disclosures describe how the Directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

As a holding company, the company itself has no customers, workforce or suppliers of its own. This report therefore looks at the stakeholders of its subsidiaries.

The table below sets out the stakeholders; why it is important to engage and the methods of engagement during 2020.

Stakeholder Group	Why it is important to engage	How the Directors engaged
Shareholder	The Company seeks to create value for its Shareholder by generating sustainable results and by protecting brand value and reputation with partners, customers and regulators.	The board continuously monitors progress and performance towards the creation of value and sustainable results. It decided in 2020 to conduct strategic reviews for the UK entities, which it shared with the shareholder leading to the closure of some activities. With the importance attached by the Shareholder to reputation, the Directors systematically consider this risk in their decision-making and in choosing the actions they closely monitor. They regularly liaise with the Shareholder's representatives in the board and in jointly held committees on Governance, Risk and Compliance such as the Risk and Audit Committee (RAC) and the Internal Controls Committee (ICC). Executive Directors also hold regular meetings with the Shareholder on financial, strategic, customer-related and regulatory topics to understand and take into consideration its perspectives.

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Stakeholder Group	Why it is important to engage	How the Directors engaged
Customers of Subsidiaries Our subsidiary companies sell to customers directly and via intermediaries and aggregators	Acting in the customer's best interest is core to the success of the businesses and to the wider BNPP Group. The businesses of the Subsidiaries are focused to deliver products and services that perform as customers expect and are of an acceptable standard. They also ensure customers have the ability to change products, submit claims and make complaints without hindrance. Regular engagement is essential to ensure these expectations are met and any failings are identified and remedied quickly and efficiently.	Various committees, particularly the Customer & Conduct Committee (C&CC), which reports to the RAC, the main sub-committee of the board, monitor on a regular basis the fair treatment of customers. Executive Directors also regularly report to the Board on customer related matters and on levels of customer service. The monitoring of resource levels in customer facing areas, and of key performance indicators, such as Net Promoter Scores, complaints and root cause analysis continued to guide decisions. This became particularly important in 2020 as the pandemic required remote working. It led to even closer examination by the Executive Directors and the delivery of specific IT solutions to meet the challenges and changes to serve customers. Executive Directors also held regular discussions with partners, agreed short-term changes to the operating model. The outcomes were monitored and changes in direction and approach were discussed with and agreed by the RAC and the Board.
Our communities and the environment	The Company has a responsibility to help address the challenges facing society, which is why the Company's CSR strategy aims to support the United Nations' 17 Sustainable Development Goals (SDG's). The company's focus is on its people, community and the environment. With that in mind, the Company has chosen three SDG's in particular, which we see as core to the CSR agenda: • Good health and well-being • Quality education • Climate action	The Directors support Management in the establishment of a CSR Action Group with representatives from a broad cross section of the company for the support, development and implementation of key CSR initiatives. The difficulties of the pandemic led the Directors to reinforce their commitment to CSR and to encourage management and staff to increase the number of volunteering and charitable initiatives undertaken.

Section 172 Statement (continued)

Stakeholder Group	Why it is important to engage	How the Directors engaged
Workforce of Subsidiaries Workforce is defined as employees, contractors and agency staff. Key metrics: - Employee satisfaction survey - Employee turnover rate - Sickness rates	The success of our group is predicated on the commitment of the workforce to deliver the Company's objectives. The Company engages with the workforce to ensure that it provides staff with adequate resource and materials to enable them to work effectively and in an environment that best supports their well-being.	The Executive Directors ensure effective engagement with all the workforce and report regularly to the board on it. - They communicate regularly through formal and informal meetings as well as newsletters and journals published on the company's intranet. - They consult regularly with Employee representatives on a wide range of matters affecting their current and future interests. - They monitor key metrics to identify and address any issues that may have an impact on employee well-being. These interactions have been particularly important in 2020 due to the pandemic and the remote working. All employees take part in an annual group-wide survey, which measures staff satisfaction against a number of criteria including well-being, employee engagement, corporate social responsibility, respect and conduct and others. The results of this survey, the relevant action plans and more generally workforce related issues are presented to the board and closely followed by it.

Key decisions in 2020

The Board continued to review the holding value and performance of subsidiaries. As a result, the closure of most of the Motor activity was proposed to and accepted by the shareholder. Considering the impact on the workforce of a closure of BNP Paribas Cardif Limited, the decision to execute it was delayed whilst the company looked for ways to sell this subsidiary to limit redundancies. Unfortunately, the options examined did not prove possible and the decision was made to proceed with the closure in 2021.

Following the UK Government's various measures in March in response to the COVID-19 pandemic and to ensure the health and well-being of all of the workforce, whilst continuing the delivery of services to Customers, the Board agreed a plan to deploy remote working for staff with the requisite IT and operational resources made available to facilitate the plan.

STRATEGIC REPORT (continued)

Streamlined Energy and Carbon Reporting (SECR) disclosure

To monitor the successful implementation of the measures the Company is taking to address its direct environmental impact, an environmental reporting system is in place. The environmental performance data contained in this report has been compiled in line with the GHG Protocol Corporate Accounting and Reporting Standard issued by WRI and WBCSD, the ISO standards on environmental communication, the Global Reporting Initiative (GRI) and relevant regulations on the disclosure of non-financial information. Where available data covers only part of the reporting scope, missing data had been extrapolated using a uniform methodology.

Scope 1 comprises emissions generated from natural gas and fuel oil used in buildings.

Scope 2 emissions are reported using GHG Protocol dual-reporting methodology, stating two figures to reflect the GHG emissions from purchased electricity, using both:

- a location-based method that reflects the average emission intensity of the national electricity grids from which consumption is drawn;
- and a market-based method that reflects emissions from electricity specific to each supply/contract. Where electricity supplies are known to be from a certified renewable source, a zero emissions factor is used, otherwise residual mix factors are used.

Scope 3 emissions comprises emissions generated from business travel including air, rail, leased company and employee vehicles.

Streamlined Energy and Carbon Reporting (SECR) disclosure (continued)

Greenhouse Gas Emissions[1]

Absolute GHG Emissions in tonnes of CO_2e		tonnes of CO2e 2020	2019
Scope 1: Direct GHG emissions due to combustion of fossil fuels		142.49	143.90
Scope 2: Indirect GHG emissions from imported energy	Market-based	19.88	0
	Location-based	434.82	545.20
Total Scope 1 and 2	Market-based	162.36	143.90
	Location-based	577.31	689.10
Scope 3: Indirect emissions from mobility (air, rail, company and employee vehicles)		7.01	61.24
Total Scope 1, 2 & 3	Location-based	584.32	750.34
Intensity			
GHG Emissions in tonnes of CO_2e (location based)			
Total Scope 1 & 2 GHG Emissions from occupied premises per full-time equivalent employee (FTE)		1.92	2.43
Total Scope 1 & 2 GHG Emissions from occupied premises per floor area (m^2)		0.14	0.17
Total Scope 1, 2 & 3 GHG Emissions per FTE		1.95	2.64

Energy Consumption

Absolute energy consumption in kWh	kWh 2020	2019
Total Scope 1 & Scope 2 Energy Consumption	1,949,555	2,272,789
Total Scope 1 & 2 Energy Consumption from occupied premises per floor area (m^2)	475	554

[1] Emission Factors **Scope 1:** IEA CO2 Highlights (2015). **Scope 2:** ***Location-based*** WRI (2008) GHG Protocol tool for stationary combustion; ***Market based*** RE-DISS II; AIB European Residual Mix (2017). **Scope 3:** ***Air & Rail*** ADEME V6.11; ***Road*** DEFRA GHG Conversion Factors (2011).

Streamlined Energy and Carbon Reporting (SECR) disclosure (continued)

The data in this report has been verified to a reasonable level of assurance by PwC in accordance with IFAC standard ISAE 3000. You can access our assurance statement here at https://group.bnpparibas/en/group/corporate-social-responsibility.

Reducing energy consumption and emissions

Climate Change is undeniably one of the greatest challenges of our times. In 2019, the UK government committed to bring all greenhouse gas emissions to net zero by 2050. The Company has joined the BNP Paribas Group initiative in order to support the UN Sustainable Development Goals. By engaging with employees and working in partnership with suppliers, the Company is committed to reducing the impact of its operations on the environment.

The Company's Carbon Management Strategy provides a clear roadmap to future-proofing our business and our planet. The company is committed to:

- supporting the BNP Paribas Group with reducing green-house gas emissions by 25% per employee by 2020 compared with a 2012 baseline.
- investing in even more energy efficiency technologies across our sites, including those highlighted through ESOS[2]assessments;
- transitioning to a greener fleet;
- and to procuring all electricity from renewable sources by 2021.

Between 2019 and 2020 the Company delivered a number of energy efficiency initiatives following an ESOS audit including improvements to building management controls and improving operational practices. Other on-going initiatives remain in progress but have been delayed due to COVID-19.

The Company's Carbon intensity reduced by 10% per employee in 2019 versus the 2012 baseline. Driven by COVID-19 related reduced building occupancy and travel restrictions, BNP Paribas Cardif Pinnacle's carbon intensity reduced by 21% per employee in 2020 against 2019. Furthermore, 95.6% of electricity purchased by the Company in 2020 came from renewable sources supported by a REGO certificate.

[2] Energy Savings Opportunity Scheme – mandatory energy assessment scheme for qualifying UK organisations

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS OF SUBSIDIARIES

The Company's subsidiaries' future development is disclosed in their respective financial statements. However, these have been disclosed in the Company's financial statements to comply with UK Statutory Instrument 2008 No. 410 Schedule 7.

Pinnacle Insurance PLC

In 2021, the core agenda defined by the Board and management is:

- Growth of the Company's Pet business with a focus on the launch of new partnerships.
- Continuation of the re-engineering of the Pet business, with technology as the enabler to expand the distribution channels and to ensure the delivery of a scalable operating model with an efficient cost structure.

The Board is focused on ensuring the operating model and cost base is operating for both the revenue levels and customer.

Cardif Pinnacle Insurance Management Services PLC

Future developments of the company depend on the growth and challenges faced by the entities it provides services to. The Board is focused on delivery of a scalable operating model with an efficient cost structure.

Pinnacle Pet Healthcare Ltd

The Board has defined with management the following strategic agenda for 2021:

- Continue to build and improve the Retail (direct to customer) commercial program;
- Optimise processes to achieve lower operating cost while securing full compliance with Group policies and regulations.

APPROVAL

This Report was approved by the Board of Directors on 23 June 2021 and signed on its behalf by:

A M Wigg
Director

CARDIF PINNACLE INSURANCE HOLDINGS PLC
DIRECTORS' REPORT

The Directors present this report together with the Strategic Report and the audited financial statements of the Company for the year ended 31 December 2020.

The financial statements for the year have been prepared in accordance with International Financial Reporting Standards (IFRS).

In the current year, the Directors have chosen to take advantage of the exemption in IAS 27 paragraph 10 from the requirements to produce consolidated financial statements, since the Company is included within the group accounts of BNP Paribas Cardif SA. As such these financial statements present information about the Company as an individual undertaking and not about its group.

BUSINESS REVIEW AND ACTIVITIES
The principal activities of the Company are set out on page 3. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 3 to 12 which also includes details of principal risks and uncertainties.

RESULTS AND DIVIDENDS
The results of the Company for the year are set out on page 20. The loss after taxation for the year was £10.3m (2019: loss of £4.6m).

The Company paid a dividend of £6k (2019: £7k) on the preference shares for the year. There were no ordinary dividends paid or declared in the year and to the date of signing.

EVENTS AFTER THE BALANCE SHEET DATE
The events after the balance sheet date are disclosed in note 15 of the financial statements.

DIRECTORS
The Directors who held office throughout the year and up-to-date of the signing, were:

G Binet (Chairman)
M Haderer
N D Rochez *
A M Wigg
M J Lorimer
S L P F Chevalet
R A Hines *
S M Luton (appointed 10 December 2020)
H E Rennie (appointed 10 December 2020)

* Independent Non-Executive Director

POLITICAL CONTRIBUTIONS
No political contributions were made during the year (2019: £nil).

AUDITOR
Each of the persons who is a Director at the date of approval of this report confirms that:

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

b) the Directors have taken all the steps that he/she ought to have taken as Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

M J Lorimer
Company Secretary

23 June 2021

CARDIF PINNACLE INSURANCE HOLDINGS PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

CARDIF PINNACLE INSURANCE HOLDINGS PLC

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Cardif Pinnacle Insurance Holdings PLC (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Report on the audit of the financial statements (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Report on the audit of the financial statements (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports

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

Report on the audit of the financial statements (continued)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Jamie Weisfeld FCA
For and on behalf of Deloitte LLP
Statutory Auditor
London,
United Kingdom

23 June 2021

CARDIF PINNACLE INSURANCE HOLDINGS PLC
Company Registration Number: 02713318

Income Statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Dividend income	5	62	5,867
Administrative expenses		(82)	(39)
Operating (loss) / profit	6	(20)	5,828
Interest income		282	137
Interest expenses		(342)	(374)
Net interest expenses	5	(60)	(237)
Impairment losses on investment in subsidiaries	9	(6,000)	(4,000)
Impairment on Subordinated loan	11	(4,252)	(6,193)
Loss before tax		**(10,332)**	**(4,602)**
Income tax credit	8	19	51
Loss for the year		**(10,313)**	**(4,551)**
Attributable to:			
Owner of the Company		**(10,313)**	**(4,551)**

A statement of other comprehensive income (SOCI) or loss is not presented as there were no items requiring classification to the SOCI during the year and prior year. Hence, loss represents total comprehensive income for the year attributable to the owner of the Company.

The notes on pages 24 to 39 form an integral part of these financial statements.

CARDIF PINNACLE INSURANCE HOLDINGS PLC
Company Registration Number: 02713318

Statement of Financial Position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Investments in subsidiaries	9	152,306	158,306
Subordinated loan	11	-	-
Amounts due from group undertakings	12	208	27
Corporation tax		19	51
Cash at bank		616	1,500
Total Assets		**153,149**	**159,884**
Equity			
Share capital		2,230	2,230
Share premium account		139,915	139,915
Revaluation reserve		9,180	9,180
Retained earnings		(29,953)	(19,642)
Total equity	13	**121,372**	**131,683**
Liabilities			
Accruals and other creditors		323	351
Amounts due to group undertakings	12	105	-
Borrowings	10	31,350	27,850
Total liabilities		**31,778**	**28,201**
Total equity and liabilities		**159,149**	**159,884**

The financial statements were approved and authorised for issue on 23 June 2021 by the Board of Directors and are signed on its behalf by:

Signed on behalf of the Board by:

Director
A M Wigg

The notes on pages 24 to 39 form an integral part of these financial statements.

CARDIF PINNACLE INSURANCE HOLDINGS PLC
Company Registration Number: 02713318

Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital £'000	Share Premium £'000	Revaluation reserve* £'000	Retained earnings £'000	Total £'000
At 1 January 2019	2,230	139,915	9,180	(15,089)	136,236
Loss for the year	-	-	-	(4,551)	(4,551)
At 31 December 2019	2,230	139,915	9,180	(19,640)	131,685
Loss for the year	-	-	-	(10,313)	(10,313)
At 31 December 2020	2,230	139,915	9,180	(29,953)	121,372

* Prior to the transition to IFRS in 2014, the Company under UK GAAP, accounted for shares in group undertakings and participating interests under alternative valuation bases which required investments classified as fixed assets to be valued at determined on any basis which the directors consider appropriate in the circumstances. Under the alternative valuation rules, changes in the value of investments is recognised through the statement of total recognised gains and losses and taken to a separate revaluation reserve except for impairment. The treatment is not permitted under IFRS and therefore the Company on transition to IFRS, have elected to apply the deemed cost exemption under IFRS 1 and an accounting policy of presenting accounted for investment in subsidiary undertakings at cost less provision for any permanent diminution in value.

The revaluation reserve will be only be transferred to retained earnings when a related subsidiary is officially placed into liquidated or sold.

The notes on pages 24 to 39 form an integral part of these financial statements.

CARDIF PINNACLE INSURANCE HOLDINGS PLC
Company Registration Number: 02713318

Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net loss before tax		(10,332)	(4,602)
Adjustments for non-cash items			
Impairment		10,252	10,193
Interest income		(282)	(137)
Interest expense		342	374
Cash (used in)/generated from operating activities before movements in working capital		**(20)**	**5,829**
Change in other receivables		(181)	215
Change in other payables and borrowings		144	(46)
Cash (used in)/generated from operations		**(57)**	**5,998**
Tax refund		50	44
Cash (used in)/generated from operating activities		**(7)**	**6,042**
Increased borrowings	10	3,500	100
Interest paid on borrowings		(410)	(266)
Increased of subordinated loan		(3,970)	(6,068)
Cash used in financing activities		**(878)**	**(6,235)**
Net decrease in cash and cash equivalents		**(885)**	**(192)**
Cash and cash equivalents at 1 January		1,500	1,692
Cash and cash equivalents at 31 December		**616**	**1,500**

The notes on pages 24 to 39 form an integral part of these financial statements.

1. General information

Cardif Pinnacle Insurance Holdings PLC ("the Company") is limited by shares and incorporated and registered in England and Wales. The Company's registered office address is Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire WD6 2XX. The principal activity of the Company is managing its investments in subsidiaries, providing loans to those subsidiaries, and receipt and payment of dividends. The Company shares are not traded in a public market.

2. Functional and presentation currency

The financial statements are presented in pounds sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. Adoption of new and revised standards

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

- Amendments to IFRS 3 Definition of a business- the Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs

- Amendments to IAS 1 and IAS 8 – Definition of material- The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency

New standards and interpretation not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not yet been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The new standards include:

3. Adoption of new and revised standards (continued)

Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020
IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company. The Company expects to apply the relevant standards on their effective date.

4 Significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirement of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

The Company is exempt by virtue of IAS 27 paragraph 10 from the requirements to prepare consolidated financial statements, since it is included within the group accounts of BNP Paribas Cardif SA. See note 14 for detail. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

b) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the strategic report on page 5.

c) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment.

d) Dividend income

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

4 Significant accounting policies (continued)

e) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 5 below. Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

f) Taxation

Income tax is recognised in the Income Statement except where it relates to items which are recognised directly in equity, in which case the associated income tax charge or credit is recognised in equity. Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantively enacted on the balance sheet date and any adjustment to tax payable in respect of previous years.

i) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are classified on initial recognition and subsequently measured as held at amortised cost. The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs. On recognition of the financial asset an expected credit loss allowance assessment is conducted. A financial asset is written off when there is no reasonable expectation of recovery.

Amortised cost

Assets which are held to collect contractual cash flows, and with contractual terms which give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding, are classified as financial assets held at amortised cost. They are subsequently measured using the effective interest rate method where applicable and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

At each balance sheet date the Company assesses, on a forward-looking basis, whether there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as held at amortised cost is expected. The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets including an allowance for expected losses at initial recognition, and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition. The expected loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation based on the credit quality and history of the financial asset or group of financial assets, as well as existing market conditions and forward-looking expectations.

4 Significant accounting policies (continued)

The Company applies the simplified impairment approach to its trade receivables, grouping receivables into categories with shared credit risk characteristics and estimating expected future loss rates based on historical experience.

Impairment losses, including the expected credit allowance, are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the expected impairment allowance reduces and this can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive the cash flows from that asset have expired or when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risk and rewards of ownership of the asset.

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in net impairment loss on financial assets' in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and demand deposits with banks together with short-term highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

4 Significant accounting policies (continued)

j) Critical accounting judgements and key sources of estimation uncertainty

There have been no critical accounting judgments and key sources of estimation uncertainty applied.

5 Dividend and interest income/(expenses)

	2020 £'000	2019 £'000
Dividend income on ordinary shareholdings	-	5,800
Dividend income on preference shareholdings	62	67
Total dividend income	62	5,867

	2020 £'000	2019 £'000
Interest income from bank	-	13
Interest income from subordinated loan	282	124
Interest expenses on borrowings	(342)	(374)
Net interest expenses	(60)	(237)

6 Operating (loss) / profit

The operating loss is stated after charging:

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts *	33	35

*There were no non-audit services provided during the year (2019: £nil).

7 Employees

The Company had no employees during the year. The Company's subsidiary, Cardif Pinnacle Insurance Management services PLC, provides staff management services and recharges all staff costs where it is applicable. The Directors did not receive any remuneration for their services provided during the year (2019: £nil).

8 Taxation

This note analyses the tax charge/(credit) for the year and explains the factors that affect it.

Current tax	2020 £'000	2019 £'000
UK corporation tax for year	(19)	(51)
Total current tax credit	(19)	(51)

The Company's loss for the year relates to one geographical market (UK). UK corporation tax has been charged at 19% (2019: 19%) the standard rate in the UK for the period.

In the March 2021 Budget the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023.

Tax reconciliation

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Total loss before tax	(10,332)	(4,602)
Tax calculated at the standard UK corporation tax rate of 19%	(1,963)	(874)
Effect of:		
Expenses not deductible for tax purposes	8	2
Current tax adjustment in respect of previous years	-	-
Dividend expense/(income) not taxable	(12)	(1,115)
Impairment not deductible for tax purposes	1,948	1,936
Total tax to income statement	(19)	(51)

9 Investment in subsidiaries

	2020 £'000	2019 £'000
Cost		
At 1 January	189,042	189,042
At 31 December	189,042	189,042
Provisions for Impairments		
At 1 January	30,736	26,736
Impairment charge for the year	6,000	4,000
At 31 December	36,736	30,736
Net book value	**152,306**	**158,306**

The cost of investment in subsidiaries includes £2,500,000 preference shares holding in Cardif Pinnacle Insurance Management Services PLC. The rest of the shares in the subsidiaries represent ordinary shares.

The Company states investments in its subsidiaries at cost less impairment. The Directors have determined the carrying value of the investment in subsidiary using net assets of the investee companies and have recognised impairment loss accordingly where there is any indication that the investment may be impaired. As a result, value of investment in a subsidiary, Pinnacle Insurance plc is impaired resulting in a impairment loss of £6m.

The balance comprises the investments in the following subsidiary undertakings:

		Holdings	
Subsidiary Company	**Country of Incorporation**	**2020**	**2019**
Pinnacle Insurance PLC	United Kingdom	100%	100%
Cardif Pinnacle Insurance Management Services PLC	United Kingdom	100%	100%
BNP Paribas Cardif Limited ***	United Kingdom	100%	100%
Pinnacle Pet Healthcare Limited	United Kingdom	100%	100%
Pinnacle Partnerships Ltd **	United Kingdom	100%	100%
Cardif Pinnacle Ltd **	United Kingdom	100%	100%
Everypaw Ltd (Helpucover Ltd) **	United Kingdom	100%	100%
Warranty Direct Limited **	United Kingdom	100%	100%

** Dormant companies

*** ceased trading activities on 30 April 2021.

The registered office of the each subsidiary is Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.

10 Borrowings

	2020 £'000	2019 £'000
Loans - Group undertaking	31,100	27,600
Preference shares	250	250
	31,350	27,850
Amount due for settlement within one year	31,100	27,600
Amount due for settlement after more than one year	250	250
	31,350	27,850

The loan amount is from group undertaking, BNP Paribas London Branch which is renewed on one year terms. The loan amount comprises:

Loans from BNP Paribas London Branch	Loan roll-over date	Final maturity date	Principal amount £'000	Increased borrowing £'000	Loan payable at the year end £'000	Interest rate (LIBOR plus)
Loan 1	18/12/2020	20/12/2021	1,500	-	1,500	0.400%
Loan 2	19/03/2020	22/03/2021	10,000	-	10,000	0.890%
Loan 3	10/01/2020	11/01/2021	13,000	-	13,000	1.285%
Loan 4	29/06/2020	29/06/2021	1,000	1,500	2,500	0.770%
Loan 5	18/12/2020	20/12/2021	2,100	-	2,100	0.400%
Loan 6	11/12/2020	13/12/2021	-	2,000	2,000	0.375%
			27,600	3,500	31,100	

All loans have been renewed on their respective maturity date. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

	2020 Principal amount	2020 Carrying amount £'000	2020 Fair value £'000	2019 Carrying amount £'000	2019 Fair value £'000
Loan 1	1,500	1,500	1,507	1,521	1,521
Loan 2	10,000	10,070	10,097	10,113	10,115
Loan 3	13,000	13,163	13,181	13,167	13,211
Loan 4	2,500	2,510	2,521	1,001	1,011
Loan 5	2,100	2,100	2,109	2,102	2,128
Loan 6	2,000	2,000	2,008	-	-
	31,100	31,343	31,423	27,904	27,986

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

10 Borrowings (continued)

Preference shares issued by the Company are classified as liabilities because they carry a non-discretionary obligation to pay a dividend to their holders. A perpetual instrument such as these preference shares with a mandatory dividend is a liability in its entirety because the whole of its value is derived from the stream of future dividend payments. The fact that the payment is non-cumulative and it depends on the availability of distributable reserves at the time the dividend is due does not remove the perpetual unavoidable obligation of the Company to pay cash to the holders of these preference shares.

11 Financial instruments – Fair values and risk management

(a) Accounting classification and fair values

The methodology adopted by the Company for the fair value measurement of financial assets and liabilities and the basis for determining fair value hierarchy are explained in note 10.

	31 December 2020		31 December 2019	
	Amortised cost	Total	Amortised cost	Total
	£'000	£'000	£'000	£'000
Financial assets				
Cash at bank	616	615	1,500	1,500
Subordinated loans	-	-	-	-
Amounts due from group undertakings	208	208	27	27
	823	823	1,527	1,527
Financial liabilities				
Redeemable preference shares	(250)	(250)	(250)	(250)
Loans from group undertakings	(31,100)	(31,100)	(27,600)	(27,600)
Amounts due to group undertakings	(105)	(105)	-	-
Accruals and other creditors	(322)	(323)	(351)	(351)
	(31,776)	(31,777)	(28,201)	(28,201)

Fair values of the above financial assets and liabilities approximate their carrying value.

Fair value hierarchy analysis

All of the Company's financial instruments are categorised as Level 1 except Redeemable preference share.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

* Redeemable preference shares are categorised as level 3

11 Financial instruments – Fair values and risk management (continued)

(b) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole

- **Level 1:** inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
- **Level 2:** inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant.

(c) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk

(i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Risk Management Function, which is responsible for developing and monitoring the Company's risk management policies. The Risk and Audit committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits, the Company's risk appetite and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Risk and Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company's Risk and Audit Committee is assisted in its oversight role by the Group Internal Audit function. The Group Internal Audit function undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk and Audit Committee.

11 Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

ii) Credit risk

Credit risk is the risk of suffering a financial loss, should any of the Company customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. The Company's credit risk arises mainly from inter-company loans and loan commitments arising from such lending activities.

The Company manages its credit risk by assessing at the end of each reporting period, the past due status of the debtors, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate. See below for the measurement and recognition of the loss allowance resulting from credit risk assessment.

There has been no change in the estimation techniques or significant assumptions made during the year current reporting period in assessing the loss allowance of these debtor balances (see note ii.4)

(ii.1) Credit risk measurement

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for its loans and other trade receivables. The assessment of credit risk of the assets entails estimations of the likelihood of defaults occurring and the associated loss rates.

(ii.2) Expected credit loss measurement

The following diagram summaries the impairment requirement under IFRS 9:

Change in credit quality since initial recognition

Step1	Step2	Step3
(Initial Recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

IFRS 9 outline a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A Financial instrument that is not credit-impaired, recognition is classified in "stage 1" and has its credit risk continuously monitored by the Company.

11 Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(ii.2) Expected credit loss measurement (continued)

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "stage2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "stage3".
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage3).

(ii.3) Measuring ECL- Explanation of inputs, assumptions and estimation.

The Expected Credit Loss (ECL) is measured on either a 12 month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of the borrower defaulting on its financial obligation, either over 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. For example, for revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unite of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(ii.4) Credit risk exposure- Financial instruments subject to impairment

The Company entered into a subordinated loan agreement with its subsidiary company BNP Paribas Cardif Limited. The Company has concluded that the borrower does not have assets or sources of income that would enable it to repay the balance of the loan. The loan has therefore been assessed as credit impaired (IFRS 9 stage 3), the balance including interest has been written off in full.

11 Financial instruments – Fair values and risk management (continued)

(ii.4) Credit risk exposure- Financial instruments subject to impairment (continued)

The Company entered into a subordinated loan agreement with its subsidiary company, BNP Paribas Cardif Limited. The Company provided loss allowance on the loan amount in line with IFRS 9 requirement (see ii.2).

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

Subordinated Loan	**2020**	**2019**
	£'000	**£'000**
Gross carrying amount at 1 January	4,252	6,193
Loss allowance current charge to income statement	(4,252)	(6,193)
Net carrying amount at 31 December	-	-

Cash and cash equivalents

The Company held cash and cash equivalents of £0.6m (2019: £1.5m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A (Stable).

(iii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's Treasury department is also operationally responsible to ensure that sufficient funding is always available to meet the expected liabilities

(vii) **Interest rate risk**

The Company is exposed to interest rate risk arising principally on its cash and cash equivalents which earn interest at variable rates The Company does not enter into hedging transactions for the purposes of minimising its exposure to interest rate risk.

12 Related party transactions

The table below gives details of the transactions between the Company, its parent and other related parties which comprise other fellow group undertakings on the grounds that they are members of the same parent, Cardif Pinnacle Insurance Holdings PLC.

The Company made a £4.3m Subordinated loan advance to BNP Paribas Cardif Limited, subject to an interest rate of 3% per annum see note 11.

12 Related party transactions (continued)

	2020 £'000	2019 £'000
Amounts due from group undertakings		
Cardif Pinnacle Insurance Management Services plc	-	9
Pinnacle Pet Healthcare Limited	22	-
BNPP London	17	18
Pinnacle Insurance Plc	169	-
	208	27

Details of the remuneration of the Company's key management personnel are shown in 7. As at 31 December 2020 there were no loans outstanding to officers of the Company (2019: £nil).

Amounts due from group undertakings are subject to 30 days credit / settlement terms. The above balances are expected to be settled within twelve months.

Amount owed to the group by Cardif Pinnacle Insurance Management Services plc is £105k (2019: £nil).

13. Share Capital and Reserves

The total shareholder's funds are analysed as:

	2020 £'000	2019 £'000
Authorised		
2,230,183 Ordinary shares of £1 each	2,230	2,230
Issued, allotted, called up and fully paid		
Ordinary shares of £1 each	2,230	2,230
Share Premium	139,915	139,915
	142,145	142,145
Revaluation reserve (See page 22)	9,180	9,180
Retained earnings	(29,953)	(19,640)
Total Shareholder's funds / equity	121,372	131,685

14 Ultimate parent undertaking

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

The parent company of the largest Group to include the Company in its consolidated financial statements is BNP Paribas SA. The smallest group to prepare group financial statements is BNPP Cardif. Copies of these financial statements are available from 1 BNP Paribas Cardif 1 Boulevard des Italiens, 75009 Paris, France.6 Boulevard des Italiens, 75009 Paris, France.

15 Events after the balance sheet

Legislation has been introduced in the Finance Bill 2021 to temporarily increase the period over which companies can carry back trading losses from one year to three years. For companies, after unlimited carry back to the preceding year, a maximum of £2,000,000 of unused losses will be available for carry back against trading profits to the preceding two years.

Given the Company's ability to surrender its current year losses via group relief to the London branch of the bank, the Directors consider no benefit to the Company from the additional flexibility for loss carry back.

There is no other impact of the Finance Bill 2021 on the Company's tax position.