Pinnacle Insurance Management Services PLC

Company Registration Number: 02729650

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2022

Pinnacle Insurance Management Services PLC

CONTENTS

Pinnacle Insurance Management Services PLC

COMPANY INFORMATION

Directors:	R A Hines * (Chairman) G Binet (resigned 9th February 2022) N D Rochez * (resigned 6th June 2022) A M Wigg M J Lorimer S L P F Chevalet S M May H E Rennie (resigned 30th June 2022) C A Scarr * (appointed 16th May 2022) E de Talhouet* (appointed 30th June 2022) D C L Beeckman (appointed 30th June 2022) C A Iordache (appointed 30th June 2022) * Independent Non-Executive Director
Secretary:	M J Lorimer
Registered Office:	Pinnacle House A1 Barnet Way Borehamwood Hertfordshire WD6 2XX
Independent Auditor:	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Principal Bankers:	Barclays Bank PLC 54 Lombard Street London EC3P 3AH

Pinnacle Insurance Management Services PLC

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2022.

Pinnacle Insurance Management Services PLC ("the Company") is a management services Company.

In 2021, the Company's then owner, BNP Paribas Cardif, announced the intention to form a joint venture with JAB Holdings B.V., in which the Company would be placed. Until June 2022, the Company remained part of the global banking group BNP Paribas S.A. The joint venture was formed on 30 June 2022 and from this date, the Company has been a subsidiary of Pinnacle Pet Group Ltd ("PPG"), which in turn is a subsidiary of Pinnacle Pet Holdings Ltd ("PPH" or "the ultimate parent") and the Solvency II Group to which the Company now belongs. The ownership structure of PPH is split between JAB Holdings B.V. (owning 70%) and BNP Paribas Cardif (owning 30%).

The Strategic Report ("the Report") has been prepared for the Company specifically and therefore provides greater emphasis to the matters which are significant to the Company. It has been prepared solely to provide additional information to facilitate an assessment of how the Directors have performed their duty to promote the success of the Company.

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

BUSINESS REVIEW

Profit before tax

The Company reported a profit before tax of £1.7m in 2022 (2021: £1.6m). The results for the year are set out on page 16. The retained profit after taxation for the year was £1.3m (2021: £1.2m).

Key performance indicators

Key performance indicators (KPI's) 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 indicators during the year were as follows:

	2022	**2021**
	£'000	**£'000**
Revenue	33,754	24,675
Profit before tax	1,666	1,617
Shareholder's funds	9,889	6,066

The Company's revenue represents cost incurred on behalf of fellow group companies including a mark-up on the costs incurred.

As a management service Company, the above KPIs are considered to be relevant in measuring performance, ensuring the Company is able to continue delivering the services required.

FUTURE DEVELOPMENTS

Future developments of the Company depend on the growth and challenges faced by the entity it provides services to, Pinnacle Insurance PLC. The Board is focused on delivering a scalable operating model with an efficient cost structure.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose the business to a number of key risks which could 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:

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 its systems and controls, and by 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 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. A sufficient cash buffer is maintained to mitigate unexpected cash calls.

Credit Risk
Credit risk refers to the risk that the Company debtors will default by failing to make the required payments. The Company accepts only credit risk associated with related parties. 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.

Ukraine

As a result of the hostilities in Ukraine, the UK National Cyber Security Centre has advised that the threat level in the UK is currently heightened; meaning the likelihood of cyber-attack has increased. The local security team have communicated the need for all staff to remain vigilant, and will continue to monitor the threat levels.

GOING CONCERN

Taking into account the Company's current position and its principal risks and uncertainties on pages 4 to 5, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over at least the next 12 months. The Company being a management service Company incurs cost for a fellow subsidiary, Pinnacle Insurance PLC. The incurred cost is fully recoverable as the fellow subsidiary has a strong capital position and significant liquid resources to continue its growth in Pet business. As the incurred costs are recovered by applying a fixed mark-up, there is a degree of profit certainty regardless of the level of cost incurred.

In addition, the Company has financial resources in the form of cash of £0.4m (2021: £0.9m) as well as a property with significant market value to meet its operational needs.

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.

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.

The table below sets out the stakeholders, why it is important to engage and the methods of engagement during 2022.

Stakeholder Group	Why it is important to engage	How the Directors engaged
Customers	Acting in the best interest of customers is core to the success of the businesses and the wider Pinnacle Pet Group. The Company provides management services for companies in the Pinnacle Pet Group and other services provided to external parties. The Company is focused on delivering services that perform as customers expect and are of an acceptable standard. Regular engagement is essential to ensure these expectations are met and any failings are identified and remedied quickly and efficiently.	Various committees, particularly the Conduct & Customer & Conduct Committee (C&CC), which reports to the Risk and Audit Committee (RAC), the main sub-committee of the Board, monitor on a regular basis the fair treatment of customers. Executive Directors also routinely 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. Executive Directors held regular discussions with partners, agreeing 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.

S172 continued

Stakeholder Group	Why it is important to engage	How the Directors engaged
Workforce We define workforce as employees, contractors and agency staff Key metrics: - Employee satisfaction survey - Employee turnover rate - Sickness rates	The Company's success is predicated on the commitment of its workforce to deliver the Company's objectives. The Company engages with the workforce to ensure that it provides 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. All employees have been regularly updated on the transfer of ownership of the Company to the new Holding Company, Pinnacle Pet Group, part of JAB Holdings. Throughout 2022, employee feedback has been sought in order to establish a common set of values and behaviours to underpin the corporate culture, ethics and conduct of the organisation as part of establishing its independent identity within a new joint venture. All employees took part in staff surveys conducted intermittently throughout the year, to gauge staff satisfaction, well-being and engagement. The results of these surveys were analysed, in the context of the values and behaviours which the Company promotes. These have been presented to the Board, together with planned actions to respond to the feedback in order to improve the environment and support the needs of our employees. Steps taken have included action to improve health, nutrition, social networking and a plan to improve the working environment.
Our communities and the environment	The Company has a responsibility to help address the challenges facing society. Following the change of ownership we are creating a new strategic plan for ESG and CSR goals, taking into account the requirements of both shareholders of the Pinnacle Pet Group, JAB and BNP Paribas.	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.
Regulator The Company is authorised by the Financial Conduct Authority to provide regulated products and services	The fair treatment of customers is central to the UK group ethos as is compliance with laws and regulations, Policy Statements and guidance published by the Regulator, to ensure good customer outcomes and the maintenance of the Company's reputation. The Board has no risk appetite for regulatory breaches or sanctions.	The Board receives regular updates on regulatory developments from the Legal and Compliance functions, anticipates changes, reacts, and plans accordingly. The Board regularly reviews the compliance reports to assess the Company's level of compliance.

Key decisions in 2022

In 2022 the Shareholder announced a strategic alliance with JAB Holdings (JAB) to deliver a range of pet insurance services throughout the UK, EMEA and Latin America. JAB holds a majority stake in the new holding Company, Pinnacle Pet Holdings into which BNP Paribas Cardif contributed Pinnacle Insurance PLC, Pinnacle Insurance Management Services PLC and Everypaw Limited. Following regulatory approval the Board approved the completion of the transaction.

As part of the Company sale all shares were transferred to Pinnacle Pet Holdings Ltd. After the transfer the preference shares were re-designated as ordinary shares.

Following a tender process the Company has appointed PKF Littlejohn as external auditors for the 2022 year end and Ernst & Young for the 2023 year end.

Following the sale of the Company a resolution was passed to change the name from Cardif Pinnacle Insurance Management Services to Pinnacle Insurance Management Services, reflecting that the Company is no longer part of the BNP Paribas Cardif Group.

APPROVAL

This Report was approved by the Board of Directors on 1st June 2023 and signed on its behalf by:

A M Wigg
Director

Pinnacle Insurance Management Services 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 2022.

BUSINESS REVIEW AND ACTIVITIES

The principal activities of the Company are set out on page 3. The information that fulfils the Companies Act 2006 requirements of the business review is included in the Strategic Report on pages 3 to 9 which also includes details of principal risks and uncertainties.

The future developments of the Company are presented within the strategic report on page 3.

DIVIDENDS

The Company paid a dividend of £29k (2021: £40k) on the preference shares for the year. The Directors do not recommend the payment of an ordinary share dividend in the year (2021: £nil).

EVENTS AFTER THE BALANCE SHEET DATE

The events after the balance sheet date are disclosed in note 23 of the financial statements.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

Engagement with key stakeholders is disclosed in the Strategic Report on pages 6 and 7.

Credit, Liquidity and Market Risk

The Company is exposed to Credit, Liquidity and Market Risk, this is disclosed in Note 19 on pages 41 to 43.

DIRECTORS

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

R A Hines * (Chairman)
G Binet * (resigned 9th February 2022)
N D Rochez * (resigned 6th May 2022)
A M Wigg
M J Lorimer
S L P F Chevalet
S M May
H E Rennie (resigned 20th June 2022)
C Scarr * (appointed 16th May 2022)
E de Talhouet* (appointed 30th June 2022)
D C L Beeckman (appointed 30th June 2022)
C A Iordache (appointed 30th June 2022)

* Independent Non-Executive Director

POLITICAL CONTRIBUTIONS

No political contributions were made during the year (2021: £nil).

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE INVOLVEMENT AND CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, newsletters and journals which are regularly published on the Company's intranet. Employees' representatives are consulted regularly on a wide range of matters affecting their current and future interests and the board is regularly informed about these matters. See S172 statement on pages 6 and 7.

INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit function to Grant Thornton UK LLP, which provides assurance to the Risk and Audit Committee and to the Board as to the effectiveness of Company's internal systems and controls, making recommendations and monitoring progress against those recommendations as appropriate.

Findings may contain recommendations, which will include agreed actions for closure that are deemed to have been completed only once Internal Audit is satisfied with them.

DISCLOSING INFORMATION TO THE AUDITOR

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

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

(b) The Director has 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Ernst & Young LLP have been appointed as auditors for the 2023 year end.

Approved by the Board and signed on its behalf by:

M J Lorimer
Company Secretary

1st June 2023

Pinnacle Insurance Management Services PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing . 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 have elected to prepare the financial statements in accordance with UK-adopted IAS. 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 of the financial reporting framework 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.

Pinnacle Insurance Management Services PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC LIMITED

Opinion

We have audited the financial statements of Pinnacle Insurance Management Services PLC (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 director's 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC LIMITED

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.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

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.

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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE MANAGEMENT SERVICES PLC LIMITED

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - Enquiries of management;
  - Review of minutes and review of legal / regulatory correspondence; and
  - Review of financial statement disclosures for consistency with regulatory requirements.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

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.

M. R. Watson

Martin Watson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

1 June 2023

Pinnacle Insurance Management Services PLC
INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Revenue from contracts with customers	5	33,754	24,675
Administrative expenses		(31,978)	(22,974)
Operating profit	7	**1,776**	**1,701**
Interest payable and similar charges	8	(110)	(84)
Profit before tax		**1,666**	**1,617**
Tax charge	9	(343)	(425)
Profit for the year and total comprehensive income		**1,323**	**1,192**
Attributable to:			
Owner of the Company		**1,323**	**1,192**

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, profit represents total comprehensive income for the year attributable to the owner of the Company.

The above results are all generated from continuing operations.

The notes on pages 20 to 45 form an integral part of these financial statements.

Pinnacle Insurance Management Services PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	10	9,593	10,101
Property, plant and equipment	11	3,189	3,640
Right-of-use assets	12	349	461
Deferred tax asset	13	536	519
		13,667	14,721
Current assets			
Other receivables	15	5,285	3,393
Contract assets	5,16	42	38
Cash and cash equivalents	14	420	929
		5,747	4,360
Total assets		**19,414**	**19,081**
Current liabilities			
Trade and other payables	17	3,981	4,745
Lease liabilities	17	179	177
Contract liabilities	5	47	47
Loans and borrowings	18	-	40
Current tax liabilities	9	218	266
		4,425	5,275
Non-current liabilities			
Loans and borrowings	18	5,100	7,560
Lease liabilities	17	-	180
Total liabilities		**9,525**	**13,015**
Equity			
Issued share capital		2,750	250
Retained earnings		7,139	5,816
Total equity	20	**9,889**	**6,066**
Total equity and liabilities		**19,414**	**19,081**

The financial statements were approved and authorised for issue on 1 June 2023 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 20 to 45 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £'000	Retained earnings £'000	Total £'000
1 January 2021	250	4,624	4,874
Profit for the year	-	1,192	1,192
At 31 December 2021	**250**	**5,816**	**6,066**
Ordinary share capital	2,500		2,500
Profit for the year	-	1,323	1,323
At 31 December 2022	**2,750**	**7,139**	**9,889**

The notes on pages 20 to 45 form an integral part of these financial statements.

Pinnacle Insurance Management Services PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Net profit for the year before tax		**1,666**	**1,617**
Adjustments for:			
Amortisation – Intangibles	10	4,003	1,810
Depreciation – Right-of-use assets	12	112	79
Depreciation – PPE	11	829	629
Tax		(407)	(319)
Profit on sale of assets		(9)	-
Cash generated from operating activities before movements in working capital		**6,194**	**3,816**
Change in other receivables	15,16	(1,896)	(318)
Change in Trade and other payables	17	(732)	926
Cash generated from operating activities		**3,566**	**4,424**
Purchase of fixed assets	10,11	(3,873)	(4,661)
Proceeds from sale of fixed assets		5	-
Net cash flows used in investing activities		**(3,868)**	**(4,661)**
Dividend paid		(29)	(40)
Principal element of lease payments		(178)	(189)
Net cash used in financing activities		**(207)**	**(229)**
Net (decrease) / increase in cash and cash equivalents		**(509)**	**(446)**
Cash and cash equivalents at 1 January	14	929	1,395
Cash and cash equivalents at 31 December	14	**420**	**929**

The notes on pages 20 to 45 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

The Company is limited by shares. The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales. The Companies registered office address is Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX. The Company shares are not publicly traded.

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 adopted the following new standards and amendments to IFRSs and IASs that became mandatorily effective for the Company for the first time during 2022. However, these changes had no impact on the Company's financial statements or financial performance.

Amendments to IFRS 3 Reference to the Conceptual Framework

The Company has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use
The Company has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. 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.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)

New accounting standards published but not yet applicable

The Company has decided to convert to UKGAAP for the 2023 year end, but has not yet quantified the impact of changing its financial reporting framework.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

<u>Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</u>
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

<u>Amendments to IAS 1 Classification of Liabilities as Current or Non-current Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies</u>
The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

<u>Amendments to IAS 8 Definition of Accounting Estimates Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction</u>
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted

New accounting standards published but not yet applicable continued

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: – Right-of-use assets and lease liabilities – Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

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 that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

New standards and interpretation not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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:

Amendment to IFRS 3 – Business Combinations -
For a provision or contingent liability that would be within the scope of IAS 37, the acquirer shall apply IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

For a levy that would be within the scope of IFRIC 21, the acquirer shall apply IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The acquirer shall not recognise a contingent asset at the acquisition date

Amendment to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
Amendment to require an entity to include all costs that relate directly to a contract which is expected to provide more useful information to users of financial statements. A requirement to include all costs that relate directly to a contract is consistent with other requirements in IAS 37 and requirements in other IFRS Standards.

4. Significant accounting policies

a) Basis of accounting

The financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.
Company.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

In accordance with IAS 1 "Presentation of Financial Statements," assets and liabilities in the balance sheet are presented in accordance with management's estimated order of liquidity, from least to most liquid.

b) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have 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) Revenue recognition

The accounting policies for the Company's main types of revenue are explained in note 5.

This primarily represents fees charged to fellow UK subsidiary undertakings for the provision of management services. It also covers administrative fees charged to external contract customers for services provided. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties, such as VAT.

Revenue is recognised either at a point in time or over time based on the nature of the services provided by the Company.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

d) 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.

Deferred tax is provided using the balance sheet liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

4. Significant accounting policies (continued)

e) Pension costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit or loss in the period to which they relate.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, it is accounted for separately.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

- Land and building — 3% per annum
- Fixture and fittings — 20% per annum
- Motor vehicles — 25% per annum
- Computer equipment — 20% to 33⅓% per annum

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

g) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement over the assets' economic benefits and is included in administration expenses. The estimated useful economic life of the intangible asset is as follows:

- Computer software — 5 years

Direct costs relating to the development of internal-use computer software and associated business processes are capitalised once technical feasibility and economic viability have been established.

These costs include staff costs, the costs of material and services and directly attributable overheads. Capitalisation of costs ceases when the software is capable of operating as intended. During and after development, accumulated costs are reviewed for impairment against the projected benefits that the software is expected to generate. Costs incurred prior to the establishment of technical feasibility and economic viability are expensed as incurred, as are all training costs and general overheads.

4. Significant accounting policies (continued)

h) Impairment of intangible assets, property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its intangible assets or property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss.

If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the income statement and the carrying value of the asset is reduced by the impairment of future cash flows.

A reversal of an impairment loss on intangible assets or property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss has been recognised.

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 estimate 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 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.

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. The carrying amount of these assets is approximately equal to their fair 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.

j) Contract assets

Contract assets represent the Company's right to consideration in exchange for services that the Company has transferred to the customer when that consideration is variable in that it is conditional on something other than the passage of time. A contract asset is reclassified to trade and other receivables when it is no longer conditional or is conditional other than the passage of time.

k) Contract liabilities

Contract liabilities represent the Company's obligation to transfer services to a customer for which the Company has received the consideration (or the amount is due) from the customer. This includes deferred revenue related to post-placement performance obligations and other deferred income (e.g. advances from customers for policies not yet incepted).

4. Significant accounting policies (continued)

l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period-of-time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

4. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of IT equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

m) Critical accounting judgement and key sources of estimation uncertainty

Sources of estimation uncertainty

Capitalisation of costs, the period over which they are amortised and the acceleration of amortisation when an asset has a shorter useful economic life are key areas where management has to exercise judgement. Capitalisation of costs are assessed when it is reasonably foreseen that the company will obtain future economic benefits from it.

4. Significant accounting policies (continued)

Significant judgments

None

5. Revenue from contracts with customers

The Company drives its revenue from contracts from following sources:

i. Accounting for management fees from group undertakings
The management fees from Group undertakings relates to charges to fellow UK subsidiary undertakings for the provision of management services including a mark-up where appropriate. The management fees are recognised when the relevant expenses incurred on behalf of fellow subsidiaries.

ii. Accounting for administration fees revenue in relation to activities undertaken on behalf of customers
The administration fee relates to the collection of premiums and claims management on behalf of customers. This includes monitoring cash positions in the respective bank accounts.

The fee is based on premiums collected and is recognised in the period the service was carried out.

iii. Claims investigations services
This relates to the claims investigation services provided to fellow group Company, Pinnacle Insurance PLC. The Company recognises the revenue when the services are rendered.

iv. Accounting for Proficiency Solutions license fees
The Proficiency Solutions platform provides business professional learning modules, design, and services. Revenue from providing website e-learning is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual license cover period. There is also simple installation, which does not include an integration service and could be taken as one off development. It is therefore recognised in the period it is performed. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the value of the services rendered by the Company exceed the payment received, a contract asset is recognised. If the payments exceed the license services period rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on an annual basis and consideration is payable when invoiced.

5. Revenue from contracts with customers (continued)

The Company has recognised the following amounts relating to revenue in the Income Statement:

2022	Management & Administration service fees £'000	Claims investigation fees £'000	Proficiency Solution licence fees £'000	Total £'000
Revenue from external customers	191	-	132	323
Inter group- revenue	33,423	8	-	33,431
Total Revenue	**33,614**	**8**	**132**	**33,754**
Recognised at a point in time	-	8	-	8
Recognised over time	33,614	-	132	33,746
Total Revenue	**33,614**	**8**	**132**	**33,754**

2021	Management & Administration service fees £'000	Claims investigation fees £'000	Proficiency Solution licence fees £'000	Total £'000
Revenue from external customers	229	-	156	385
Inter group- revenue	24,277	13	-	24,290
Total Revenue	**24,506**	**13**	**156**	**24,675**
Recognised at a point in time	-	13	-	13
Recognised over time	24,506	-	156	24,662
Total Revenue	**24,506**	**13**	**156**	**24,675**

5. Revenue from contracts with customers (continued)

Contract assets and liabilities

Contract assets represent the Company's right to consideration in exchange for services that the Company has transferred to the customer when that consideration is variable in that it is conditional on something other than the passage of time. A contract asset is reclassified to trade and other receivables when it is no longer conditional or is conditional other than the passage of time.

Contract assets:

	2022 £'000	2021 £'000
Contracts assets relating to Administration service fees	-	17
Contracts assets relating to Proficiency Solution license fees	42	21
	42	**38**

The Directors regard the carrying value of the contract assets as an approximate to its fair value on the basis that these balances are fully recoverable, hence require no impairment charge (2021:£nil).

Contract liabilities

Contract liabilities represent the Company's obligation to transfer services to a customer for which the Company has received the consideration (or the amount is due) from the customer. This includes deferred revenue related to post-placement performance obligations and other deferred income (e.g. advances from customers for policies not yet incepted).

The Contract liabilities recognised in the financial statements as at 31st December 2022 includes:

	2022 £'000	2021 £'000
Contracts liability – Proficiency Solution licence fees (deferred revenue)	47	47
	47	**47**

5. Revenue from contracts with customers (continued)

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2022 £'000	2021 £'000
Revenue recognised in relation to contract liabilities		
Balance at the beginning of period	47	47
Proficiency Solution licence fees		
Revenue recognised from performance obligations satisfied in previous periods	47	55

6. Staff costs

Employment costs

	2022 £'000	2021 £'000
Wages and salaries	18,063	16,035
Social security costs	2,141	1,926
Other pension costs (note 22)	1,718	1,414
	21,922	**19,375**

The average monthly number of employees during the year was as follows:

	2022 Number	2021 Number
Sales	15	17
Administration	295	256
	310	**273**

Directors' remuneration

	2022 £'000	2021 £'000
Emoluments	312	157
Pension contributions	4	6
	316	163
Pension contributions were incurred for 6 Directors (2021: 6)		
Emoluments of highest paid Director	61	48
Pension contributions of highest paid Director	1	1
	62	**49**

Costs shown here are an apportionment of the total remuneration paid for the services to the Company and Pinnacle Insurance Management Services PLC.

7. Operating profit

The operating profit is stated before charging or (crediting):

	2022 £'000	2021 £'000
Amortisation of computer software	4,003	1,810
Depreciation - owned assets	829	629
Depreciation - Right-of-use assets	112	79
Profit on disposal of fixed assets	(9)	-
Auditor's remuneration for the audit of the Company's annual accounts *	34	32

*There were no non-audit services provided during the year (2021: £nil).
2022 audit fees were paid to PKF Littlejohn LLP and 2021 amounts paid to Deloitte LLP

8. Interest payable and similar charges

	2022 £'000	2021 £'000
Bank charges	6	27
Preference share dividend	29	40
Interest on subordinated loan	75	15
Interest expense on lease liabilities	-	2
	110	**84**

9. Taxation

This note analyses the tax charge for the year and explains the factors that affect it.

	2022 £'000	2021 £'000
Current tax		
UK corporation tax for year	352	266
Prior year adjustments	7	157
Total current tax	359	423
Deferred tax		
Origination and reversal of temporary differences (see note 13)	(16)	2
Total deferred tax	(16)	2
Total tax charged to income statement	**343**	**425**

The Company earns its profits entirely in the UK.

UK corporation tax has been charged at 19% (2021: 19%) the standard rate in the UK for the period.

In the March 2022 Budget the UK Government announced that legislation will be introduced in Finance Bill 2022 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 profit 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:

	2022 £'000	2021 £'000
Total profit before tax	1,666	1,617
Tax calculated at the standard UK corporation tax rate of 19% (2021: 19%)	317	307
Effect of:		
Expenses not deductible for tax purposes	36	(41)
Current tax adjustment in respect of previous years	7	157
Deferred tax adjustment in respect of previous years	(16)	(64)
Effect of changes in tax rate	(1)	66
Total tax charged to income statement	**343**	**425**

10. Intangible assets

	Computer Software £'000
Cost or valuation	
At 1 January 2022	28,104
Additions	3,495
At 31 December 2022	**31,599**
Accumulated amortisation	
At 1 January 2022	18,003
Charge for the year *	4,003
At 31 December 2022	**22,006**
Carrying amount	
At 31 December 2021	10,101
At 31 December 2022	**9,593**

Additions relate to internally developed software for the Company's Pet platform for the provision of insurance services via its sister Company Pinnacle Insurance PLC

*The charge for the year includes an amount of £1.6m for accelerated amortisation which reflects a shorter useful economic life of certain intangible assets

11. Property, plant and equipment

	Land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost or valuation					
At 1 January 2022	3,214	2,550	103	5,708	11,575
Additions	-	-	-	378	378
Disposals	-	-	(22)	-	(22)
At 31 December 2022	**3,214**	**2,550**	**81**	**6,086**	**11,931**
Accumulated depreciation					
At 1 January 2022	707	2,550	103	4,575	7,935
Charge for the year	101	-	-	728	829
Disposals	-	-	(22)	-	(22)
At 31 December 2022	**808**	**2,550**	**81**	**5,303**	**8,742**
Carrying amount					
At 1 January 2022	2,507	-	-	1,133	3,640
At 31 December 2022	**2,406**	**-**	**-**	**783**	**3,189**

Land and buildings are initially recognised at cost less any accumulated depreciation and any accumulated impairment losses. The cost of servicing of land and building is recognised in the income statement in the period in which the costs are incurred.

12. Right-of-use assets

	£'000
At 1 January 2022	554
Additions during the year	-
Disposals during the year	(25)
At 31 December 2022	**529**
Accumulated amortisation	
At 1 January 2022	93
Depreciation charge for the year	112
Disposals	(25)
At 31 December 2022	**180**
Carrying value	
At 1 January 2022	461
At 31 December 2022	**349**

Lease hire minibus and IT lease hire agreement meets the definition of a lease under IFRS 16, hence a recognised right-of-use asset during the year. There are no restrictions or covenants imposed by the lease.

13. Deferred tax asset

The following is the deferred tax asset recognised by the Company and movements therein during the current and prior reporting period. All deferred tax is recognised in the income statement.

	2022 Deferred capital allowances	2021 Deferred capital allowances
	£'000	£'000
Deferred tax asset at 1 January	519	521
(Credit) / Debit to income statement	17	(2)
Deferred tax asset at 31 December	**536**	**519**

It is expected that there will be sufficient suitable taxable profits to utilise the temporary timing differences.

14. Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash at bank	420	929
	420	**929**

Included above in the cash at bank is £6k (2021: £570k) held on behalf of Pinnacle insurance PLC for the administration of a book that terminated in August 2021, a corresponding amount is shown in trade payables, note 17.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

15. Other receivables

	2022	2021
	£'000	£'000
Amounts owed by group undertakings	2,483	2,497
Prepayments and other debtors	2,802	896
	5,285	**3,393**

Other receivables are measured at amortised cost. The balances owed by fellow undertakings are at arm's length and bear no interest. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

16. Contract assets

	2022 £'000	2021 £'000
Contract assets relating to Proficiency Solution license fees	41	21
Contract assets relating to Administration service fees	1	17
	42	**38**

The contract assets at the reporting date are:

	2022		2021	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Up to 30 days	33	-	18	-
Between 31 and 60 days	1	-	4	-
Between 61 and 90 days	-	-	12	-
Due after 90 days	8	-	4	-
	42	**-**	**38**	**-**

Contract assets are measured at amortised cost. The directors consider that the carrying amount of contract assets approximately equal to their fair value.

17. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	-	662
Amounts owed to group undertakings	-	1,192
Other taxation and social security costs	564	497
VAT payable	75	18
Lease contract liabilities *	179	357
Other creditors and accruals	3,342	2,376
	4,160	**5,102**
Trade and other payables are analysed as:		
Expected to be settled within one year	4,160	4,922
Expected to be settled in more than one year	-	180
	4,160	**5,102**

The balances owed to fellow subsidiary undertakings are at arm's length and subject to 30 days settlement period.

The directors consider that the carrying value of trade payables approximates to their fair value.

*** Lease liabilities maturity analysis**	2022 £'000	2021 £'000
Less than one year	179	177
One to five years	-	180
Total undiscounted lease liabilities as at 31 December	**179**	**357**

18. Loans and borrowings

	2022	2021
	£'000	£'000
Non-equity preference shares	-	2,500
Loans - Group undertaking	5,100	5,100
	5,100	7,600
Analysed as:		
Expected to be settled within one year	-	40
Expected to be settled in more than one year	5,100	7,560
	5,100	**7,600**

The non-cumulative dividends on the preference shares are determined on a non-discretionary basis using a rate equal to 1.50% above Barclays Bank PLC interest rate at the first business day of each calendar year, and payable half yearly on the thirtieth day of June and on the thirty first day of December in each year. However, if any preference shares shall not have been paid up in full throughout the half year the dividend on that preference share shall be apportioned and paid proportionately to the amount paid up on the shares during any proportion or proportions of that half year; and such dividends shall accrue in respect of any half year only to the extent that, at the conclusion of that half year, the Company has sufficient profits available for distribution (within the meaning of section 830 and 843 of the Companies Act 2006) for this purpose.

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.

As part of the Company sale all shares were transferred to Pinnacle Pet Group Ltd. After the transfer the preference shares were re-designated as ordinary shares in 2022.

The loan amount is from group undertaking, Pinnacle Insurance PLC, which is due to be paid in instalments from 31 December 2023.

19. 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 is explained in note 4.

The following table sets out information about the carrying amounts and fair value of the Company's financial instruments:

	31 December 2022		31 December 2021	
	Amortised cost £'000	Total £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables	2,802	2,802	896	896
Contract assets	42	42	38	38
Cash and cash equivalents	420	420	929	929
Amounts owed by group undertakings	2,483	2,483	2,497	2,497
	5,747	**5,747**	**4,360**	**4,360**
Financial liabilities				
Redeemable preference shares*	-	-	(2,460)	(2,460)
Dividends payable on redeemable shares	-	-	(40)	(40)
Trade payables	-	-	(662)	(662)
Lease liabilities	(179)	(179)	(357)	(357)
Contract liabilities	(47)	(47)	(47)	(47)
Amounts owed to group undertakings	(5,100)	(5,100)	(6,292)	(6,292)
	(5,326)	**(5,326)**	**(9,858)**	**(9,858)**

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

* Redeemable preference shares are categorised as level 3.

19. Financial instruments – Fair values and risk management (continued)

(a) Accounting classification and fair values (continued)

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.

(b) 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 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 risks faced by the Company.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

19. Financial instruments – Fair values and risk management (continued)

(b) Financial risk management (continued)

II. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of the financial assets represents the maximum credit exposure.

Other receivables and contract assets

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of industry and country in which customers operate.

At 31 December 2022, the maximum exposure to credit risk for contract assets by geographic region was as follows:

	2022 £'000	2021 £'000
United Kingdom	42	38
	42	**38**

At 31 December 2022, the ageing of trade and other receivables and contract assets that were not impaired is presented in notes 15,16 and 17.

Other receivables balances represent amounts owed by fellow entities carrying an immaterial credit risk.

Management believes that the unimpaired amounts that are past due more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit rating if they are available.

Cash and cash equivalents

The Company held cash and cash equivalents of £0.4m (2021: £0.9m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A (Stable).

19. Financial instruments – Fair values and risk management (continued)

(b) Financial risk management (continued)

III. Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty 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 table below presents Company's exposure to liquidity risk at the year-end:

	2022				
Financial liabilities	**Carrying amount**	**30days**	**60days**	**90days**	**More than 90 days**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	-	-	-	-	-
Lease liabilities	(179)	-	-	-	(179)
Contract liabilities	(47)	-	-	-	(47)
Loans - Group undertaking	(5,100)				(5,100)
Redeemable preference shares	-	-	-	-	-
	(5,326)	**-**	**-**	**-**	**(5,326)**

	2021				
Financial liabilities	**Carrying amount**	**30days**	**60days**	**90days**	**More than 90 days**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	(662)	(265)	(397)	-	-
Lease liabilities	(357)	-	-	-	(357)
Contract liabilities	(47)	-	-	-	(47)
Redeemable preference shares	(2,500)	-	-	-	(2,500)
	(3,566)	**(265)**	**(397)**	**-**	**(2,904)**

IV. 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.

Each one half percent movement in the average achieved rate of interest in respect of cash and cash equivalents would impact annualised earnings by an average of £5k (2021: £5k).

20. Share Capital and Reserves

The total shareholder's funds are analysed as:

	2022 £'000	2021 £'000
Authorised		
3,500,000 Ordinary shares of £1 each	3,500	3,500
Issued, allotted, called up and fully paid		
Ordinary shares of £1 each	2,750	250
Retained earnings (See page 18)	7,139	5,816
Total Shareholder's funds / equity	**9,889**	**6,066**

21. 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 were members of the same parent, Cardif Insurance Holdings PLC until June 2022 or members of the same parent, Pinnacle Insurance Holdings PLC after the transfer of the Company to the new group in June 2022.

	Amounts owed by related parties		Amounts owed to related parties	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Parent undertaking				
Cardif Insurance Holdings PLC	-	-	-	20
Fellow group undertakings				
BNPP London	262	1,510	-	-
Pinnacle Pet Group Ltd	624	-	-	-
Pinnacle Pet Healthcare Ltd	-	987	-	-
Pinnacle Insurance PLC	-	-	3,504	6,272
	886	**2,497**	**3,504**	**6,292**

The Company provides a management services to the following related subsidiaries and recharged the entire cost plus the mark-up, as follows:

	Expenses incurred	
	2022 £'000	2021 £'000
Pinnacle Insurance PLC	32,132	23,765
Pinnacle Pet Healthcare Ltd	-	525
	32,132	**24,290**

All amounts due from fellow undertakings are subject to 30 days credit terms.
Details of the remuneration of the Company's key management personnel are shown in note 6.
Until June 2022, the Company remained part of the global banking group BNP Paribas S.A.
Post the completion of the establishment of the joint venture, it has been a subsidiary of Pinnacle Pet Group Ltd. The ownership structure of PPH is split between JAB Holdings B.V. (owning 70%) and BNP Paribas Cardif (owning 30%). As at year end 2022, there were no loans outstanding to officers of the Company (2021: £nil).

21. Related party transactions (continued)

The Company is a subsidiary of Pinnacle Pet Group Ltd (the "UK Parent"), which in turn is a subsidiary of Pinnacle Pet Holdings Ltd. Until June 2022 the Company was part of the global banking group BNP Paribas SA. At 30 June 2022 JAB Holding Company and BNP Paribas Cardif formed a joint business venture. JAB set up the holding Company for the new JV which purchased 100% of the share capital of the Company and two fellow subsidiaries. The ownership structure of the ultimate holding Company in the UK is JAB Holdings 70% and BNP Paribas Cardif 30%

The Directors regard JAB Holding Company S.à.r.L. (incorporated in Luxemburg), as being the Company's ultimate parent undertaking and controlling party, and Pinnacle Pet Group Limited (incorporated in the United Kingdom) as the immediate parent undertaking.

The parent Company of the largest Group to include the Company in its consolidated financial statements is Pinnacle Pet Holdings Limited. Copies of these financial statements are available from 14th Floor 20 Eastbourne Terrace, London, United Kingdom, W2 6LG.

22. Pensions

The Company participates in a defined contribution pension scheme. The cost of pension contributions for the year, as part of the administrative expenses was £1.7m (2021: £1.4m).

23. Events after the balance sheet date

There are no post balance sheet events.