PINNACLE INSURANCE PLC

Company Registration Number: 01007798

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2023

PINNACLE INSURANCE PLC

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PINNACLE INSURANCE PLC

Company Information

Directors:	R A Hines * (Chairman) A M Wigg M J Lorimer S L P F Chevalet S M May C A Scarr * C A Iordache D C L Beeckman E de Talhouet * * Independent Non-Executive Director
Company Secretary:	M J Lorimer
Registered Office:	Pinnacle House A1 Barnet Way Borehamwood Hertfordshire WD6 2XX
Actuarial Function Holder: (Long-term fund)	C A Iordache
Independent Auditor:	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX
Principal Bankers:	Barclays Bank PLC 54 Lombard Street London EC3P 3AH

PINNACLE INSURANCE PLC

STRATEGIC REPORT

Pinnacle Insurance plc ("the Company") is currently a composite insurance company, with a clear ambition to be the UK's leading pet healthcare and insurance services partner. All other lines of business are in run-off. For the non pet all lines of business the company is focused on servicing existing customers.

The Company is a subsidiary of Pinnacle Pet Group Ltd ("PPG"), which in turn is a subsidiary of Pinnacle Pet Holdings Ltd ("PPH" or "the ultimate parent"), the company is part of the PPH Solvency II Group. The ownership structure of PPH is split between JAB Holdings B.V. (owning 75%) and BNP Paribas Cardif (owning 25%).

Since 2021, all non-pet business has been fully reinsured to Darnell DAC (a wholly owned subsidiary of the BNP Paribas Group authorised by the Central Bank of Ireland), reflecting the decision of the Company to divest of the non-pet business and focus on pet insurance business.

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

This is the first year that the Company has presented its results under FRS 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland'. The last financial statements under UK-adopted international accounting standards (UK-adopted IAS) were for the year ended 31 December 2022. The date of transition to FRS 102 was 1 January 2022. In accordance with FRS 102, the Company has identified its insurance contracts and accounted for them in accordance with FRS 103 'Insurance Contracts'. The impact of the transition to FRS 102 is set out in Note 26 'Transition to FRS 102'. There is no impact of transition on profit after tax or opening equity for the comparative period.

BUSINESS REVIEW

The Company reported a pre-tax loss of £12.7m (2022: loss of £9.1m). The 2023 loss was impacted by an increase in overheads of £7.3m, predominantly due to inflation and transitional costs incurred for the separation from BNP Paribas Cardif as a result of the ownership restructure. The Technical Result reduced by £4.6m due to an increase in claims incurred.

Key Performance Indicators (KPI's) are measures by which the performance or position of the Company can be assessed effectively. The Company's management monitor the progress of the Company's pet business by reference to the following KPIs.

	2023 £'000			**2022 £'000**		
	Pet	*Non Pet*	*Total*	**Pet**	*Non Pet*	*Total*
Gross Written Premiums	**143,704**	*6,905*	*150,609*	**99,603**	*11,819*	*111,422*
Net Earned Premiums	**119,437**	*0*	*119,437*	**89,127**	*0*	*89,127*
Technical Result *	**14,033**	*5,733*	*19,766*	**19,119**	*5,264*	*24,383*
Investment return	**7,014**	*0*	*7,014*	**(1,314)**	*0*	*(1,314)*
Administration Expenses	**(33,444)**	*(6,024)*	*(39,468)*	**(26,350)**	*(5,829)*	*(32,179)*
Loss Before Tax	**(12,397)**	*(291)*	*(12,688)*	**(8,546)**	*(565)*	*(9,111)*
Claims ratio	**72%**			**58%**		
Acquisition costs ratio	**16%**			**20%**		
Gross Margin	**12%**			**22%**		

** excluding investment return and administration expenses*

STRATEGIC REPORT (continued)

Gross Written Premiums (GWP): represents the total premiums written in a given year before deductions of reinsurance and ceding commission. The Company offers lifetime, per condition and time limited products. Policies are sold under the Company's own brands, Everypaw and Pet Protect direct to consumer and also through aggregators. The business also operates through partnerships with consumer brands.

Pet

Gross written premium for pet business increased to £143.7m (2022: £99.6m), £21m of the increase comes from our own brand, Pet Protect. The underwriting of this book commenced in the year, the remainder of the growth being from partnership arrangements.

Creditor, Warranty and MGA

Gross written premiums reduced to £6.9m (2022: £11.6m). This business is in run-off and this portfolio is reinsured 100% to Darnell DAC.

Net Earned Premiums (NEP): represents the portion of the policy's premium that applies to the expired period of the policy. NEP grew by £30.3m during the year, of this £16m comes from the underwriting of Pet Protect, the remainder of the growth being from partnership arrangements.

Technical Result: represents the balance of earned income less incurred claims, commission and profit share payments, net of associated reinsurance balances. The non pet result is 100% reinsured, however the non pet technical profit is shown as overheads, which is reimbursed to the Company by reinsurance commission. The reduction in the technical result of £4.6m is due to the increase in the claims ratio.

Investment return: represents income arising from the Company's investment portfolio income, including the impact of marked to market revaluations and realised losses on investments. The increase in investment return in the period of £8.3m is due to higher yield as well as unrealised gains of £3.3m compared to losses of £2.5m in the prior year.

The investment portfolio comprises of bonds and term deposits of high credit quality. The total portfolio was valued at £133.8m at 31 December 2023 (2022: £138.7m) of which 32% (2022: 37%) was held in bonds, and 68% (2021: 63%) in term-deposits with credit institutions.

Total net investment return for the year is a gain of £7.0m (2022: loss £1.3m) which comprises interest earned on financial investments of £5.5m (2022: £2.3m), realised loss on bonds of £1.8m (2022: £1.1m) and unrealised gain of £3.3m (2022: loss £2.5m).

Administration Expenses: represent those operating expenses incurred by the Company, which are not classified as either acquisition or claims handling costs. Administration expenses increased by £7.3m to £39.5m (2022: £32.2m), £1.5m of the increase is due to inflation, £1.7m of the increase is due transition service agreement costs from BNP Paribas Cardif and £2m higher staff costs for enhanced pricing and data capabilities. Remainder of the increase is due to the impact of development costs incurred and premium growth impacting variable costs.

Claims Ratio: relates to pet business only and is calculated as net claims incurred expressed as a percentage of NEP. The claims ratio in 2023 increased to 72% (2022: 58%), the increase being the impact of inflation and new business strain in the year.

Acquisition Cost Ratio: relates to pet business only and is calculated as a percentage of NEP. The ratio in 2023 reduced to 16% (2022: 20%)**.**

Gross Margin: reflects the profitability of the pet business before direct and indirect costs and is calculated as net earned premium (NEP) net of acquisition costs and incurred claims expressed as a percentage of NEP. The ratio reduced to 12% (2022: 22%).

STRATEGIC REPORT (continued)

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 that an appropriate structure for managing these risks is maintained. The key risks and risk mitigation framework are highlighted below:

Risk	Impact on Company	Mitigation of risk
Insurance risk	The Company is exposed to insurance risk through the insurance contracts that it issues where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.	The Company has a Board approved underwriting policy and agreed risk appetites, and monitors these on a regular basis. Particular attention is paid to actual and forecast claims ratios (claims over premiums).
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 manage this risk exposure through continual enhancement of its systems and controls, and ensuring appropriately experienced personnel are in place throughout the organisation. Local incident reporting and investigation procedures are well established.
Reserving risk	Reserving risk is associated with insurance risk after the coverage is expired and it occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debts provisions. There is a possibility that the Company's management do not make sufficient provision for exposures which could affect the Company's earnings and capital.	The Company's actuarial team uses a range of recognised actuarial techniques to project GWP, monitor claims development patterns and determine claims provisions. The Board of Directors review the reserving position quarterly.
Credit /Counterparty risk	The Company's exposure to credit risk arises from exposure to the reinsurance it purchases and those of its investment activities. The risk is the risk of default arising from any of these exposures.	The Company seeks to limit, as far as is practical, exposure to credit risk from its investment activities. To achieve this objective it has established guidelines, procedures and monitoring requirements to manage credit risk. Particular attention has been paid to the quality of investment and reinsurance counterparties.

STRATEGIC REPORT (continued)

Risk	Impact on Company	Mitigation of risk
Liquidity risk	Liquidity risk is the risk that sufficient financial resources are not available in cash to enable the Company to meet obligations as they fall due.	The Company seeks to limit exposure to liquidity risk by ensuring liquidity is optimally managed and that all known cash flows can be met out of readily available sources of funding. The Company maintains a strong liquidity position by holding its assets predominantly in investment grade fixed income securities, call accounts and readily tradable corporate bonds.
Market risk	Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from market movements.	The Company has a low risk appetite for this type of risk which has been translated into a policy allowing the Company to invest predominantly in short-term bonds or cash to match the short-tail nature of most of its claims.
Conduct risk	Conduct Risk refers to the risks attached to how the company and its staff conduct their business in the market place and in respect of our customers and suppliers. Failure to create, manage and monitor the appropriate internal controls to understand and manage the company's Conduct Risks could result in regulatory sanctions and/or fines, reputation damage and loss of business.	The Company has a low risk appetite for this type of risk.The Company operates a Conduct and Customer Committee which meets on a quarterly basis, to review all issues of possible customer detriment and is fully supported by the whole company. The Financial Ombudsman Service (FOS) team monitors and disseminates FOS complaints, decisions and guidance. The Company's Conduct and Customer Committee meets quarterly to review all aspects of Conduct Risk.

STRATEGIC REPORT (continued)

Climate change and Operational Resilience

Due to the increasing impact of climate change and broader Environmental, Social and Governance (ESG) activities, the Company has been developing an ESG reporting roadmap during 2023 for implementation in 2024. This roadmap was a grounds up review and included a materiality assessment of all ESG related factors relating to our business model. The Environmental considerations include the impact of our business, suppliers and customers on the planet as well as how climate change will impact our business model over time. The roadmap will outline a series of governance and reporting metrics over the material activities, tracking our progress towards a sustainable future. This will include linkage to the three categories of climate risk as outlined by the PRA. Future climate change analysis will include the impact on our operations, supply chain, as well as the impact on different breeds and the resulting pricing and claims implications. The Roadmap also looks to report on the benefits of our ESG activities to our business and customers, as well as identifying and capitalising on opportunities that may arise.

Currently, the Executive Management and subject matter experts use the Risk Register review process to review climate related risks to the Company. In view of the business model, the climate related exposure is currently deemed non-material within all three risk categories of climate risk identified by the PRA in the Periodic Summary Meeting (PSM) letter dated 01 April 2022 sent by the Bank of England. This is determined by the following:

1. **Physical Risk**: The impact on claims liabilities as a result of first order effects of climate change e.g. more natural disasters, is considered immaterial.
    1. Note: This is supported by quantitative analysis of historic pet claims data during UK flooding events (2014 and 2015).
    2. The Company currently operates in line with Operational Resilience regulatory guidelines, including and annual self-assessment report over important business services. Operational resilience is assessed as a low risk with no material impact from climate and weather related events (through disruption to the work environment, third party contracts or disruption to supply chains).
    3. Any new outsourced processes are assessed under the procurement framework, including approval from the Local Outsourcing Control Committee. Performance of existing arrangements are also reported through the Vendor Risk Management Forum.

2. **Transition Risk**: Financial risks from climate change are only likely to arise as transition risks i.e. asset devaluation as a consequence of climate change factors. The company monitors exposure to climate change factors through the application of JAB policies relating to SRI (Social Responsible Investments) and ESG (Environmental, Social & Governance). This is reviewed by the Investment Committee (a sub-committee of the Board). In order to assess Transition Risk, a climate related Market risk stress scenario was included in the last Own Risk Solvency Assessment (ORSA), with no material impact to the Company or the solvency of the Company caused by a reduction in investment income from the modelled climate impact.
3. **Liability Risk**: As a result of first order physical impacts related to climate change, or the second order transition impacts, climate liability risks can arise from injured parties seeking compensation for those impacts. The Company does not have liability insurance exposed to this risk.

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS
The core agenda defined by the Board and management is:

> Revenue: Double digit growth in a highly competitive market; management will focus on growth through both direct and aggregator channels for partner and own brands
>
> Margin: Focus on how to manage claims costs through services provided and processes, lever fixed costs and operational scalability through process digitalisation and customer self-service.

Human capital: Attracting, developing and retaining people to deliver the strategy: management will continue to focus on enhancing the Company's attractiveness to new, and existing staff and ensure staff are supported and equipped to deliver the company's targets.

GOING CONCERN
During the year, the Company made a loss after tax of loss £12.5m (2022 loss: £7.4m). The Company has considerable financial resources, which include cash and cash equivalents of £22.2m (2022: £23.5m) and an investment portfolio of £133.8m (2022: £138.7m) as at the year-end. In addition, the Company undertakes an ongoing assessment of its Solvency Capital Requirement, including consideration of the Company's sensitivity to risk, alongside quarterly monitoring of the annual budget and forecasts. The Company's capital management policy is to maintain sufficient own funds to cover a minimum 120% of the Solvency Capital Requirement (SCR). The Company calculates its SCR using the Standard Formula under Solvency II requirements.

Taking into account the company's current position and its principal risks on pages 6 to 7, 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 the period to 31 December 2025. The Company is remunerated through sales of policies direct to the consumer, through aggregators and through partnerships. The Company holds sufficient regulatory capital to meet its regulatory requirements. 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.

Management have performed solvency and liquidity stress tests for the period to 31 December 2025. This analysis demonstrates that the Company could continue as a going concern for the period to 31 December 2025 given its financial and liquidity strength.

As such, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2025. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Our Section 172(1) statement

This section forms the Section 172 disclosures, describing how the directors considered matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (the "Act").

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, ethics and reputation of the Company to ensure stakeholder obligations are met. The Board monitors adherence to policies and compliance with corporate governance requirements.

Stakeholder engagement

Customers

Why the Board engages

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 Regular engagement is essential to ensure these expectations are met and any failings are identified and remedied quickly and efficiently.

How the Board engages

The board receives frequent updates from Executive Directors who routinely report to the Board on customer related matters and on levels of customer service. In addition 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.A Consumer Duty champion sits on the Board and ensures customers are considers at each stage of decision making

These updates keep the Board informed on key risks to the delivery of good customer outcomes and focus areas for the future and considers policyholder impact when evaluating decisions.

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 frequent discussions with partners on customer service levels. The ethos of the businesses in the group is founded on strategic long-term partnerships, which share a commitment to customer service.

Shareholder

Why the Board engages

The Company seeks to create value for its ultimate and intermediate Shareholders by generating sustainable results and by protecting brand value and reputation with partners, customers and regulators.

How the Board engages

The Board continuously monitors progress and performance towards the creation of value and sustainable results.

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).

Executive Directors hold regular meetings with the Shareholder on financial, strategic, customer-related and regulatory topics to understand and take into consideration its perspectives.

Our Section 172(1) statement (continued)

Regulators

Why the Board engages

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.

How the Board engages

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.

Partners

Why the Board engages

Partner engagement is important for the development of commercial relationships and value creation and to ensure good levels of customer service for policyholders.

How the Board engages

The Board receives frequent updates on partner relationships and its impact on customers.

Our communities and the environment

Why the Board engages

The Company has a responsibility to help address the challenges facing society.

Following the change of ownership we are continuing to develop a strategic plan for ESG, taking into account the requirements of both shareholders of the Pinnacle Pet Group, JAB and BNP Paribas.

How the Board engages

The Company is participating in the strategy being created at Group level, in support of ESG. Five key topics were selected to be applicable across the Group: Animal Welfare; Climate; Equality of Opportunity, Diversity and Inclusion; Business Ethics.

Pinnacle has implemented new policies and training on important topics such as equal opportunities, the menopause, ESG, Code of Conduct and Succession Planning (together with the full Succession Planning audit and review). The Company has also run a number of social and learning events to increase social connection and to support ESG initiatives.

Key decisions in 2023

The Board approved the Operational Resilience and Appointed Representative self-assessments for 2023.

The Board approved a contract for reinsurance catastrophe cover which was entered into effective from July 2023

Following the decision of the Board in 2022 to divest all of the non-pet business an agreement was entered into with Quest to transfer creditor business by tacit consent and to transfer other non-pet business excluding Life by way of a Part VII application.

As part of the Company's preparations for consumer duty, a new forum – the Consumer Outcome Review Group (CORG) was established. The CORG is responsible for the monthly monitoring of key fairness indicators with a view to escalating issues for the C&CC to consider where necessary. The Board approved the outcome thresholds for each indicator. From 2024 the C&CC reporting line was changed from the RAC to the Board.

Following a tender process the Company appointed Ernst & Young LLP as external auditors for the 2023 year end, this was discussed and agreed by the Board

Streamlined Energy and Carbon Reporting (SECR) disclosure

The section below includes our fourth year of reporting under the Streamlined Energy & Carbon Reporting (SECR) requirements. The reporting period is 1st October 2022 to 30th September 2023.

The following data is set out to demonstrate compliance with the Streamlined Energy and Carbon Reporting (SECR) requirements set out by HM UK Government in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Reporting Boundary and Emission Sources

We have reported on all emission sources required under the Regulation.
An operational control approach has been used to define the organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which the Company is responsible.
The emissions sources reported for the year to 30th September 2023 are:

- **Scope 1:** Natural gas combustion, on-site combustion of diesel, refrigerant gas losses and fuel used in company-owned vehicles,
- **Scope 2:** Purchased electricity for the Company's own use;
- **Scope 3**: Water consumption, waste generated, and business travel - including flights and international rail journeys.

All carbon dioxide emissions and energy consumption figures relate to UK operations only.

Calculations Methodology

We have employed the services of a specialist adviser, Verco, to quantify and calculate the Greenhouse Gas ('GHG') emissions associated with the Company's operations.
The following methodology was applied by Verco in the preparation and presentation of this data:

- The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the 'GHG Protocol');
- Application of appropriate emission factors to the Company's activity data to calculate GHG emissions;
- For Scope 2 reporting, the application of appropriate emission factors to electricity consumption data to calculate location-based and market-based GHG emissions;
- Presentation of gross emissions; no net figures are provided as the Company does not purchase carbon credits (or equivalents);
- Inclusion of all applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e;
- Presentation of annual energy use, expressed in kilowatt-hours, or kWh;
- The following assumptions have been made, covering data received and data not obtainable or unable to be confirmed by the time of this report:
  - The electricity tariffs at both the Borehamwood and Reading sites were fully REGO backed throughout the reporting period, as evidenced by the REGO documentation supplied by Pinnacle Insurance PLC.
  - There was no natural gas consumption or refrigerant gas losses at the Reading site during the reporting period.

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

  - Consumption of generator diesel at the Borehamwood site was estimated based on the opening and closing volumes of diesel stored, and top ups made during the reporting period.
- The business travel data supplied covers all flights and international rail journeys undertaken by employees from both sites during the reporting period.
- Verco have estimated the water consumption at the Borehamwood site from the 2022 and 2023 invoices provided by the Company.
- We were unable to obtain water and waste data for the Reading site and therefore these emissions have been excluded from Scope 3 reporting. These omitted emissions sources are assumed to be minimal.
- Inclusion of all paper recycled from the Borehamwood site during the reporting period.
- We were unable to obtain sufficient data regarding the general waste collections made by Biffa, to enable Verco to estimate the total general waste generated by the Company during the reporting period. In lieu of any current year data, the volume of general waste generated at the Borehamwood site during the 2022 reporting period has been used.
- General waste collected from the Borehamwood site by Biffa was subsequently processed via combustion/incineration.
- Pinnacle Insurance PLC were unable to obtain mixed recycling and food waste data from Biffa for collections made from 1st October 2022 to 31st December 2022. Therefore, Verco have extrapolated the available data to estimate usage for the full reporting period, using the average daily waste generated during the period for which data was provided.
- Food waste collected from the Borehamwood site by Biffa was subsequently processed via anaerobic digestion.

Absolute Emissions

The total Scope 1, 2 and 3 GHG emissions from the operations in the year ending 30th September 2023 were:

- **390.7 tonnes** of CO_2 equivalent (tCO_2e) when using a 'location-based' emission factor methodology for Scope 2 emissions;
- **198.8 tonnes** of CO_2 equivalent (tCO_2e) when using a 'market-based' emission factor methodology for Scope 2 emissions.

Scope 1 emissions included natural gas combustion, on-site diesel combustion, fuel used in company-owned vehicles and refrigerant gas losses.
Scope 2 emissions included purchased electricity, calculated using both the location-based and market-based methods**;**
Scope 3 emissions included business travel flights and international rail journeys, on-site water consumption, and waste generated.

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

Intensity Ratios

As well as reporting the absolute emissions, intensity ratios for the emissions have been provided below. GHG emissions intensity is expressed as tonnes of CO_2 per m2 of floor area and tonnes of CO_2 per full-time equivalent employee ('FTE'). These metrics are consistent with previous years.
The intensity ratios considering all Scope 1, 2 and 3 emissions per m^2 of total floor area are as follows:

- **0.11 tCO_2e** per m^2 of total floor area (location-based method)
- **0.06 tCO_2e** per m^2 of total floor area (market-based method)

The intensity ratios considering all Scope 1, 2 and 3 emissions per FTE are as follows:

- **1.25 tCO_2e** per full time employee (location-based method)
- **0.64 tCO_2e** per full time employee (market-based method)

The intensity ratios for 2023 have been calculated using total floor area of 3,431 m^2 and 313 full-time equivalent employees.

Target and Progress

Our objective is to maintain or reduce its GHG emissions per m^2 of total floor area and FTE each year, and it will report each year whether it has been successful in this regard.
Absolute emissions have seen a 16% year-on-year increase using the location-based method for Scope 2 emissions, and a 34% increase using the market-based method. There has been a rise in absolute emissions across most emissions sources. The emissions sources with the highest contribution to the absolute emissions increases are long-haul flights and natural gas consumption, which have seen year-on-year increases of 20.4 tCO_2e and 18.7 tCO_2e respectively. New Scope 1 emissions sources, premises diesel and refrigerant gas losses, not applicable during the 2022 reporting period, have also contributed to higher total emissions. Furthermore, new Scope 3 emissions sources, mixed recycling and food waste, have been included in reporting for the first time for the 2023 reporting period.
The total floor area has remained consistent at 3,431 m^2, whilst FTE has increased from 302 (2022 reporting period) to 313 (2023 reporting period). All four intensity ratios have risen year-on-year, with both FTE intensity ratios increasing by 0.14 tCO_2e, and floor area intensity ratios increasing by 0.02 tCO_2e when using the location-based method for Scope 2, and by 0.01 tCO2e when using the market-based method. All intensity ratio increases are attributable to the overall rise in absolute emissions.
Total energy use (kWh) has increased by 4% year-on-year, due to increased natural gas consumption and the introduction of a new onsite fuel, generator diesel.

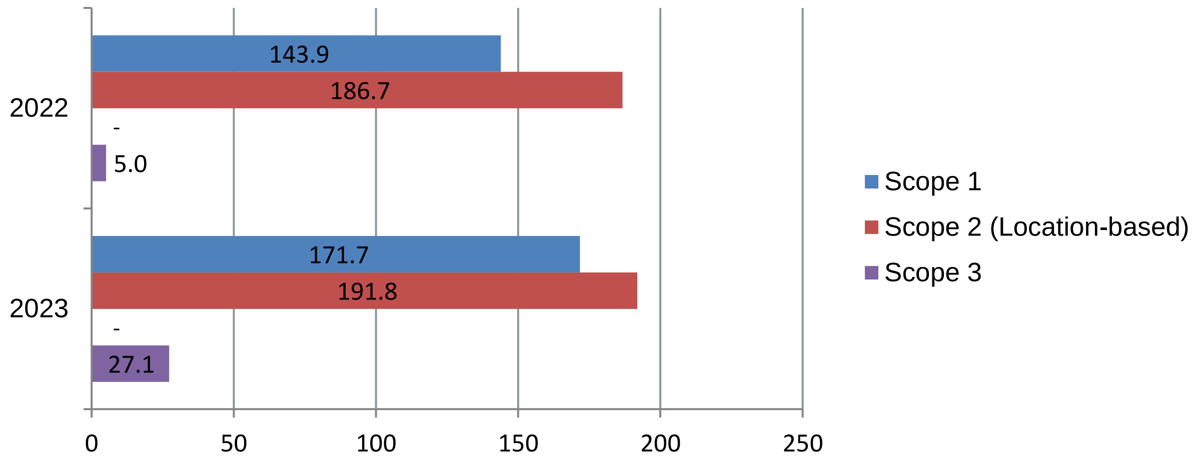
Key Figures

In the figure above emissions have been broken down by scope. Emissions reported for the 2022 and 2023 reporting periods are displayed for the purposes of comparison.

STRATEGIC REPORT (continued)

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

Pinnacle Insurance PLC - Breakdown of emissions by scope



3.1 Annual Report Statement

GHG emissions	2023			2022		
	Tonnes CO_2e	tCO_2e / m^2 [5]	tCO_2e / FTE	Tonnes CO_2e	tCO_2e / m^2 [5]	tCO_2e / FTE
Scope 1[1]	171.75	0.05	0.55	143.89	0.04	0.48
Scope 2[2]	191.83	0.06	0.61	186.66	0.05	0.62
Scope 2[3]	0.00	0.00	0.00	0.00	0.00	0.00
Scope 3[4]	27.09	0.01	0.09	5.05	0.00	0.02
Total GHG emissions (location-based Scope 2)	**390.67** **198.84**	**0.11** **0.06**	**1.25** **0.64**	**335.60** **148.94**	**0.10** **0.04**	**1.11** **0.49**
Total GHG emissions (market-based Scope 2)	171.75	0.05	0.55	143.89	0.04	0.48

Emissions Intensity		**2023**	**2022**
Occupied premises emissions intensity (tCO2e per FTE)	Scope 1 & 2 location-based emissions from occupied premises per full-time equivalent employee	1.16	1.09
Occupied premises emissions intensity (tCO2e per m2)	Scope 1 & 2 location-based emissions from occupied premises per m2 of floor area	0.11	0.10
Total emissions intensity (tCO2e per FTE)	Scope 1, 2 & 3 location-based emissions from occupied premises per full-time equivalent employee	1.25	1.11

[1] Scope 1 being emissions from the Company's combustion of fuel and operation of facilities, including refrigerant gas loss.
[2] Scope 2 being electricity (from location-based calculations) purchased for the Company's own use.
[3] Scope 2 being electricity (from market-based calculations) purchased for the Company's own use.
[4] Scope 3 being other business travel, water consumption and waste disposal (water and waste emissions pertain to the Borehamwood site only).
[5] Occupied floor space: 3,431 m2 (2023, 2022).

STRATEGIC REPORT (continued)

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

Total Energy Use

	Electricity (kWh)	Gas (kWh)	Diesel (kWh)	Petrol (kWh)	Total (kWh)
2023	926,370	861,156	10,910	20,390	**1,818,826**
2022	965,258	760,670	-	20,872	**1,746,800**

[1] Diesel is a new emissions source for the 2023 reporting period, consisting of diesel used in an onsite generator at the Borehamwood site.
[2] In 2022 diesel consumption included fuel used in the company minibus which was disposed of before the start of the 2023 reporting period.

3.2 Energy Efficiency Actions

No new energy efficiency actions were implemented in the 2023 reporting period whilst the company was undergoing transition.
Energy efficiency actions implemented in the 2022 reporting period remain in place, including the continued closure of the 3rd floor of the Borehamwood site, to reduce unnecessary energy consumption

APPROVAL

This report was approved by the Board of Directors on 4th April 2024 and signed on its behalf by:

Director
A M Wigg

PINNACLE INSURANCE PLC

DIRECTORS' REPORT

The Directors present this report together with the Strategic Report, Financial Statements and Auditor's Report, for the year ended 31 December 2023.

BUSINESS REVIEW AND ACTIVITIES

Principal activities

The principal activities of the Company are set out in the Strategic Report 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 15. This includes a review of the development of the business of the Company during the year and of likely future developments in its business. Details of the principal risks and uncertainties are included in the Strategic Report.

RESULTS AND DIVIDEND

The results of the Company for the year are set out on page 31 The loss after taxation for the year was loss £12.5m (2022: loss £7.4m).

The Company paid dividends of £nil (2022: £nil) on ordinary shares during the year to its UK parent. There were no dividends proposed after the year end.

CAPITAL STRUCTURE

Details of the Company's authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 15. The Company has one class of ordinary shares which carry full voting, dividends and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

DIRECTORS

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

R A Hines * (Chairman)
A M Wigg
M J Lorimer
S L P F Chevalet
S M May
C A Scarr *
C A Iordache
D C L Beeckman
E de Talhouet *

* Independent Non-Executive Director

POLITICAL CONTRIBUTIONS

No political contributions were made during the year (2022: £nil).

DIRECTORS' REPORT (continued)

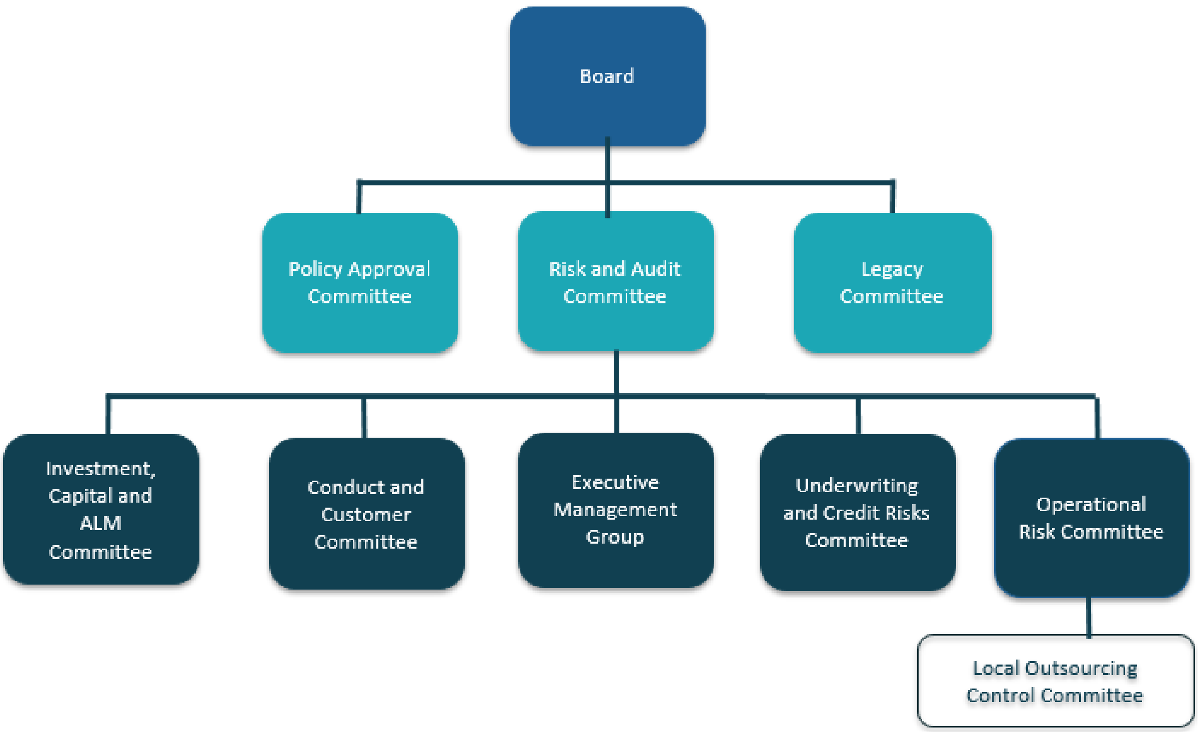
STREAMLINED ENERGY AND CARBON REPORTING
Streamlined Energy and Carbon reporting can be found in the Strategic Report on pages 11 to 15.

ACTUARIAL VALUATION
An actuarial valuation was carried out as at 31 December 2023 in respect of the long-term fund. A report has been prepared by the Actuarial function holder (Long-term fund) advising the Board on this valuation.

CORPORATE GOVERNANCE
The Company is not listed and accordingly there is no requirement to comply with the 2020 UK Corporate Governance Code. The directors have decided to voluntarily disclose Key Corporate Governance arrangements of the Company, which are highlighted below

The Board
The Company's Board comprises Directors and Non-Executive Directors who are responsible to the Shareholder and other stakeholders for ensuring that the Company is appropriately managed and achieves its objectives. The Board met 6 times in 2023 to determine the Company's strategic direction, review operating and financial performance, and to ensure that the Company is adequately resourced and effectively controlled.

The Company's governance regime is summarised as follows:



DIRECTORS' REPORT (continued)

Directors' attendance

The Company requires Directors to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company in order to perform their duties. The attendance of the Directors at the Board and Committee meetings, of which they are a member, held in 2023 was as follows:

	Board	**Risk and Audit Committee**	**Investment & Capital Committee**	**Policy Approval Committee**	**Conduct and Customer Committee**	**Underwriting and Credit Risks Committee**	**Executive Risk and Controls Committee**	**Non-Pet Legacy Committee**
Number of meetings held	**6**	**5**	**4**	**4**	**4**	**4**	**4**	**4**
R A Hines **	6	*	*	*	*	*	*	*
S L P F Chevalet	5	5	*	*	*	*	*	4
M J Lorimer	6	4	*	4	4	*	4	4
A M Wigg	6	5	4	2	*	4	3	2
S M May	6	5	4	4	4	4	3	*
C A Scarr **	5	5	*	*	*	*	*	*
D C L Beeckman	5	*	*	*	*	*	*	4
E De Talhouet **	6	5	*	*	*	*	*	*
C A Iordache	6	5	*	3	*	4		*

* indicates not a member of that Committee
** Independent Non Executive Director

The Risk and Audit Committee and Policy Approval Committees are sub-committees of the Board.
The Investment and Capital Committee, Conduct and Customer Committee, Underwriting and Credit Risks Committee and Operational Risk Committees report into the Risk and Audit Committee.

Risk and Audit Committee (RAC)

The RAC is chaired by an independent Non-Executive Director. Its main responsibilities are to:

- assist the Board in meeting its oversight responsibilities in ensuring an effective system of internal control, reporting process, audit process, compliance and accurate external financial reporting.
- provide a channel of communication to the Board for the internal and external auditors
- receive reports and review the output from the Group's Risk Management Function internal control framework and risk management, systems and procedures including the four key functions under Solvency II and systems and controls relating to financial reporting.
- have oversight of the work of the Operational Risk Committee (ORC), Conduct and Customer Committee (C&CC) and Underwriting, Credit and ALM Risks Committee (UCAR) and to receive minutes and verbal updates in respect of the above mentioned Committees.
- receive reports from the Compliance Function including the follow-up of any outstanding recommendations, the impact of new and possibly evolving regulations and review any reports on compliance issues including all material reports to Regulators.
- review and approve the annual plan of the Risk Management Function and the annual Compliance Monitoring Plan, oversee its realisation and results and report to the Board on the sufficiency and quality of resource within the Risk Management and Compliance Departments.

DIRECTORS' REPORT (continued)

Risk and Audit Committee (RAC) (continued)

- review and approve such of the Group's Policies as shall be delegated to the Committee by the Board to ensure that operations, policies and procedures comply with relevant law and regulations, industry codes and requirements of the JAB Group and BNP Paribas Group as appropriate.
- advise the Board on risk related matters including policy, strategy and implementation for each area of risk namely: Operational; Strategic, Conduct, Market Integrity, Financial, Investment, Liquidity, Credit and Insurance.
- review the firm's most significant risks on the Risk Register, monitor management's response to any major risk issues, and escalate to the Board as considered appropriate.
- review annually on behalf of the Board the proposed risk appetites and tolerances.
- Satisfy itself that there is sufficient quality and quantity of resource within Risk Management
- Agree the Annual Audit Schedule and budget having regard to the company's risk profile and risk appetite.
- Review the methodology and reporting processes of Internal Audit and receive reports on the effectiveness of the systems established and the results of any testing carried out.
- Review the scope of the internal audit work and the extent of the implementation of recommendations by Management.
- Review any reports of major fraud.
- Hold a meeting with the Head of Internal Audit in private at least once a year to ensure that there are no unresolved issues of concern.
- Make recommendations on the appointment, reappointment and removal of the external auditors.
- Review the external auditors' fees for statutory audit work, and ensure that any Group requirements for audit fees are followed.
- Approves the terms of the engagement and remuneration of the external auditors.
- Assess annually the independence and objectivity of the external auditors.
- Make sure at the start of each audit cycle that there are appropriate plans in place for the audit and review the external auditors' proposed audit scope and approach, including the co-ordination of their work with internal audit and the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- Assess the effectiveness of the external audit process.
- Review the external auditors' reports on completion of any audits, any management letter points or disagreement with management, any restrictions on their work, co-operation received, their findings and recommendations and the implementation of those recommendations.
- Review significant accounting or reporting issues, including complex or unusual transactions, or recent professional and regulatory notices, and understand their impact on the financial statements.
- Agree the content of any letters of representation provided to the external auditors.
- Review and challenge where necessary the annual financial statements to be presented to the Board, and consider whether or not they are complete, consistent with information known to Committee members, and reflect adopted accounting principles, including the extent of compliance with appropriate legislation and accounting standards.
- Review other sections of the annual report and related regulatory submissions before release and consider the accuracy and completeness of the information.
- Agree the wording of the Corporate Governance statement and any statements in relation to internal financial control and the management of risk for inclusion in the annual Report and Accounts.
- Review the assumptions and outcomes of
  - Reserve setting methodology;
  - The ORSA report; and
  - Stress testing scenarios.

Policy Approval Committee

This Committee is chaired by an Executive Director and reports into the Board.
The members of the committee are Executive Directors of Pinnacle Insurance plc and Head of Risk Management. The attendees are the policy owners as required.

The Committee meets quarterly and the sole purpose is to oversee the timely review and approval of all policies and other documents assigned to the Board.

The main responsibilities are to:
- to ensure all policies are reviewed and approved annually, have sufficient discussion and debate and delegates to management
- to ensure all approved policies are communicated to and adopted by the relevant business areas

Legacy Committee

This committee is chaired by an Executive Director of BNP Paribas Cardif and reports into the Board.

The committee's purpose is to oversee and control the performance and operational management of all non-pet business and policies until the date on which the Legacy Business portfolio transfer has been completed.

This Committee meets quarterly.

Its main responsibilities are to:
- monitor and make decisions in respect of the Legacy Business Reinsurance Agreement
- monitor and make decisions in respect of the Legacy Business Portfolio Transfer
- make decisions in respect of engagement and costs of third party service providers or professional advisors for the purposes of the Legacy Business Reinsurance Agreement and/or Legacy Business Portfolio transfer
- monitor and manage the financial performance and prospects of Legacy Business including expenditure against the Legacy Business budget and costs relating to individual projects;
- monitor the cost allocation, expenditure and time recording relating to the Legacy Business for the purposes of the Profit and Loss Adjustment Mechanism
- monitor the operation and implementation of the foregoing to ensure compliance with Group companies' regulatory obligations (including the requirement to treat the Company's policyholders fairly); and
- make decisions in respect of any disputes relating to Legacy Business

Investment, Capital and ALM Committee

The Committee is chaired by an Executive Director and reports to the Risk and Audit committee. It meets on a quarterly basis and its main responsibilities are to:

- ensure asset exposures do not exceed the limits set in the investment policy;
- maximise investment return within the risk framework of the investment policy and regulatory requirements; and
- agree investment returns to be used for future investments, new products types, constraints of asset duration, constraints on credit rating, counterparties and removal of counterparties' restrictions.

Conduct and Customer Committee (CCC)

The Committee is chaired by an Executive Director and reports to the RAC.
It provides oversight of Conduct Risk within the Company and adherence by members of with Conduct Risk principles and guidance.

There are a number of operational forums that sit under the CCC for which the Committee provides oversight. These are the Product Approval Group (PRAG), the Customer Outcome Review Group (CORG) and the Root Cause Analysis Forum (RCA). The CCC manages the operation and outputs from these respective groups and ensure that any items of note are discussed at the CCC and are raised at the RAC in a timely manner.

- It identifies, assesses and reports on key Conduct Risks faced by PIC.
- It promotes and encourages a culture to ensure the recognition of Conduct Risk, the fair treatment of customers and adherence to Consumer Duty requirements.
- It implements a regular two-way communication programme that demonstrates a positive attitude and company-wide commitment to Conduct Risk.
- It encourages the development, analysis and use of further Conduct Risk Indicators (CRIs) or other management information to measure and achieve better outcomes for customers by ensuring that the results are acted upon.
- It ensures that staff appropriately record Conduct Risk issues including the findings and resulting outcome using an agreed process or system such as (but not limited to) the Incident Reporting, TCF and Root Cause Analysis ("RCA") database.
- It reviews issues brought to the CCC and make recommendations that are in the best interests of the customer.

Underwriting, Credit Risk and Asset Liability Management Committee (UCAR)

This Committee is chaired by the Head of Actuarial – Closing and Risk and reports to the RAC. It meets quarterly and the Committee's main responsibilities are to:

- provide effective risk monitoring and risk follow up for all the key underwriting and credit risks, including stress test and sensitivity analysis when relevant, and guarantee the escalation process (alert system) to the Risk & Audit Committee (RAC);
- review the underwriting and credit risks and the related risk mitigation techniques set out in the risk map, once per year;
- review the new products that could materially change the risk profile, prior to product launch and provide an opinion as part of the approval process;
- review the adequacy of the reinsurance programme as part of the risk mitigation techniques;
- review the underwriting and credit risk monitoring procedures and the Underwriting policy at least once per year, and propose any changes to the RAC;

Operational Risk Committee (ORC)

The ORC is chaired by the Chief Risk Officer and reports to the RAC

The scope is Operational and Strategic Risk and is focused on the provision of a comprehensive overview of the most critical risks impacting the key business processes, internal controls, monitoring of action plans and the implementation of recommendations. This aligns with local management, the shareholder and the UK regulator's requirements for risk management.

The committee's main responsibilities are to:
- oversee the risk management culture in the company;
- identify, assess and report on all relevant operational risks including Legal & Regulatory (FCA and PRA), Reputational, Strategic (including ESG, outsourced activities and Emerging risks) faced by the company;
- review the effectiveness of the internal control and compliance arrangements in the company, including the outputs from the Risk and Control Self-Assessment (RCSA) process
- report effectiveness of current controls to the Risk and Audit Committee, highlighting any areas of concern;
- identify key controls; request control operation reports from control owners;
- review and approve the operational elements of the annual business strategy;
- review the level of change across the organisation and report on any dependencies or delivery issues;
- review key audit open issues, compliance and risk control indicators, and risk event reports and identify required actions;
- Identify the impact on medicated risk appetite levels arising from control failures;
- review planned controls mitigating the impact of new or emerging risks;
- review implementation of control improvements;
- deep dives; and
- thematic reviews

Local Outsourcing Control Committee (LOCC)

This Committee is chaired by an Executive Director. It reports into the Operational Risk Control Committee which reports to the Risk and Audit Committee.

The Committee's main responsibilities are to:

- review the risk position of the outsourcing;
- ensure that any proposed outsourcing delivers benefits that outweigh risks;
- review potentially severe incidents on outsourced running activities;
- review all inputs relating to the supervision of outsourced activity;
- oversee the invocation of exit plans;
- Ensure relevant controls are in place.

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 as at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a 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 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:

Director
S M May
4th April 2024

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and Financial Reporting Standard 103 "Insurance Contracts". 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pinnacle Insurance Plc for the year ended 31 December 2023 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 27 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 as applied to public interest entities, 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included

- obtained and reviewed management's going concern assessment approved by the Board, which is based on a detailed budget drawn up to 31 December 2025 ;
- Corroborated the information in the assessment where relevant to supporting documentation;
- We identified the key assumptions used in the assessment and challenged whether the downside scenarios used by management were reasonable;
- Verified the forecasts used in management's assessment to board approved forecasts;
- recalculated the clerical accuracy of management's base case;
- We challenged and independently stressed the assumptions used in management's cashflow and solvency forecasts;
- Reviewed any correspondence with Prudential Regulation Authority ("PRA") and assessed whether the company will continue to comply with capital adequacy requirements;
- Performed enquiries of management and those charged with governance and reviewed minutes of meetings of the Board and its committees to identify risks or events that may impact the Company's ability to continue as a going concern; and
- Assessed the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Report on the audit of the financial statements (continued)

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 up to 31 December 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	Valuation of Gross Technical Provisions (excluding unearned premium reserve)
Materiality	• Overall materiality of £2.9m which represents 1.9% of Net Assets

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pinnacle Insurance Plc. The company has determined that the physical and transition risks from climate change do not currently pose a material risk to the company. These are explained on page 7 in the strategic report which form part of the "Other information", rather than the audited financial statements. The company has disclosed their commitment to identifying the impact of climate change risk on the business and developing an appropriate action plan to address and mitigate such risks. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.
Our audit effort in considering the impact of climate change on the financial statement was focused on evaluating management's assessment of the impact of climate risk, physical and transition and the resulting conclusion that there was no material impact from climate change and the adequacy of the Company's disclosures on page 35 under the Basis of preparation.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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

Report on the audit of the financial statements (continued)
Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Gross Technical Provisions (excluding unearned premium reserve) £54.7m, (2022: £52.5m) Refer to Accounting policies (page 37-38); and Note 17 of the Financial Statements (page 56) The valuation of the provision is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements were made when determining the provision. We consider the valuation of the IBNR liability relating to the pet line of business to be a matter of most significance to the current year due to the uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date. The significance of estimation uncertainty arises as a result of the following factors: • Actuarial assumptions such as inflation and initial expected loss ratios • The assumption that the historical claims development pattern will occur again in the future and Due to the magnitude of IBNR liability and sensitivity to the key assumptions, a small manipulation of an assumption can have a significant impact on the result for the year can have a significant impact on the result for the year.	As part of our audit procedures we engaged EY actuaries and performed the following: • Obtained an understanding of the reserving process by conducting walkthroughs and assessed the design effectiveness of key controls; • Tested the reasonableness of the actuarial model and methodologies and challenged assumptions made by management; • Tested the development (outturn) of historical claims reserves to assess historical accuracy of the projections; • Performed independent re-projections of 97% the reserves required for PIC's pet business using EY's in-house modelling software and PIC's data, including the estimation of a reasonable range of the reserves. • Tested the accuracy and completeness of the underlying data used in the actuarial analysis; • Assessed the reasonability of management's estimate of technical provisions by analysing whether post year end the provision is running off as expected.	We determined that the actuarial assumptions as a whole for the pet line of business, which are used by management are reasonable based on our analysis of the experience to date, industry practice and the financial and regulatory requirements. We therefore concluded that the valuation of gross technical provisions (excluding unearned premium reserve) lies within a reasonable range of possible outcomes.

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

Report on the audit of the financial statements (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £2.9 million, which is 1.9% of the net assets. We deem net assets to be the most appropriate benchmark as the users of the financial statements will be most interested in the capital adequacy in order to settle claims arising in the future and the overall solvency position and net assets is the GAAP measure that is the most approximate proxy for the solvency position of the company.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £1.5m. We have set performance materiality at this percentage due to this being a first-year audit.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.15m (2022: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 this 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 toa material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements;

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

Report on the audit of the financial statements (continued)

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 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 set out on page 24, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters.

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

Report on the audit of the financial statements (continued)

We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval

of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Where fraud risk, including the risk of management override, was considered to be higher, we performed audit procedures to address each identified risk. These procedures included:
  - Reviewed estimates for evidence of management bias. We considered management override risk to be higher within the valuation of technical provisions, specifically on actuarial assumptions as these involve significant judgments. Supported by our actuarial team, we assessed if there were any indicators of management bias in the valuation of these provisions by concluding whether the assumptions fall within a reasonable range.
  - Auditing the relationship between gross written premiums, insurance debtors and cash, with minimal differences noted.
  - Tested the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for those journals posted outside the normal course of business.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 10 October 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement is one year, covering the year ending 31 December 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

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.

DocuSigned by:
Ernst & Young LLP
BA098CDE68684E0...

Andrew Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
5 April 2024

PINNACLE INSURANCE PLC
Income Statement
For the year ended 31 December 2023

Technical account – General business	Notes	2023	2022
		£'000	£'000
Gross written premium	3	150,609	111,422
Outward reinsurance premiums		(9,566)	(12,973)
Change in the gross provision for unearned premiums	17	(17,415)	(4,735)
Change in the provision for unearned premiums, reinsurers' share		(4,191)	(4,587)
Earned premiums, net of reinsurance	**3**	119,437	89,127
Total technical income		**119,437**	**89,127**
Claims incurred, net of reinsurance			
Claims paid			
– gross amount	5	(86,638)	(61,158)
– reinsurers' share	5	5,306	7,239
		(81,332)	(53,919)
Change in the provision for claims			
– gross amount	5	(2,182)	17,969
– reinsurers' share	5	(2,938)	(16,005)
		(5,120)	1,962
Claims incurred, net of reinsurance	5	**(86,452)**	**(51,957)**
Net operating expenses	6	(52,693)	(45,055)
Other technical charges, net of reinsurance		6	88
		(52,687)	**(44,967)**
Balance on the technical account		**(19,702)**	**(7,797)**

PINNACLE INSURANCE PLC
Income Statement
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-technical account			
Balance on the technical account		**(19,702)**	**(7,797)**
Investment return	4	5,493	2,319
Realised losses on investments	4	(1,815)	(1,147)
Unrealised gains on investments	4	3,336	-
Unrealised losses on investments		-	(2,486)
Loss on ordinary activities before tax		**(12,688)**	**(9,111)**
Tax on loss on ordinary activities	10	179	1,736
Loss for the financial year		**(12,509)**	**(7,375)**
Loss attributable to:			
– Parent company		**(12,509)**	**(7,375)**

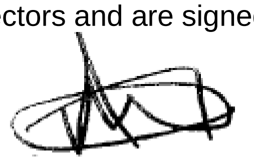
A statement of other comprehensive income (SOCI) or loss is not presented as there were no items requiring classification to the SOCI during the year and prior year. Hence, the loss of £12.5m (2022: loss £7.4m) represents total comprehensive loss for the year attributable to the owner of the Company.

The notes on pages 35 to 75 form an integral part of these financial statements.

PINNACLE INSURANCE PLC
Statement of Financial Position
As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Assets			
Investments			
Financial investments	11	**133,814**	**138,683**
Reinsurers' share of technical provisions			
Provision for unearned premiums	17	5,465	9,656
Long-term business provision	17	17,436	17,981
Claims outstanding	17	21,110	23,503
		44,011	**51,141**
Debtors			
Debtors arising out of direct insurance operations		76,892	53,312
Debtors arising out of reinsurance operations		5,055	7,043
Other debtors	13	6,373	5,104
		88,320	**65,459**
Other assets			
Cash and cash equivalents		22,216	23,517
	12	**22,216**	**23,517**
Prepayments and accrued income			
Accrued interest		419	153
Deferred acquisition costs	18	10,047	6,385
		10,466	**6,538**
Total assets		**298,827**	**285,338**
Liabilities			
Capital and reserves			
Called up share capital	15	151,557	151,557
Share premium	15	23,323	23,323
Retained earnings	15	(28,263)	(15,754)
Total equity		**146,617**	**159,126**
Technical provisions			
Provision for unearned premiums	17	72,892	55,477
Long-term business provision	17	17,436	17,981
Claims outstanding	17	37,294	34,567
		127,622	**108,025**
Provisions for other risks			
Other provisions	19	214	221
		214	**221**
Creditors			
Creditors arising out of direct insurance operations:			
-intermediaries		11,897	12,636
Creditors arising out of reinsurance insurance operations		6,120	552
Other creditors including taxation and social security	14	5,086	4,461
Accruals and deferred income	14	1,271	317
		24,374	**17,966**
Total liabilities		152,210	126,212
Total equity and liabilities		**298,827**	**285,338**

The financial statements were approved and authorised for issue on 4th April 2024 by the Board of Directors and are signed on its behalf by:



Director
A M Wigg

The notes on pages 35 to 75 form an integral part of these financial statements.

PINNACLE INSURANCE PLC

Statement of Changes in Equity
For the year ended 31 December 2023

	Called up share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2022	**126,557**	**23,323**	**(8,379)**	**141,501**
Shares issued for cash	25,000	-	-	25,000
(Loss) for the year	-	-	(7,375)	(7,375)
At 31 December 2022	**151,557**	**23,323**	**(15,754)**	**159,126**
(Loss) for the year	-	-	(12,509)	(12,509)
At 31 December 2023	**151,557**	**23,323**	**(28,263)**	**146,617**

The notes on pages 35 to 75 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Corporate information

Pinnacle Insurance plc (“the Company”), a public limited company, is incorporated and domiciled in the United Kingdom. The Company’s registered office address is Pinnacle House, A1 Barnet Way, Borehamwood, Hertfordshire, WD6 2XX.

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’), Financial Reporting Standard 103, “Insurance Contracts” (FRS 103) the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies .

The financial statements are prepared under the historical cost convention except for financial instruments recognised at fair value.

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The financial statements have been prepared under FRS 102 and FRS 103 for the first time. The previous financial statements for the year ended 31 December 2022 were prepared under UK adopted IAS and the date of transition to FRS 102 was therefore 1 January 2022. As permitted by FRS 103 the Company continues to apply the accounting policies that were applied prior to transitioning to FRS 103.

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.

In preparing these financial statements the directors have considered the impact of the physical and transition risk of climate change and identified this as a principal risk as set out on page 7, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Going concern

During the year, the Company made a loss after tax of loss £12.5m (2022 loss: £7.4m). The Company has considerable financial resources, which include cash and cash equivalents of £22.2m (2022: £23.5m) and an investment portfolio of £133.8m (2022: £138.7m) as at the year-end. In addition, the Company undertakes an ongoing assessment of its Solvency Capital Requirement, including consideration of the Company's sensitivity to risk, alongside quarterly monitoring of the annual budget and forecasts. The Company's capital management policy is to maintain sufficient own funds to cover a minimum 120% of the Solvency Capital Requirement (SCR). The Company calculates its SCR using the Standard Formula under Solvency II requirements.

Taking into account the company's current position and its principal risks on pages 6 to 7, 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 a period up to 31 December 2025. The Company is remunerated through sales of policies direct to the consumer, through aggregators and through partnerships. The Company holds sufficient regulatory capital to meet its regulatory requirements. 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.

Management have performed solvency and liquidity stress tests for the period ending December 2025 this analysis demonstrates that the Company could continue as a going concern for a period up to 31 December 2025 given its financial and liquidity strength.

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.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in the financial statements of PPH Ltd, includes the Company's cash flows;
- from disclosing related party transactions required under FRS 102 Section 33, on the basis that the these are transactions between companies wholly owned by PPH Ltd; and
- from disclosing the details of key management personnel under FRS 102 paragraph 33.7.

1. Summary of significant accounting policies

The principal accounting policies are set out below:

1.1 Contract classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policy holder. All of the Company's insurance products are classified as insurance contracts and are accounted for under FRS 103.

Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished.

1.2 Gross Written Premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences, additional or return premiums are treated as a re-measurement of the initial premium. Gross written premiums are stated gross of commission.

Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a re-measurement taking account of such a reduction is made as soon as there is an obligation to the policyholder. Written premiums are earned over the period of the policy (usually 12 months) on a straight-line basis.

1.3 Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The provision for unearned premiums is calculated on a daily pro rata basis for both gross and reinsurance contracts. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

1.4 Acquisition costs

Acquisition costs represent commission and other expenses related to acquiring insurance policies written during the financial year. Acquisition costs are recognised over the period in which the related premiums are earned.

1.5 Claims incurred

Insurance claims in respect of general business comprise claims and related internal and external expenses paid in the financial period, the movements in the provisions for outstanding claims and provisions for claims Incurred But Not Reported (IBNR), together with any other adjustments to claims from previous years. Where applicable, deductions are made for other recoveries. Estimates are included for claims due but not yet notified by the year end.

For long-term business, death claims are accounted for in the financial year in which the death occurs and surrenders are accounted for when notified to the Company up to the balance sheet date. Maturities and annuities are recognised as they fall due for payment. Claims incurred in respect of long-term business include movements in the provision for accident and sickness outstanding claims including IBNR.

1.6 Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, and the IBNR provision is based upon historical experience of the Company. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claim has happened.

1.6 Claims provisions and related reinsurance recoveries (continued)

The calculation of the provisions for claims incurred but not reported combines an assumption for average claims cost and frequency together with a typical delay factor. The delay factor is designed to reflect the typical delay in months between the occurrence and the notification of claims. IBNR provisions include a prudence margin calculated to cover incurred but not reported claims in a 1 in 10 scenario.

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

A liability adequacy provision is made for unexpired risks arising where the expected value of net claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium reserve in relation to such policies after the deduction of any acquisition costs deferred and other prepaid amounts (for example, reinsurance). The expected value is determined by reference to recent experience and allowing for changes to the premium rates. The provision for unexpired risks is calculated separately by reference to classes of business that are managed together after taking account of relevant investment returns. There were no unexpired risk provisions as at 31 December 2023 (2022: £Nil).

Provisions are calculated gross of any reinsurance recoveries.

1.7 Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company’s reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers’ share of claims incurred, in the income statement, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as ‘Outward reinsurance premiums’ using the same methodology as inward premium.

Reinsurance recoveries are accounted for in the same accounting period and using the same methodology as the claims incurred for the related direct insurance business being reinsured.

1.7 Reinsurance (continued)

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The carrying amount is reduced accordingly and the impairment loss is recognised in the income statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

1.8 Deferred acquisition costs

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.
Deferred acquisition costs are amortised over the period in which the related premiums are earned.
The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.
Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

1.9 Insurance receivables and payables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement. Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.
Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

1.10 Financial instruments

As permitted by FRS102, the company has chosen to apply the recognition and measurement provisions of IFRS9, in line with the accounting policy choice of the Group. This does not have a material impact on the presentation and measurement of assets and liabilities held by PIC at year-end.

1.10.1 Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument.

1.10.2 Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms. On initial recognition, financial assets and financial liabilities at fair value through profit or loss are initially measured at their fair value. The initial measurement of other financial instruments is based on their fair value, but adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument. Trade receivables are measured at the transaction price.

1.10 Financial instruments (continue)

1.10.3 Financial assets and liabilities per financial statement line
Financial investments at amortised cost
The Company measures financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
As a second step of its classification process the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

1.10.4 Financial assets at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other interest and similar income when the right to the payment has been established.

1.10 Financial instruments (continued)

1.10.5 Reclassification of financial assets
The Company does not reclassify its financial assets subsequent to their initial recognition.

1.10.6 De-recognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.
The Company has transferred the financial asset if it has a contractual right to receive cash flows from the financial asset.

The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance the eventual recipients

A transfer only qualifies for de-recognition if either:
- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
1.10 Financial instruments (continued)

1.10.7 Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when FRS 102 netting criteria is met.

1.11 Investment return

Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses and financial investments are recognised based on the appropriate classification of financial investments.

1.12 Cash and cash equivalents

Comprises cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Cash equivalents principally comprise financial assets with less than three months' maturity from the date of acquisition.

Borrowings, comprising Company overdrafts, are presented as creditors on the balance sheet and measured at amortised cost using the effective interest rate method

1.13 Provisions and contingencies

<u>Provisions</u>

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

<u>Contingencies</u>

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

1.13 Provisions and contingencies (continued)

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable. Contingent assets stop being recognised as contingent at the point it is determined the benefit is virtually certain.

1.14 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax:

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax:

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.16 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements

1.17 Foreign currencies

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated into the functional currency at the exchange rate ruling on the reporting date. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are treated as monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

2. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Significant judgements in applying the accounting policies

i. Allowance for risk and uncertainty within claims outstanding

In setting the provision for insurance liabilities, a best estimate is determined on an undiscounted basis and an allowance for risk and uncertainty is added. The objective of the allowance for risk and uncertainty is to ensure sufficient funds are available to settle claims as they arise even in the event of a deterioration in the incurred claims experience, considering the volatility in losses and potential claims from the sums insured, judgement is applied using past experience in setting the allowance.

b) Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

c) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company’s most critical accounting estimate. The carrying amount of the liability is £54.7m (2022: £52.5m). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

The key judgements and areas of uncertainty present when assessing IBNR are summarised in the following table (see also note 18):

Business class	Key judgements	Main sources of uncertainty
Creditor	• Selection of development patterns based on historical data (including removal of development considered unrepresentative) • Selection of loss ratios for recent periods	• Recovery (Accident, Sickness) and re-employment rates • Claim reporting delays • Claim acceptance rates

Household	• Selection of development patterns based on historical data
	• Tail development of claims (particularly large) beyond limits of data
	• Selection of frequency and severity on unreported large claims
		• Future development of open claims (particularly large losses), including impacts of
		  o Cost inflation
		  o Delays in establishing final cost

Motor	• Selection of development patterns based on historical data • Selection of tail development beyond limit of data • Selection of frequency and severity of bodily injury claims developing from ‘small’ to ‘large’ • Allowance for indexation of reinsurance deductible when calculating net liabilities (based on assumed settlement delay) • Selection of Periodical Payment Order (PPO) modelling parameters (e.g. PPO propensity, mortality tables and impaired lives adjustments, claim inflation, discount rates)	• Future development of open claims (particularly large losses) • Parts, labour and compensation cost inflation • Uncertainty around long-term costs: care cost inflation, legal cost inflation, loss of earnings • Periodical Payment Order (PPO) propensity. • Settlement delays (notably impacting reinsurance deductible via indexation) • Impact of individuals’ injuries on ability to work, future care costs and mortality (noting that some individuals affected are still very young) • Changes in Ogden discount rate • Reinsurer default • Court rulings impacting future claim costs
Pet	• Selection of paid development patterns • Selection of loss ratios for less developed periods	• Claims settlement delays • Variability in expected Loss ratios for the most recent periods
Warranty	• Selection of paid development patterns • Selection of loss ratios for less developed periods	• Number and amount of unsettled claims • Claim (parts and labour cost) inflation

3. Analysis by class of business

The business materially relates to one geographical market (United Kingdom) and therefore no geographical analysis is presented.

	2023 £'000	2022 £'000
Gross written premiums		
General business	150,589	111,228
Long-term business	20	194
	150,609	111,422
Net assets		
General business (including shareholder's funds/total equity)	137,321	150,084
Long-term business (run-off operations)	9,296	9,042
	146,617	159,126

2023	Pet £'000	Creditor £'000	Warranty £'000	MGA £'000	Total £'000
Gross Premiums Written					
-Direct insurance	129,987	6,247	658	-	136,892
-Inward reinsurance	13,717	-	-	-	13,717
	143,704	6,247	658	-	150,609
Gross Premiums Earned	121,342	7,923	3,929	-	133,194
Gross Claims incurred	(87,217)	(2,623)	(815)	1,835	(88,821)
Gross operating expenses	(52,402)	(5,109)	(3,213)	(497)	(61,222)
Reinsurance Balance	(1,134)	(369)	9	(1,361)	(2,854)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Analysis by class of business (continued)

2022	Pet £'000	Creditor £'000	Warranty £'000	MGA £'000	Total £'000
Gross Premiums Written					
-Direct insurance	99,603	11,109	711	(2)	111,422
-Inward reinsurance	-	-	-	-	-
	99,603	11,109	711	(2)	111,422
Gross Premiums Earned	90,119	12,046	4,523	(2)	106,687
Gross Claims incurred	(54,073)	5,277	(799)	6,406	(43,189)
Gross operating expenses	(44,384)	(8,093)	(3,362)	(551)	(56,391)
Reinsurance Balance	1,212	(9,748)	(481)	(5,886)	(14,904)

4. Net investment return

	2023 £'000	2022 £'000
Interest income from financial investments at fair value through profit and loss	913	899
Interest income from financial investments held at amortised cost	4,580	1,420
Net realised gains / (losses) on financial investments	(1,813)	(1,147)
Net unrealised gain / (losses) on financial investments	3,336	(2,486)
Net foreign exchange (losses) on investments	(2)	-
	7,014	(1,314)

5. Net claims incurred

	2023		
Gross amount	**General business £'000**	**Long-term business £'000**	**Total £'000**
Claims paid	85,612	1,026	86,638
Gross movement in the provision for:			
- Claims outstanding	2,827	(645)	2,182
	88,439	381	88,820
Reinsurers' share			
Reinsurers' recoveries	(4,280)	(1,026)	(5,306)
Movement in the provision for:			
- Claims outstanding	2,293	645	2,938
	(1,987)	(381)	(2,368)
	86,452	-	86,452

	2022		
Gross amount	**General business £'000**	**Long-term business £'000**	**Total £'000**
Claims paid	60,075	1,084	61,159
Gross movement in the provision for:			
- Claims outstanding	(9,599)	(8,370)	(17,969)
	50,476	(7,286)	43,190
Reinsurers' share			
Reinsurers' recoveries	(6,155)	(1,084)	(7,239)
Movement in the provision for:			
- Claims outstanding	7,636	8,370	16,006
	1,481	7,286	8,767
	51,957	-	51,957

6. Net operating expenses

	2023 £'000	**2022 £'000**
Acquisition costs	24,423	17,820
Change in gross deferred acquisition costs	(3,662)	(939)
Administrative expenses	39,468	32,179
Reinsurance commissions and profit participation	(7,536)	(4,005)
	52,693	45,055

Commissions in respect of direct insurance business amounted to £24.4m (2022: £17.8m).

Included in administrative expenses are:	**2023 £'000**	**2022 £'000**
Management fees charged by Pinnacle Insurance Management Services Plc	36,170	29,479
Professional fees	1,131	833
Head office charge	1,920	1,662

7. Auditor's remuneration

During the year the Company obtained the following services from the Company's auditor as detailed below:

	2023 £'000	2022 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the Company's annual accounts	513	294
Total audit fees	513	294

Note fees for 2022 were paid to the Company's previous auditor PKF Littlejohn LLP, 2023 fees are payable to EY.

There were no fees paid to the company's auditor, EY, for services other than the statutory audit of the company.

8. Employees

The Company had no employees during the year. A fellow subsidiary of PPG, Pinnacle Insurance Management Services plc ("PIMS"), provides staff management services and recharges all staff costs to the Company and wider UK group as part of a management recharge. The management recharge is included within the net operating expenses as follows:

	2023 £'000	2022 £'000
Total staff costs	21,263	16,600
Redundancy cost incurred	28	145
	21,291	16,745

Included above within staff costs are the social security costs of £2.3m (2022: £2.0m) and staff pension contributions of £1.8 m (2022: £1.6m).

The average number of employees of the Company (including executive directors) providing services to the Company through PIMS during the year was as follows:

	2023 £'000	2022 £'000
Administration and finance	247	237
Underwriting	19	16
Claims	27	26
Investments	1	1
	294	280

9. Directors' remuneration

The total Directors' remuneration in respect of services to Pinnacle Insurance plc was as follows:

	2023 £'000	2022 £'000
Aggregate remuneration	2,008	1,488
Pension contributions to a defined contribution scheme	40	37
	2,048	1,525

The remuneration of the highest paid Director:

	2023 £'000	2022 £'000
Aggregate remuneration of highest paid Director	644	549
Pension contributions of highest paid Director	9	8
	653	557

Appropriate time allocations will be made between each director's roles across the wider PPH Group, where necessary.

10. Taxation

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

Tax charged / (credited) to the income statement includes:

	Total (all related to General business)	
	2023 £'000	2022 £'000
Current tax		
UK corporation tax charge/(credit) for the year	(447)	(266)
Prior year adjustments	(25)	(1)
Total current tax charge /(credit)	(472)	(267)
Deferred tax		
Origination and reversal of timing differences	306	(1,140)
Effect of tax rate change on opening balance	(13)	(328)
Total tax charged/(credited) to income statement	(179)	(1,736)

The Company earns its profits entirely in the UK. UK corporation tax has been charged at 23.52% (2022: 19%), the standard rate in the UK for the period.

	2023		
Tax reconciliation	**General business**	**Long-term business**	**Total**
Non-technical account			
Profit/(loss) on ordinary activities before tax	(12,844)	156	(12,688)
Tax calculated at the standard UK corporation tax rate of 23.5%	(3,021)	37	(2,984)
Effect of:			
Loss surrender between funds	37	(37)	-
Movement in Deferred Tax Asset not recognised	2,843		2,843
Tax loss	-		-
Adjustment in respect of previous years			
-Under provision prior years	(25)	-	(25)
-Tax rate difference	(13)	-	(13)
Total tax credited to income statement	(179)	-	(179)

	2022		
Tax reconciliation	**General business**	**Long-term business**	**Total**
Non-technical account			
Profit/(loss) on ordinary activities before tax	(8,707)	(404)	(9,111)
Tax calculated at the standard UK corporation tax rate of 19%	(1,655)	(76)	(1,731)
Effect of:			
Brought forward losses utilised		(117)	(117)
Movement in Deferred Tax Asset not recognised	-		-
Tax loss	248	193	441
Adjustment in respect of previous years			
-Under provision prior years	(1)	-	(1)
-Tax rate difference	(328)	-	(328)
Total tax credited to income statement	(1,736)	-	(1,736)

Deferred tax liabilities/ (asset)

The following is the deferred tax liabilities/ (asset) recognised by the Company and movements therein during the current and prior reporting period.

	General business	
	2023	**2022**
	£'000	**£'000**
At 1 January	(1,469)	-
De-recognition of deferred tax on transitional adjustment re liabilities	306	-
Losses to be relieved against profits arising	-	(1,140)
Re-measurement of deferred tax for changes in tax rates	(12)	(329)
At 31 December	(1,175)	(1,469)

Deferred tax has been recognised for £4.7m of tax losses at the statutory rate of 25% which equates to a deferred tax asset of £1.2m. The tax rate having increased from 19% to 25% effective from 1 April 2023.

The company expects £0.5m of this deferred tax asset will unwind over the next 12 months as carried forward tax losses are surrendered as group relief for payment.

Analysis of unrecognised deferred tax asset

There is an unrecognised deferred tax asset of £3.6m at 31 December 2023 (2022: £0.6m) in respect of trading losses of general business, and £1.3m (2022: £1.3m) in respect of long-term business.

	General business		Long-term business		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Transitional adjustment re liabilities						
Losses	3,581	592	1,346	1,346	4,927	1,939
Unrecognised deferred tax asset	3,581	592	1,346	1,346	4,927	1,939

Unrecognised deferred tax is calculated at 25% (2022: 25%).

11. Financial assets and liabilities

The Company's financial assets and liabilities can be analysed as follows:

	Carrying value		Cost price	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investments held at fair value through profit or loss				
- Debt securities/ Bonds	43,262	51,238	43,957	55,268
Investments held at amortised cost				
- Deposits with credit institutions	90,552	87,446	90,552	87,446
Total Financial investments	**133,814**	**138,684**	**133,509**	**142,714**
Assets held at amortised cost				
- Cash and cash equivalents	22,216	23,517	22,216	23,517
- Other receivables	11,428	12,147	11,428	12,147
	33,644	**35,664**	**33,644**	**35,664**
Total financial assets	**167,458**	**174,348**	**168,152**	**174,378**
Financial liabilities				
Other payables	11,206	5,013	11,206	5,013
Total financial liabilities	**11,206**	**5,013**	**11,206**	**5,013**

Fair value

Fair value for all assets and liabilities are measured based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

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 above.

Fair value hierarchy analysis

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described. All financial instruments measured at fair value are included in Level 1, both for year 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	7,216	4,017
Short-term deposits with credit institutions	15,000	19,500
	22,216	23,517

The short-term deposits with credit institutions represent money market funds available for withdrawal subject to one-day notice. The effective interest rate on short-term deposits with credit institutions for the year ended 31 December 2023 was 4.3% (2022: 1.3%)

13. Other debtors

	2023 £'000	2022 £'000
Other debtors		
-Amounts owed by group undertakings (see note 24)	4,751	3,504
-Deferred tax	1,175	1,469
-Corporation tax	444	131
	6,373	5,104
Amounts to be settled within one year	5,198	3,635
Amounts to be settled after one year	1,175	1,469
	6,373	5,104

14. Other creditors including taxation and social security

	2023 £'000	2022 £'000
Amounts due to group undertakings (see note 24)	276	-
Other taxation and social security	4,810	4,461
Accruals and deferred income	1,271	317
	6,357	4,778
Amounts to be settled within one year	6,357	4,778
Amounts to be settled after more than one year	-	-
	6,357	4,778

15. Share Capital and Reserves

The total shareholder's funds are analysed as:

	2023 £'000	2022 £'000
Authorised		
153,836,000 Ordinary shares of £1 each	153,836	153,836
Issued, allotted, called up and fully paid		
Ordinary shares of £1 each	151,557	151,557
Share Premium	23,323	23,323
	174,880	174,880
Retained earnings	(28,263)	(15,754)
Total Shareholder's funds / equity	146,617	159,126

On 19 December 2022 the share capital increased by £25m through the issue of 25,000,000 fully paid ordinary shares of £1 each, which were issued at £1.00 per share by the company during the year. There was no issue of capital in 2023.

16. Reserves

Share premium account

This statutory non-distributable reserve records the amount above the nominal value received for shares sold, less transaction costs.

17. Insurance liabilities

	2023			
Gross Insurance liabilities	**Unearned premiums reserve £'000**	**Claims outstanding £'000**	**Long-term business provision £'000**	**Total £'000**
Gross amount				
At 1 January 2023	55,477	34,567	17,981	108,025
Movement in the provision	17,415	2,727	(545)	19,597
At 31 December 2023	72,892	37,294	17,436	127,622
Reinsurance amount				
At 1 January 2023	(9,656)	(23,503)	(17,981)	(51,140)
Movement in the provision	4,191	2,393	545	7,129
At 31 December 2023	(5,465)	(21,110)	(17,436)	(44,011)
Net technical provisions				
Opening balance	45,822	11,064	-	56,886
Movement in the provision	21,606	5,120	-	26,726
At 31 December 2023	67,428	16,184	-	83,612

	2022			
Gross Insurance liabilities	**Unearned premiums reserve £'000**	**Claims outstanding £'000**	**Long-term business provision £'000**	**Total £'000**
Gross amount				
At 1 January 2022	50,742	44,271	26,246	121,259
Movement in the provision	4,735	(9,704)	(8,265)	(13,234)
At 31 December 2022	55,477	34,567	17,981	108,025
Reinsurance amount				
At 1 January 2022	(14,243)	(31,245)	(26,245)	(71,733)
Movement in the provision	4,587	7,741	8,264	20,594
At 31 December 2022	(9,656)	(23,504)	(17,981)	(51,141)
Net technical provisions				
Opening balance	36,500	13,026	-	49,526
Movement in the provision	9,322	(1,963)	-	7,359
At 31 December 2022	45,822	11,063	-	56,885

17. Insurance liabilities (Continued)

The table below provides detailed analysis of claims outstanding as at the year-end as follows:

	Gross	**Reinsurers' share**	**Net**
	£000	£000	£000
At 1 January 2023	34,567	(23,505)	11,062
Claims incurred in current accident year	91,625	(4,493)	87,132
Claims incurred in prior accident years	(2,261)	1,581	(680)
Claims paid during the year	(86,637)	5,307	(81,330)
At 31 December 2023	**37,294**	**(21,110)**	**16,184**

	Gross	**Reinsurers' share**	**Net**
	£000	**£000**	**£000**
At 1 January 2022	44,271	(31,245)	13,026
Claims incurred in current accident year	60,155	(4,699)	55,456
Claims incurred in prior accident years	(8,701)	5,200	(3,501)
Claims paid during the year	(61,158)	7,239	(53,919)
At 31 December 2022	**34,567**	**(23,505)**	**11,062**

17. Insurance liabilities (continued)

The risks associated with non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on the past claims development experience. This includes average claims costs, ultimate claims numbers and expected loss ratio. The key methods used by the Company for estimating liabilities are chain ladder, Bornhuetter-Ferguson and expected loss ratio.

The profit before tax is sensitive to the actual outcome being different from the expected outcome. The table below gives an indication of the impact on profit of a percentage movement in the losses and loss adjustment expenses net of reinsurers' share of those liabilities.

Stress testing or testing of the impact of different assumptions:

	2023	**2023**
	£'000	**£'000**
Impact on loss before tax	Impact on loss before tax	Impact on equity
Insurance losses deteriorate against expected outcome		
5% deterioration	(809)	(620)
10% deterioration	(1,619)	(1,239)
Insurance losses improve against expected outcome		
5% improvement	809	620
10% improvement	1,619	1,239

	2022	**2022**
	£'000	**£'000**
Impact on loss before tax	Impact on loss before tax	Impact on equity
Insurance losses deteriorate against expected outcome		
5% deterioration	(553)	(423)
10% deterioration	(1,106)	(846)
Insurance losses improve against expected outcome		
5% improvement	553	423
10% improvement	1,106	846

17. Insurance liabilities (continued)

Following the decision to reinsure non-Pet business to Darnell DAC from December 31st 2021, the net of reinsurance long term business provision is zero.
The gross of reinsurance provision has decreased by £0.5m over 2023.
The long term claims outstanding consists of claims reserves attached to Creditor business with a death benefit attached.

See the table below for a detailed movement analysis:

	2023					
	Gross		**Reinsurance**		**Net**	
	Long-term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2023	17,980	102	17,980	102	-	-
Change in exposure	(684)	-	(684)	-	-	-
Adjustments due to change in assumptions:						
Mortality	-	-	-	-	-	-
Discount rate	431	-	431	-	-	-
Inflation rate	(341)	-	(341)	-	-	-
Default provision	-	-	-	-	-	-
Expenses	50	-	50	-	-	-
Other	-	(102)	-	(102)	-	-
At 31 December 2023	17,436	-	17,436	-	-	-

	2022					
	Gross		**Reinsurance**		**Net**	
	Long-term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2022	26,245	207	26,245	207	-	-
Change in exposure	(754)	-	(754)	-	-	-
Adjustments due to change in assumptions:						
Mortality	-	-	-	-	-	-
Discount rate	(7,033)	-	(7,033)	-	-	-
Inflation rate	(270)	-	(270)	-	-	-
Default provision	-	-	-	-	-	-
Expenses	(207)	-	(207)	-	-	-
Other	-	(105)	-	(105)	-	-
At 31 December 2022	17,981	102	17,981	102	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Long-term business provision

The Company has applied following principal assumptions to arrive at the long-term business provision:

Rates of interest	2023	2022
RAM - Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
Annuities-general	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
Annuities-pension	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
GUAL- Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
Assurances :		
Life After Fifty	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
Individual Life - WOL & DTA	EIOPA Risk Free Rate - term structure of interest rate for YE23	EIOPA Risk Free Rate - term structure of interest rate for YE22
Mortality tables		
RAM – Annuities & IP	89.4% of Modified PCMA00 plus 2.1% long term mortality improvement & 91.6% of Modified PCFA00 plus 1.7% long term mortality improvement	89.4% of Modified PCMA00 plus 2.1% long term mortality improvement & 91.6% of Modified PCFA00 plus 1.7% long term mortality improvement
Annuities-general	91.6% of Modified PCFA00 plus 1.7% long term mortality improvement	91.6% of Modified PCFA00 plus 1.7% long term mortality improvement
Annuities-pension	91.6% of Modified PCFA00 plus 1.7% long term mortality improvement	91.6% of Modified PCFA00 plus 1.7% long term mortality improvement
GUAL- Annuities	178.7% of Modified PCMA00 plus 2.1% long term mortality improvement & 137.4% of Modified PCFA00 plus 1.7% long term mortality improvement	178.7% of Modified PCMA00 plus 2.1% long term mortality improvement & 137.4% of Modified PCFA00 plus 1.7% long term mortality improvement
Life After Fifty	n/a (no policies on risk)	n/a (no policies on risk)
Individual Life - WOL & DTA	100% of A1967-70	100% of A1967-70

17. Insurance liabilities (continued)

Claims Development Table

Insurance Claims - Gross **Accident year**	**2014** **£'000**	**2015** **£'000**	**2016** **£'000**	**2017** **£'000**	**2018** **£'000**	**2019** **£'000**	**2020** **£'000**	**2021** **£'000**	**2022** **£'000**	**2023** **£'000**	**Total** **£'000**
Estimate of ultimate claims costs											
At the end of accident year	95,251	121,752	58,098	25,336	20,369	18,361	34,525	54,442	59,477	90,003	
One year later	98,372	130,254	48,636	21,436	17,977	18,004	31,584	50,464	58,472		
Two years later	100,580	115,036	47,576	21,290	17,844	17,842	31,298	50,402			
Three years later	110,327	112,744	47,395	21,351	17,821	17,829	31,295				
Four years later	108,611	115,310	47,365	21,354	17,813	17,833					
Five years later	111,268	114,476	47,127	21,349	17,822						
Six years later	107,721	113,094	47,092	21,355							
Seven years later	113,734	112,062	47,137								
Eight years later	110,196	111,178									
Nine Years Later	109,907										
Cumulative claims payments											
At the end of accident year	(42,095)	(51,502)	(29,770)	(13,751)	(11,918)	(12,089)	(19,367)	(41,904)	(49,124)	(75,018)	
One year later	(74,400)	(85,117)	(42,698)	(20,658)	(17,372)	(17,303)	(30,634)	(50,111)	(58,240)		
Two years later	(82,550)	(92,937)	(44,686)	(21,244)	(17,782)	(17,783)	(31,260)	(50,377)			
Three years later	(87,635)	(97,301)	(45,750)	(21,308)	(17,805)	(17,822)	(31,282)				
Four years later	(93,139)	(102,332)	(46,167)	(21,338)	(17,808)	(17,829)					
Five years later	(95,601)	(105,488)	(46,512)	(21,342)	(17,816)						
Six years later	(97,230)	(104,871)	(46,896)	(21,345)							
Seven years later	(105,005)	(105,573)	(46,896)								
Eight years later	(105,598)	(105,602)									
Nine Years Later	(105,974)										
Current estimate of cumulative claims	109,907	111,178	47,137	21,355	17,822	17,833	31,295	50,402	58,472	90,003	555,403
Cumulative payments to date	(105,974)	(105,602)	(46,896)	(21,345)	(17,816)	(17,829)	(31,282)	(50,377)	(58,240)	(75,018)	(530,379)
Claims liability outstanding	**3,933**	**5,576**	**241**	**10**	**6**	**4**	**13**	**24**	**232**	**14,985**	**25,024**
Claims liability for prior years										**743**	743
Total claims liability outstanding											**25,767**
Risk margins											7,857
Claims handling expenses											882
Others											2,787
Gross Claims liabilities											**37,294**

17. Insurance liabilities (continued)

Claims Development Tables (continued)

Insurance Claims – Net of Reinsurance **Accident year**	**2014** **£'000**	**2015** **£'000**	**2016** **£'000**	**2017** **£'000**	**2018** **£'000**	**2019** **£'000**	**2020** **£'000**	**2021** **£'000**	**2022** **£'000**	**2023** **£'000**	**Total** **£'000**
Estimate of ultimate claims costs											
At the end of accident year	93,998	119,608	52,442	25,336	20,356	18,361	34,495	51,601	55,710	86,641	
One year later	92,180	111,276	48,918	21,436	17,977	18,004	30,810	48,221	55,077		
Two years later	93,165	106,896	47,363	21,290	17,844	17,784	30,690	48,171			
Three years later	95,331	107,064	47,088	21,351	17,805	17,783	30,693				
Four years later	94,725	107,098	47,251	21,338	17,805	17,783					
Five years later	94,648	108,301	46,512	21,338	17,805						
Six years later	95,112	104,006	46,512	21,338							
Seven years later	93,012	104,006	46,512								
Eight years later	93,012	104,006									
Nine Years Later	93,012										
Cumulative claims payments											
At the end of accident year	(42,095)	(51,502)	(29,770)	(13,751)	(11,918)	(12,089)	(19,352)	(41,780)	(47,280)	73,317	
One year later	(74,400)	(85,117)	(42,698)	(20,658)	(17,372)	(17,303)	(30,634)	(48,120)	(55,006)		
Two years later	(81,843)	(92,937)	(44,686)	(21,244)	(17,782)	(17,783)	(30,686)	(48,167)			
Three years later	(86,389)	(97,281)	(45,750)	(21,308)	(17,805)	(17,783)	(30,693)				
Four years later	(89,640)	(101,008)	(46,167)	(21,338)	(17,805)	(17,783)					
Five years later	(91,493)	(103,765)	(46,512)	(21,338)	(17,805)						
Six years later	(92,732)	(104,006)	(46,512)	(21,338)							
Seven years later	(93,012)	(104,006)	(46,512)								
Eight years later	(93,012)	(104,006)									
Nine Years Later	(93,012)										
Current estimate of cumulative claims	93,012	104,006	46,512	21,338	17,805	17,783	30,693	48,171	55,077	86,641	521,038
Cumulative payments to date	(93,012)	(104,006)	(46,512)	(21,338)	(17,805)	(17,783)	(30,693)	(48,167)	(55,006)	(73,317)	(507,638)
Claims liability outstanding	-	-	-	-	-	-	-	**4**	**71**	**13,324**	**13,400**
Claims liability for prior years											
Total Claims liabilities outstanding Net											**13,400**
Risk Margins											**2,435**
Claims Handling Expenses											349
Others											-
Net Claims Liabilities											**16,184**

18. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:	2023	2022
	£'000	£'000
At 1 January 2023	6,385	5,446
Expenses for the acquisition of insurance contracts deferred during the year	24,424	17,820
Amortisation	(20,762)	(16,881)
At 31 December 2023	10,047	6,385

19. Provision

	Payment protection Income (PPI) £'000	Annual review statement provision £'000	Total £'000
At 1 January 2023	27	194	221
Utilisation of provision	-	(7)	(7)
At 31 December 2023	27	187	214

Payment Protection Insurance (PPI) Provision

PPI is an insurance product which covers loan or debt repayments in certain circumstances where the consumer is unable to service the debt. Historically, the Company offered PPI for loans, credit cards and mortgages via its intermediaries.

In August 2010, the FSA (FCA since 1 April 2013) published policy statement PS10/12; the assessment and redress of payment protection insurance complaints. One of the key elements of PS10/12 is the requirement for firms to undertake detailed root cause analysis and proactively contact customers where material or systemic issues have been identified.

In addition, in March 2017, the FCA issued policy statement PS17/3; 'Payment Protection Insurance complaints: feedback on CP16/20 and final rules and guidance') which confirmed a deadline for PPI claims of August 2019, supported by an FCA led communications campaign.

The Company has performed a detailed review of complaints received from policyholders to date in relation to the historical mis-selling of its PPI products, including an assessment of the current claims rates and the expected cost of redress including the administrative cost to the Company of handling the complaints. PPI provisions as at the year-end is represented by management's best estimate of redress costs.

19. Provision (continued)

Annual review statement compensation provision (run-off operations)

The Company has recognised a provision resulting from an error in some customers' PPI Annual Review Statements. The customers did not have their twelve months premium instalments amounts showing on the Annual Review Statement. The error related to business sold through a partner relating to Creditor business. The partner agreed with the Competition and Markets Authority that in these circumstances the customers would be given a refund equal to the error in their Statements. Upon further investigation, similar issues were discovered with other books of PPI business. As result, the Company recognised a provision of £0.3m in 2021, the remaining provision at year end 2023 was £0.2m (2022: £0.2m).

20. Risk Management

The Company has exposure to the following risks arising from the financial instruments which it holds and insurance contracts which it issues:

- Insurance risk;
- Credit and Counterparty risk;
- Liquidity risk; and
- Market risk.

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 Internal Audit. Internal Audit 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.

20.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Catastrophe risk arises from infrequent shock events that give rise to large numbers of claims or large individual claims and relates to the pet insurance only after reinsurance (natural catastrophe risks arising from the Company's motor GAP exposure, non-life catastrophe associated with unemployment covers of the Company's creditor book and other relatively limited life or health catastrophe are fully reinsured with Darnell DAC).

20. Risk Management (continued)
20.1 Insurance risk (continued)

The Company adopts the following to mitigate these risks:

- underwriting policy, risk tolerance and pricing and reserving procedures;
- reinsurance;
- re-pricing when deemed necessary; and
- risk monitoring dashboards and risk monitoring committee

Further details regarding the Company's exposure to insurance risk are set out in note 2.

20.2 Credit and Counterparty risk
The Company's exposure to credit risk arises from its direct insurance trading activities, the exposure to the reinsurance it purchases and those of its investment activities. The risk is the risk of default arising from any of these exposures.

The primary source of credit risk for the Company is:

- Investments portfolio including deposits, cash and cash equivalents;
- Amounts due from reinsurer; and
- Amounts due from insurance intermediaries.

Investment activities

The Company, through the Board and the Investment, Capital and ALM Committee, seeks to limit, as far as is practical, exposure to credit risk from its investment activities. The investment credit risk managed through established guidelines and procedures. The Company's investment policy prescribes the investments limits and credit quality of the investments, which are monitored and reviewed by the Investment, Capital and ALM Committee on a quarterly basis.
The Company maintains a low risk, high quality investment portfolio with exposure concentrated in bonds, bank deposits and cash

The main sources of credit and counterparty risk of the Company are:

- Investment counterparty – this arises from the investment of monies in the range of corporate bonds and bank deposits permitted by the investment policy;
- Insurance debtors – the counterparty risk is influenced by the individual characteristics of each customer including the MGAs (discontinued). However, management also consider the factors that may influence the credit risk of its customer base, including the default risk of industry and country in which customers operate and provide bad debts provisions where appropriate to reflect their recoverable amount; and
- Reinsurance recoveries – counterparty exposure to reinsurance counterparties arises in respect of reinsurance claims against which a reinsurance bad debt provision is assessed.

Reinsurance risk

The Company manages the risk through the use of preferred reinsurers. No reinsurance counterparty has a rating lower than BBB+.

20. Risk Management (continued)

20.2 Credit and Counterparty risk (continued)

Insurance debtors and other receivables

The Company regularly reviews receivables, the collectability of these receivables and adequacy of associated impairment. Outstanding premiums receivables balances are monitored by the business operations team on a monthly basis, as a minimum. Credit risk is also monitored for large partners/brokers. The Company's standard credit policy is 30 days after the amount becomes due.
The Company mitigates its credit risk and risk concentration as follows:

- individual counter-party risk assessment using second worse of Standard & Poor, Moody and Fitch credit rating assigned to each counterparty;
- credit and concentration risk limits relating to cash, short term deposits and bond investments are defined in the Investment Policy. The Company has a very low risk appetite for any default by counterparties with whom deposits are placed and will not place funds with counterparties whose S&P credit rating is lower than BBB- or lower rated investments;
- monies held in trust accounts (or in segregated accounts); and
- contractual audit rights and rights to terminate contracts due to the failure of counterparties to perform agreed duties including the right to set-off.

Risk sensitivities

The Company has identified the following stress scenarios and assessed the impact of these scenarios on its solvency position:

Scenario 1: Default of the Company's largest reinsurance exposure at 31 December 2023 amongst all such exposures with a Standard and Poor's credit rating of A or lower and not subject to any collateral contract, which the Company considered would materialise in an instant loss equal to the amount of the reinsurance exposure after expected liquidation recoveries (according to the Solvency II standard recovery rate parameter for the credit rating of the defaulting reinsurer), leading to an increase in the Company's net liabilities and its net underwriting SCR capital requirement as a result, together with a second-order reduction in Counterparty default risk SCR.

The stress scenario would trigger an estimated £1.9m increase in the Company's net BEL, a £1.9m reduction in Own funds and a £0.4m increase in its SCR.

Scenario 2: New variants of feline leukaemia virus (Cats) and canine distemper virus (Dogs) emerge for which current vaccines are not effective. The diseases spread in particular regions in the UK (e.g. London) affecting 5% of pets in those regions. The viruses contaminate 1% of the total cats and dogs insured by the Company in the UK, at an average cost per treatment of £350 per pet.
The stress scenario would trigger an estimated £1.8m increase in BEL slightly mitigated by profit share, a £1.8m reduction in Own Funds and no SCR movement.

Under both scenarios, the Company's solvency ratio remains above 250%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Risk Management (continued)

20.2 Credit and Counterparty risk (continued)

The following tables analyse the carrying value of financial and insurance assets that bear counterparty risk between those assets that have not been impaired by age in relation to due date, and those that have been impaired.

	2023				
	Neither past due nor impaired £'000	Past due 1- 90 days £'000	Past due more than 90 days £'000	Assets that have been impaired £'000	Carrying value in the balance sheet £'000
Financial investments	133,814	-	-	-	133,814
Debtors arising out of direct insurance operations	76,892	-	-	-	76,892
Debtors arising out of reinsurance operations	5,055				5,055
Reinsurance assets	44,011	-	-	-	44,011
Cash and cash equivalents	22,216	-	-	-	22,216
	281,988	-	-	-	281,988

	2022				
	Neither past due nor impaired £'000	Past due 1- 90 days £'000	Past due more than 90 days £'000	Assets that have been impaired £'000	Carrying value in the balance sheet £'000
Financial investments	138,683	-	-	-	138,683
Debtors arising out of direct insurance operations	53,312	-	-	-	53,312
Debtors arising out of reinsurance operations	7,043				7,043
Reinsurance assets	51,141	-	-	-	51,141
Cash and cash equivalents	23,517	-	-	-	23,517
	273,696	-	-	-	273,696

20. Risk Management (continued)

The following table analyses the credit quality of financial investments at fair value through profit or loss and financial investments held at amortised cost that are neither past due nor impaired.

Financial assets by credit rating	2023 Corporate bonds £'000	Government bonds £'000	Deposits with financial institution £'000	Cash & cash equivalents £'000	Total £'000
AAA	4,021	14,297	-	15,000	33,318
AA	-	-	-	-	-
AA-	2,660	7,183	15,445	-	25,288
A+	9,261	-	37,262	7,216	53,739
A	1,941	-	18,644	-	20,585
A-	956	-	14,184	-	15,140
BBB+	2,944	-	5,016	-	7,960
	21,783	**21,480**	**90,551**	**22,216**	**156,030**

The highest exposure to single reinsurance counterparty is £13.7m (2022: £14.1m) rated AA- (2022: AA-).

Financial assets by credit rating (%)	2023 Corporate bonds	Government bonds	Deposits with financial institution	Cash & cash equivalents	Total
AAA	18%	67%	-	68%	21%
AA	-	-	-	-	
AA-	12%	33%	17%	-	16%
A+	43%	-	41%	32%	34%
A	9%	-	21%	-	13%
A-	4%	-	16%	-	10%
BBB+	14%	-	4%	-	5%
	100%	100%	100%	100%	100%

Financial assets by credit rating	2022 Corporate bonds £'000	Government bonds £'000	Deposits with financial institution £'000	Cash & cash equivalents £'000	Total £'000
AAA	4,019	7,361	-	19,500	30,880
AA	-	-		-	-
AA-	3,955	25,865	17,692	-	47,512
A+	845		40,623	4,017	45,485
A	3,096		10,069		13,165
A-	3,240		19,062		22,302
BBB+	2,856				2,856
	18,011	**33,226**	**87,446**	**23,517**	**162,200**

20. Risk Management (continued)

	2022				
Financial assets by credit rating (%)	**Corporate bonds**	**Government bonds**	**Deposits with financial institution**	**Cash & cash equivalents**	**Total**
AAA	22%	22%	-	83%	19%
AA	-	-	-	-	-
AA-	22%	78%	20%	-	29%
A+	5%	-	46%	17%	28%
A	17%	-	12%	-	8%
A-	18%	-	22%	-	14%
BBB+	16%	-	-	-	2%
	100%	100%	100%	100%	100%

20.3 Liquidity Risk

Liquidity risk is the risk that the Company may be unable to pay obligations when due as a result of assets not being available in the form that can immediately be converted into cash. The Company, through Investment Committee and dedicated treasury function, manage the liquidity risk through investments in predominately liquid financial assets and constant monitoring of expected assets and liabilities maturities. The Company's Treasury department is also operationally responsible to ensure that sufficient funding is always available to meet the expected liabilities.

The following tables analyse financial investments, Cash and cash equivalents, insurance and financial liability by remaining duration, in proportion to the cash flows expected to arise during that period, for each category.

	2023				
Time to maturity	**Total £'000**	**1 Year £'000**	**2-3 Years £'000**	**4-5 Years £'000**	**Over 5 Years £'000**
Financial investments					
-Corporate bonds	21,783	5,501	11,441	4,841	-
-Government bonds	21,480	4,826	7,183		9,471
-Deposits with financial institutions	90,551	71,321	19,229	-	
Cash and cash equivalents	22,216	22,216	-	-	
	156,030	103,864	37,853	4,841	9,471

20.3 Liquidity Risk (continued)

At 31 December 2023	Total carrying value £'000	1 Year £'000	2-3 Years £'000	4-5 Years £'000	Over 5 years £'000
Gross insurance liabilities*					
-Provision for claims reported but not settled	13,258	6,421	2,707	31	4,099
- Provision for claims incurred but not reported	24,036	22,875	1,147	9	5
-Long-term business provision	17,436	1,084	2,020	1,814	12,518
	54,730	30,379	5,874	1,854	16,622
Other payables, including insurance payables	24,375	24,375	-	-	-
Total	79,105	54,754	5,874	1,854	16,622

	2022				
Time to maturity	Total £'000	1 Year £'000	2-3 Years £'000	4-5 Years £'000	Over 5 Years £'000
Financial investments					
-Corporate bonds	18,012	5,332	10,660	2,020	-
-Government bonds	33,226	11,318	9,912	4,470	7,525
-Deposits with financial institutions	87,446	70,491	16,954	-	-
Cash and cash equivalents	23,517	23,517	-	-	-
	162,200	110,659	37,526	6,490	7,525

At 31 December 2022	Total carrying value £'000	1 Year £'000	2-3 Years £'000	4-5 Years £'000	Over 5 years £'000
Gross insurance liabilities*					
-Provision for claims reported but not settled	13,894	5,131	3,694	118	4,951
- Provision for claims incurred but not reported	20,674	18,423	2,223	18	10
-Long-term business provision	17,981	1,117	2,060	1,801	13,004
	52,549	24,671	7,977	1,936	17,965
Other payables, including insurance payables	17,967	17,967	-	-	-
Total	70,516	42,638	7,977	1,936	17,965

* The gross insurance liabilities exclude unearned premium reserve, as there are no liquidity risks inherent in them.

20.4 Market risk

Market risk is the risk that the Company is adversely affected by movements in the value of its financial assets arising from market movements such as interest rates and foreign exchange rates or other price risk.

Interest rate risk:

The Company is exposed to interest rate risk on all financial assets and liabilities, which are sensitive to changes in term structure of interest rate and interest rate volatility. A sensitivity analysis for interest rates was completed under Solvency 2 using the Bank of England future risk free interest rate tables and the impact on profit and loss and equity would be a loss of £1.9m (2022: £2.6m) if the interest rates increase and profit £1.9m (2022: £2.1m) for the interest rate decrease. The rate applied for sensitivity varies according to the duration of the bond.

21. Commitments

There were no outstanding capital commitments at 31 December 2023 (2022: £nil).

22. Capital management - Unaudited

The Company maintains sufficient capital to ensure safety and stability of the Company while meeting regulatory, rating agency and other business needs.

The Company is regulated by the UK regulator, the Prudential Regulatory Authority (“PRA”).

Solvency II is the framework implemented on 1 January 2016 as the capital adequacy regime. It established a set of EU-wide capital requirements and risk management standards with aim of increasing protection for policyholders.
The Company assessed its solvency capital requirement using the standard formula. Under the new regime, the un-audited capital position of the Company is:

	2023	**2022**
Capital position	**£'000**	**£'000**
Available eligible own funds	139,681	154,228
Solvency Capital Requirement	(50,301)	(84,889)
Capital surplus	**89,380**	**69,339**
Capital coverage ratio	278%	182%

	2023	**2022**
Eligible own funds	**£'000**	**£'000**
Available capital before foreseeable dividends	139,681	154,228
Available eligible own funds	**139,681**	**154,228**

22. Capital management – Unaudited (continued)

The difference between UK GAAP equity of £146.6m (2022: £159.1m) and the Solvency II own funds of £139.7m (2022: £154.2m) represents de-recognition of deferred acquisition costs and insurance technical provisions.

The Company's capital management policy is to maintain sufficient own funds to cover a minimum 120% of the Solvency Capital Requirement (SCR). The Company calculates its SCR using the Standard Formula under Solvency II requirements.

The Company complies with the capital and solvency measurement requirements prescribed by the Solvency II Directive as adopted by the PRA. Solvency II defines a forward-looking risk-based capital model to establish the Company's Own funds, which is the capital available to cover the Solvency Capital Requirements (SCR) and the Minimum Capital Requirements (MCR). The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II Regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

23. Transfer of business and run-off operations

The Company has entered discussions and is committed to the disposal of its non-pet operations. The non-pet business lines have since 2021 been 100% reinsured to a BNP Paribas group company Darnell DAC. Part of the transfer, which is subject to regulatory clearance for both parties, will be effected through a Part VII transfer. Those parts of the non-pet operation that will not be part of the transfer are in run off and expected to terminate fully in 2024 with no further liability for the company, this is with exception of the liabilities under the long term fund which continues to be 100% reinsured.

24. Related party transactions

The table below gives details of the balances 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, Pinnacle Pet Group Ltd.

	2023 £'000	2022 £'000
Amounts due from group undertakings		
Pinnacle Insurance Management Services Plc	1,192	3,504
Pet Protect Ltd	2,035	-
Viovet Ltd	1,524	-
	4,751	3,504
Amounts due to fellow group undertakings		
Pinnacle Pet Group Ltd	276	-
	276	-

Amounts due from / to fellow group undertakings are subject to 30 days credit / settlement terms.

The Company entered into the following transactions with its related parties as follows:

- A fellow undertaking, Pinnacle Insurance Management Services plc charged £39.4m (2022: £32m) in respect of administrative expenses incurred on behalf of the Company including staff cost of £21.3m (2022: £18.1m).
- The Company paid £1,6m (2022: £1.7m) to GIE BNP Paribas Assurance in respect of costs associated for the usage of BNP Paribas IT infrastructure.

Details of the remuneration of the Company's Directors are shown in Note 9.

Until June 2022, the Company was 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 75%) and BNP Paribas Cardif (owning 25%).

25. Ultimate parent undertaking

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 75% and BNP Paribas Cardif 25%.

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

The parent company of the smallest and 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.

26. Events after the balance sheet

There are no post balance sheets events.

27. Transition to UK GAAP

The financial statements for the year ended 31 December 2023 are the Company's first produced using FRS 102 and FRS 103 (UK GAAP), which was adopted effective 1 January 2023. The Company previously produced their financial statements using International Financial Reporting Standards (IFRS). The last financial statements prepared in accordance with IFRS were for the year ended 31 December 2022.

Changes in accounting policy arising on the transition from IFRS to UK GAAP

As a consequence of adopting FRS 102 and FRS 103, a number of different accounting policies have been applied resulting from the differences between IFRS and UK GAAP and the material changes are set out below.

(i) Changes in accounting policy that impact the balance sheet or statement of comprehensive income on transition

- *Financial assets and liabilities:* FRS 102 provides entities with an accounting policy choice in respect of the recognition and measurement of financial assets and liabilities between applying: (a) the provisions of both Section 11 and Section 12 in full; or
  (b) the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (UK adopted IAS), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25W; or
  (c) the recognition and measurement provisions of IFRS 9 Financial Instruments (UK adopted IAS) and IAS 39 (as amended following the publication of IFRS 9),
  the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25W;

  To account for all of its financial instruments, the Company has elected to apply the recognition and measurement requirements of IFRS 9 but the disclosure requirements of FRS 102.

  (a) Changes to classification and measurement

  To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

  The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:
  - Financial assets at fair value through profit or loss, including equity instruments and derivatives,
  - Financial assets at amortised cost;
  - Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition (not used by the Company);
  - Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company); and
  - Debt instruments at amortised cost (not used by the Company).

  (b) Changes to the impairment calculation

  The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial instruments at amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

  The ECL is based on the portion of lifetime ECLs that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been

27. Transition to UK GAAP (continued)

(b) Changes to the impairment calculation (continued)

significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECLs.

On adoption of IFRS 9, there was no change in the ECL provision from the provision previously held under IAS 39.

(c) Impacts of changes in classification and impairment calculation

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of initial application date 1 January 2022 is, as follows:

	At 1 January 2022					
£'000s	**Under IAS 39**		**Remeasurement**		**Under IFRS 9**	
	Category	**Amount**	**Re-classification**	**ECL**	**Amount**	**Category**
Financial assets						
Financial investments						
- Measured at fair value through profit and loss	FVTPL	51,232	-	-	51,232	FVTPL
- Measured at amortised cost	L&R	71,809	-	-	71,809	AC
Other receivables	L&R	18,126	-	-	18,126	AC
Cash and cash equivalents	L&R	14,697	-	-	14,697	AC
Total financial assets		**155,864**	**-**	**-**	**155,864**	
Financial liabilities						
Other payables	L&R	4,799	-	-	4,799	AC
Total financial liabilities		**4,799**	**-**	-	**4,799**	

L&R: Loans and receivables
AC: Amortised cost
FVTPL: Fair value through profit and loss

- *Discontinued operations and held for sale assets and liabilities* – IFRS 5 requires assets held for sale to be presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are also presented separately from other liabilities in the statements of financial position. FRS 102 does not have a 'held for sale' classification for groups of assets and liabilities. The decision to sell or plans to discontinue the operation to which an asset belongs, are considered an impairment indicator, which triggers an impairment review. The definition of a discontinued operation under FRS 102 is similar to that in IFRS 5, but the FRS 102 definition does not refer to a component of an entity that is held for sale.

  Unlike IFRS, FRS 102 does not have a 'held for sale' classification for groups of assets and liabilities. The decision to sell or plans to discontinue the operation to which an asset belongs, are considered an impairment indicator, which triggers an impairment review. No adjustments were necessary as part of this impairment review. The definition of a discontinued operation under FRS 102 is similar to that in IFRS 5, but the FRS 102 definition does not refer to a component of an entity that is held for sale. Accordingly, any operations that are in run-off are not treated as discontinued under UK GAAP. To the extent any operations were presented as held for sale under IFRS but not deemed to be

27. Transition to UK GAAP (continued)

discontinued under UK GAAP (i.e. any run-off operations), these are included within continuing operations in these financial statements.

- *Financial statements format:* Under IFRS, entities are required to comply with the IAS 1 format of presentation. Upon adoption of UK GAAP, the Company is required to comply with The Companies Act 2006 and present financial statements under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Schedule 3).