PINNACLE INSURANCE PLC

Company Registration Number: 01007798

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 * (resigned 31 December 2024) T O Cuiper * (appointed 19 June 2024) S Suri (appointed 18 December 2024) * 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

STRATEGIC REPORT

Pinnacle Insurance plc ("the Company") is a composite insurance company, with a clear ambition to be the UK's leading pet healthcare and insurance services partner. The long term fund is in run off and all other non pet lines of business have either run off or have been disposed of by way of a Part VII Transfer.

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 76.4%) and BNP Paribas Cardif (owning 23.6%).

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. At the end of 2024 all non pet business with the exception of the long term fund was either terminated or disposed of by way of a Part VII transfer to EIFlow Insurance Limited. The long term fund continues to be fully reinsured to Darnell DAC.

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.

The results are presented under FRS 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'.

BUSINESS REVIEW

The Company reported a pre-tax loss of £28.2m (2023: loss of £12.7m). The 2024 loss was impacted by an increase in overheads of £22.0m, predominantly due to onboarding costs relating to a new partner. The Technical Result increased by £6.9m due to a decrease 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.

	2024 £'000			**2023 £'000**		
	Pet	*Non Pet*	*Total*	**Pet**	*Non Pet*	*Total*
Gross Written Premiums	**199,206**	*1,773*	*200,979*	**143,704**	*6,905*	*150,609*
Net Earned Premiums	**84,922**	*0*	*84,922*	**119,437**	*0*	*119,437*
Technical Result *	**20,806**	*5,873*	*26,679*	**14,033**	*5,733*	*19,766*
Investment return	**6,545**	*0*	*6,545*	**7,014**	*0*	*7,014*
Administration Expenses	**(55,194)**	*(6,253)*	*(61,447)*	**(33,444)**	*(6,024)*	*(39,468)*
Loss Before Tax	**(27,843)**	*(380)*	*(28,223)*	**(12,397)**	*(291)*	*(12,688)*
Claims ratio	**68%**			**72%**		
Acquisition costs ratio**	**17%**			**16%**		
Gross Margin	**25%**			**12%**		

** excluding investment return and administration expenses.*
*** net earned acquisition cost as percentage of net earned premium.*

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 £199.2m (2023: £143.7m), £29m of the increase comes from a new inwards reinsurance treaty. The remainder of the growth came from our own brands and partnership arrangements, due to increases in policies covered as well as increases in premium.

Non Pet (Comprising of Creditor, Warranty and MGA)
Gross written premiums reduced to £1.8m (2023: £6.9m). This business ended in 2024, during the year it continued to be 100% reinsured 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 reduced by £34.6m during the year, due to new quota share reinsurance agreements.

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 increase in the technical result of £6.9m is due to the reduction 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 gains on investments. Total net investment return for the year is a profit of £6.5m (2023: profit £7.0m) which comprises interest earned on financial investments of £6.1m (2023: £5.5m), realised gain on bonds of £0.1m (2023: loss £1.8m) and unrealised profit of £0.3m (2023: profit £3.3m).

The investment portfolio comprises of bonds and term deposits of high credit quality. The total portfolio was valued at £103.5m on 31 December 2024 (2023: £133.8m) of which 55% (2023: 32%) was held in bonds, and 45% (2023: 68%) in term-deposits with credit institutions.

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 £22m to £61.4m (2023: £39.5m), £20.1m of the increase is due to the cost of onboarding a new major partner, plus £2m inflation.

Claims Ratio: relates to pet business only and is calculated as net claims incurred expressed as a percentage of NEP. The claims ratio in 2024 decreased to 68% (2023: 72%).

Acquisition Cost Ratio: relates to pet business only and is calculated as a percentage of NEP. The ratio in 2024 increased to 17% (2023: 16%).

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 increased to 25% (2023: 12%).

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.

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.

Climate change and Operational Resilience

Due to the increasing impact of climate change and broader Environmental, Social and Governance (ESG) activities, the Company has developed an ESG reporting roadmap during 2023 and commenced implementation in 2024. The roadmap is a ground up review and includes 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 sets out 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, 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.

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.

People: 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 £23.0m (2023 loss: £12.5m). The Company has considerable financial resources, which include cash and cash equivalents of £32.5m (2023: £22.2m) and an investment portfolio of £103.5m (2023: £133.8m) 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 targets the Ratio of Eligible own funds to Solvency Capital Requirement (SCR) between 140% and 160%. The figures disclosed in the Company's Solvency II reporting, including this document, are prepared using the prescribed Standard Formula modified by Undertaking Specific Parameters (USP) for which permission was granted by the PRA on 18 December 2024.

Taking into account the company's current position and its principal risks on pages 5 to 6, 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 2026. 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 2026. This analysis demonstrates that the Company could continue as a going concern for the period to 31 December 2026 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 2026. 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
<u>Why the Board engages</u>
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 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.

<u>How the Board engages</u>
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 Committee (C&CC), which reports to the Board, monitors on a regular basis the fair treatment of customers. A Consumer Duty champion sits on the Board and ensures customers are considered 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.

Shareholders
<u>Why the Board engages</u>
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.

<u>How the Board engages</u>
The Board continuously monitors progress and performance towards the creation of value and sustainable results.

With the importance attached by the Shareholders 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 Shareholders 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.

The Company has developed an ESG reporting roadmap during 2023 and commenced implementation in 2024.

How the Board engages

The Company participates in the group wide strategy in support of ESG. Five key topics have been selected to be applicable across the Group: Animal Welfare; Climate; Equality of Opportunity, Diversity and Inclusion; Business Ethics.

Pinnacle has policies and training on important topics such as equal opportunities, the menopause, ESG, Code of Conduct and Succession Planning.

Key decisions in 2024

- The Board approved the Operational Resilience, Consumer Duty and Appointed Representative self-assessments for 2024.
- The approval of the formation of a new partnership for the provision of white label insurance services for Tesco Bank.
- The Board approved the submission of an application to the PRA for Undertaking Specific Parameters.
- The appointment of two new Non-Executive Directors.

Streamlined Energy and Carbon Reporting (SECR) disclosure

The section below includes our fifth year of reporting under the Streamlined Energy & Carbon Reporting (SECR) requirements. The reporting period is 1st October 2023 to 30th September 2024.

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

The Company has reported on all emission sources required under the Regulations.
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 2024 are:
Scope 1: Natural gas combustion and fuel used in company-owned vehicles;

Scope 2: Purchased electricity for the Company's own use;

Scope 3: Electricity (upstream leased assets), business travel, water and waste.

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

Calculations Methodology

The Company has 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 of this report:

- All calculations were undertaken with reference to the guidance given in The Greenhouse Gas Protocol published by the World Business Council for Sustainable Development ('WBCSD') and the World Resources Institute ('WRI'), and the Environmental Reporting Guidelines published by the UK government.
- Appropriate emission factors, sourced from the Department for Environment, Food & Rural Affairs ('DEFRA') were applied to data provided by the Company to calculate GHG emissions, expressed in tonnes of CO_2 equivalent (tCO_2e).
- In relation to Scope 2 electricity consumption, both location and market-based emissions have been calculated and are presented in this report.
- Appropriate energy conversion factors, sourced from DEFRA were applied to data provided by the Company to calculate energy usage, expressed in kilowatt-hours (kWh).
- Where data/information was unavailable reasonable assumptions have been made, as agreed with the Company. Electricity consumption at the Reading site has been estimated based on floor area.
- Pinnacle's electricity, natural gas, fuels, water, and waste data has been reviewed by an independent verification team in line with the ISO 50002 (energy), ISO 14046 (water) and ISO 19011 (waste) standards, and no reason was found to believe that Pinnacle's emissions are not materially correct. Any major findings from the verification review have been resolved prior to this report.

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

Absolute Emissions

The total Scope 1, 2 and 3 GHG emissions from the operations in the year ending 30th September 2024 were:

- **334 tonnes** of CO_2 equivalent (tCO_2e) when using a 'location-based' emission factor methodology for Scope 2 emissions;
- **163 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.

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:

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

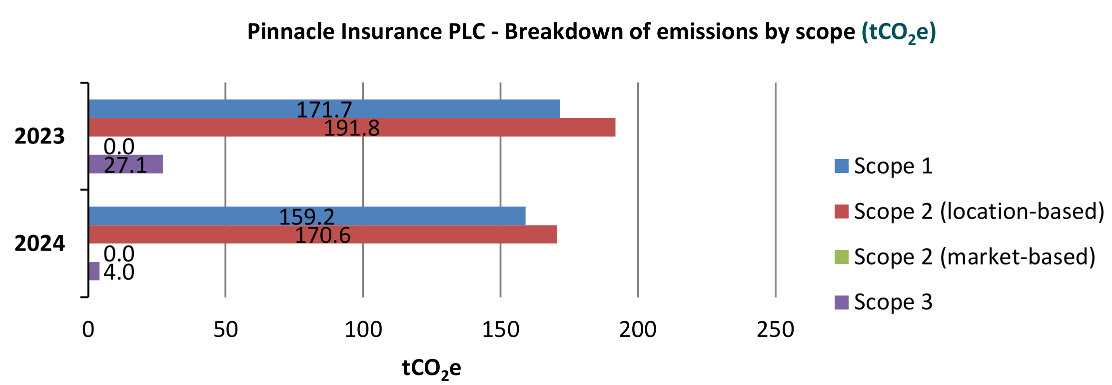
The intensity ratios considering all Scope 1, 2 and 3 emissions per FTE are as follows:

- **0.933 tCO_2e** per full time employee (location-based method)
- **0.456 tCO_2e** per full time employee (market-based method)

The intensity ratios for 2024 have been calculated using total floor area of 3,434 m^2 and 331 full-time equivalent employees.

Key Figures

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



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

3.1 Annual Report Statement

GHG emissions	2024			2023		
	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]	159	0.05	0.44	172	0.05	0.55
Scope 2[2]	171	0.05	0.48	192	0.06	0.61
Scope 2[3]	0	0.00	0.00	0	0.00	0.00
Scope 3[4]	4	0.00	0.01	27	0.01	0.09
Total GHG emissions (location-based Scope 2)	**334**	**0.10**	**0.93**	**391**	**0.11**	**1.25**
Total GHG emissions (market-based Scope 2)	**163**	**0.05**	**0.46**	199	0.06	0.64

Emissions Intensity		**2024**	**2023**
Occupied premises emissions intensity (tCO2e per FTE)	Scope 1 & 2 location-based emissions from occupied premises per full-time equivalent employee	0.92	1.16
Occupied premises emissions intensity (tCO2e per m2)	Scope 1 & 2 location-based emissions from occupied premises per m2 of floor area	0.10	0.11
Total emissions intensity (tCO2e per FTE)	Scope 1, 2 & 3 location-based emissions from occupied premises per full-time equivalent employee	0.93	1.25

[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: 3,434 m2 (2024); 3,431 m2 (2023).

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

Total Energy Use

	Electricity (kWh)	Gas (kWh)	Diesel (kWh)	Petrol (kWh)	Electricity upstream leased assets (kWh)	Total (kWh)
2024	824,131	852,774	-	13,454	2,599	**1,692,958**
2023	926,370	861,156	10,910	20,390	-	**1,818,826**

[1] Diesel relates to onsite generator at the Borehamwood site, no top ups were made in 2024.
[2] Electricity upstream relates to a leased office in Reading, previously reported in total Electricity kWh

3.2 Energy Efficiency Actions

A number of energy efficiency actions were implemented by Pinnacle Insurance PLC in 2024. These included the following:

- turned the canteen variable air volume onto frost protection mode;
- implemented boiler weather compensation;
- adjusted the toilet ventilation time schedule and setpoint;
- increased the variable air volume setpoint deadband; and
- increased the server room setpoint by 1˚C.

APPROVAL

This report was approved by the Board of Directors on 3rd April 2025 and signed on its behalf by:

Director
A M Wigg

DIRECTORS' REPORT

The Directors present this report together with the Strategic Report, Financial Statements and Auditor's Report, for the year ended 31 December 2024.

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 14. 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 32. The loss after taxation for the year was loss £23.0m (2023: loss £12.5m).

The Company paid dividends of £nil (2023: £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 * (resigned 31 December 2024)
T O Cuiper * (appointed 19 June 2024)
S Suri (appointed 18 December 2024)

* Independent Non-Executive Director

POLITICAL CONTRIBUTIONS

No political contributions were made during the year (2023: £nil).

STREAMLINED ENERGY AND CARBON REPORTING

Streamlined Energy and Carbon reporting can be found in the Strategic Report on pages 11 to 14.

ACTUARIAL VALUATION

An actuarial valuation was carried out as at 31 December 2024 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.

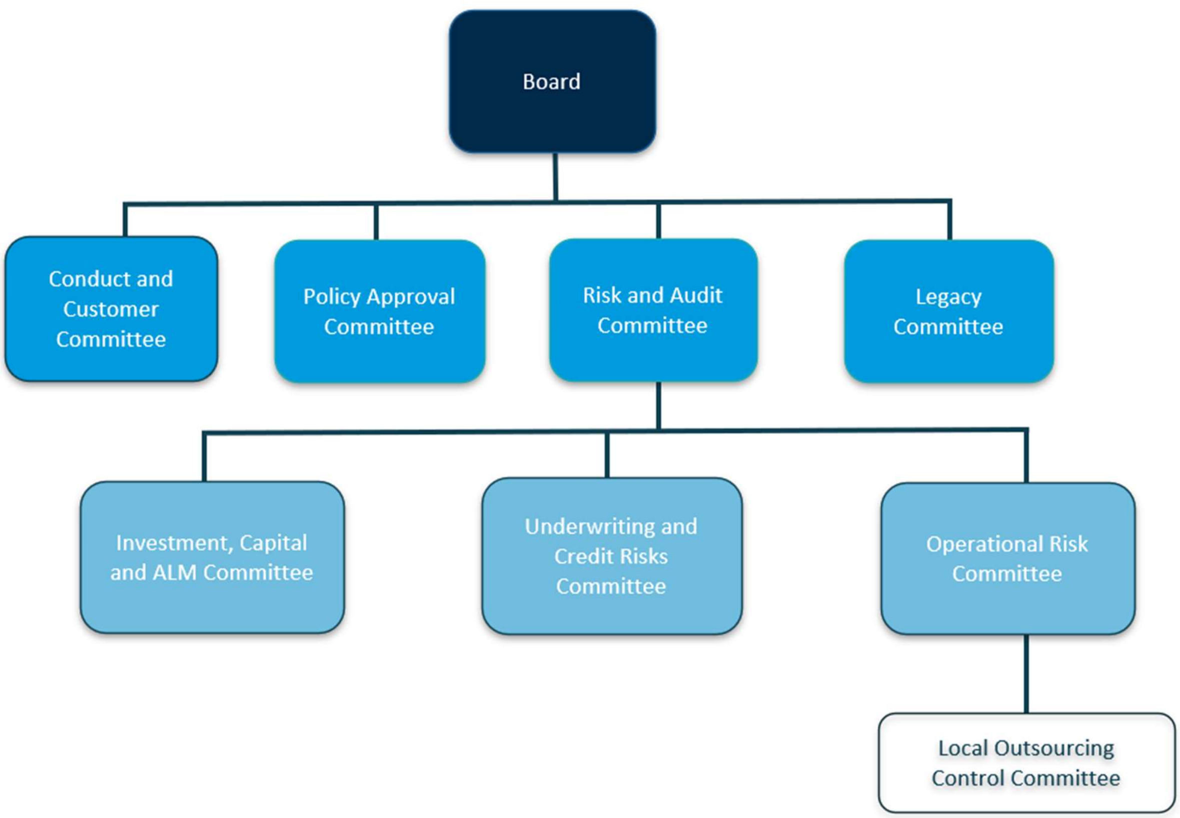
CORPORATE GOVERNANCE

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 11 times in 2024 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' 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 2024 was as follows:

	Board	Risk and Audit Committee	Investment Capital and ALM Committee	Policy Approval Committee	Conduct and Customer Committee	Underwriting and Credit Risks Committee	Operational Risk Committee	Non-Pet Legacy Committee
Number of meetings held	**11**	**6**	**4**	**4**	**4**	**4**	**4**	**6**
R A Hines **	11	*	*	*	*	*	*	*
S L P F Chevalet	8	5	*	*	*	*	*	6
M J Lorimer	10	6	*	4	4	*	4	6
A M Wigg	11	6	4	4	*	4	*	3
S M May	11	6	4	4	4	4	3	*
C A Scarr **	11	6	*	*	*	*	*	*
D C L Beeckman	11	6	*	*	*	*	*	5
E De Talhouet **	10	4	*	*	*	*	*	*
C A Iordache	11	5	*	4	*	4	*	*
T O Cuiper **	4	*	*	*	*	*	*	*
S Suri	0	*	*	*	*	*	*	*

* Indicates not a member of that Committee
** Independent Non Executive Director
*** T O Cuiper appointed 19 June 2024, S Suri appointed 18 December 2024

The Risk and Audit Committee and Policy Approval Committees are sub-committees of the Board.
The Investment, Capital and ALM 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)

Objectives

The Committee is primarily an advisory Committee to the Board.
Its aim is to facilitate focused and informed Board discussions on risk, control, audit and compliance related matters. The Board retains ultimate accountability for the organisation's principal risks and for the overall effectiveness of its risk management arrangements.
It exists with the following objectives:

- 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; and
- to provide a channel of communication to the Board for the internal and external auditors.

Authority

The Risk and Audit Committee has authority to:

- conduct or authorise investigations into any matters within its scope of responsibility;
- invite any other members of staff to attend Committee meetings as required to fulfil its duties;
- retain outside counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
- request PIC's Internal Audit function to undertake specific audit projects on behalf of the Committee;
- meet with company officers, external auditors, or outside counsel, as necessary.

Risk and Audit Committee (RAC) (continued)

Responsibilities

- the Committee evaluates and advises the Board as to whether PIC's risk management strategy adequately monitors and controls the risks of the business in line with the Board's risk appetite statement;
- the Committee periodically reviews and recommends for Board consideration and approval, proposed material changes to PIC's risk management framework consistent with the risk strategy and risk appetite. This includes proposed changes to risk governance, risk appetite and risk policy frameworks;
- the Committee considers whether there is appropriate alignment between PIC's overall product and service offering (including pricing and profitability) and its risk strategy and risk appetite.
- the Committee monitors the risks of the business against board approved risk appetite statements and notifies the Board of actual or likely material breaches of risk appetite. This includes comments on the adequacy of management's response, including recommending further actions where appropriate;
- the Committee monitors and periodically advises the Board on the overall effectiveness of PIC's risk management and internal control systems;
- the Committee assesses and advises the Board on the quality and appropriateness of PIC's risk information and reporting; and
- the Committee safeguards the independence and objectivity and oversees the performance of the Chief Risk Officer (SMF4 function holder) and the 2nd line risk function.

More specifically the Committee will be responsible for carrying out the following:

- receive reports and review the output from PIC'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 Investment & Capital Committee (ICC), Operational Risk Committee (ORC) and Underwriting & Credit Risk Committee (UCR) 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 assurance matrix, outlining the total amount of assurance to be performed over the risks of the business across all functions. This includes the plan of the Risk Management Function and the annual Compliance Monitoring Plan. To oversee its realisation and results and report to the Board on the sufficiency and quality of resource within the Risk Management and Compliance Departments;
- review and approve such of PIC's Policies as shall be delegated to the Committee by the Board to ensure that operations, policies and procedures comply with relevant laws and regulations, industry codes and requirements of PPG;
- advise the Board on risk-related matters including policy, strategy and implementation for each area of risk namely: Operational; Strategic; Capital; 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 the second line of defence;
- provide steering on how each ORSA should be performed, monitor the progress of its conduct and report to the Board as required;
- make formal recommendations to the PIC Board regarding PIC's capital requirements and ORSA submission including planning to ensure capital requirements can be met under adverse and unexpected conditions and advise the PIC Board as to whether or not additional capital (i.e. in excess of the Solvency Capital Requirement) should be held;

Risk and Audit Committee (RAC) (continued)

Responsibilities (continued)

- agree the Annual Internal Audit Schedule and budget having regard to the company's risk profile and risk appetite;
- where Internal Audit is outsourced, make recommendations on the appointment, reappointment, and removal of the appointed firm;
- 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 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;
- approve the terms of the engagement and remuneration of the external auditors;
- assess annually the independence and objectivity of the external auditors;
- monitor the external auditors' compliance with relevant ethical standards and seek reassurance that there is no conflict of interest between their staff members and PPG including potential conflict of interest;
- develop and recommend to the Board, if appropriate, a company policy relating to the provision of non-audit services by the 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;
- review with the external auditors the findings of their work;
- assess the effectiveness of the audit process;
- make the terms of reference of the audit process available to the Board;
- oversee the company's relationship with the external auditors and review the performance and cost effectiveness of the external auditors;
- hold a meeting with the external auditors in private at least once a year to ensure that there are no unresolved issues of concern;
- agree with the Board the policy for employing former employees of the external auditor and monitor application of that policy;
- 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 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 reasons for any deviations from legislation or accounting standards or any changes to accounting policies and presentation;
- review other sections of the annual report and related regulatory submissions before release and consider the accuracy and completeness of the information; and
- 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.

Policy Approval Committee

This Committee is chaired by the General Counsel and reports into the Board. 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 sure all policies are reviewed and approved annually, have sufficient discussion and debate and delegates to management; and
- to ensure all approved policies are communicated to and adopted by the relevant business areas.

Legacy Business Committee

This committee is chaired by a Non Executive Director from BNP Paribas Cardif and reports into the Board.

This committee was established in July 2022 by the Board following the joint business venture of JAB Holding Company and BNP Paribas Cardif.

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 or all non-pet business is otherwise closed.

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 deliver good outcomes to Customers); 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 RAC. 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;
- agree investment returns to be used for future investments, new product types, constraints of asset duration, constraints on credit rating, counterparties and removal of counterparties' restrictions;
- monitor the investment impacts on solvency capital requirements of market and counterparty default risks;
- manage investments within the tolerances provided by the ALM policy of managing and matching the assets with liabilities while complying with financial objectives, risk appetite and regulatory constraints;
- review the investment guidelines and ALM management procedures; and
- review investment and ALM policies at least once a year and make proposal of change to the RAC.

Underwriting and Credit Risk Committee (UCR)

This Committee is chaired by the Chief Actuary and reports to the RAC. The Underwriting and Credit Risk Committee meets quarterly. The Committee's main responsibilities are to:

- provide effective risk monitoring & risk follow up for all the key underwriting & credit risk and provide an escalation process (alert system);
- review the underwriting and credit risk exposure and the related risk mitigation technique and the related risk map;
- review the new products that could lead to a material change of the company's risk profile;
- review the adequacy of the reinsurance programme as part of the risk mitigation techniques; and
- review the underwriting and credit risk management procedures and the underwriting policy at least once a year and make proposals of change to the RAC.

Conduct and Customer Committee (CCC)

The Committee is chaired by General Counsel and reports to the Board.

It provides oversight of Conduct Risk within PIC and adherence by members of PIC with Conduct Risk and Consumer Duty 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 ensures that any items of note or potential foreseeable harm are discussed at the CCC and are raised at the Board in a timely manner. In addition:

- 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 delivery of good outcomes for 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 meeting the requirements of the Consumer Duty;
- it encourages the development, analysis and use of further Conduct Risk Indicators (CRIs) or other management information to measure and ensure good 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, Root Cause Analysis ("RCA"); and
- it reviews issues brought to the CCC and makes recommendations that are in the best interests of all customers

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.

Operational Risk Committee (Continued)

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, IT and Systems, and Strategic (including ESG, outsourced activities and Emerging risks) faced by the company;
- ensure ongoing compliance with Operational Resilience;
- 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 RAC, 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 risk appetite levels arising from control failures;
- review planned controls mitigating the impact of new or emerging risks;
- review implementation of control improvements; and
- request the performance of risk deep dives and thematic risk reviews.

Outsourcing Control Committee (OCC)

This Committee is chaired by an Executive Director. It reports into the ORC which reports to the RAC.

- 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; and
- 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 RAC 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. The Risk function supports the action closure process by tracking closure dates with action owners and ensuring suitable evidence is obtained for Internal Audit review.

The RAC agrees the audit schedule set out by Internal Audit. Where required, the schedule is adjusted in consultation with the RAC to address new or emerging risks. This might be the case if the RAC or Board wants a particular area of the Company's operations to be reviewed, perhaps in response to external drivers such as new regulations.

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
3rd April 2025

PINNACLE INSURANCE PLC

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website

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

Opinion

We have audited the financial statements of Pinnacle Insurance PLC for the year ended 31 December 2024 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 25 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 2024 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:

- obtaining and reviewing management’s going concern assessment approved by the Board, which is based on a detailed budget drawn up to 31 December 2026;
- Corroborating the information in the assessment where relevant to supporting documentation;
- Identifying the key assumptions used in the assessment and challenging whether the downside scenarios used by management were reasonable;
- Verifying the forecasts used in management's assessment to board approved forecasts;
- Recalculating the clerical accuracy of management's base case;
- Challenging and independently stressing the assumptions used in management's cashflow and solvency forecasts;
- Reviewing any correspondence with Prudential Regulation Authority (“PRA”) and assessing whether the company will continue to comply with capital adequacy requirements;
- Performing 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
- Assessing the appropriateness of the going concern disclosures by comparing the disclosures with management’s assessment and for compliance with the relevant reporting requirements.

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

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 31 December 2026.

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 £2.0m which represents 1.0% of Revenue (Gross Written Premium)

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 statements 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 the climate change and the adequacy of the Company's disclosure on page 36 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.

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) £36.3m, (2023: £54.7m). Refer to Accounting policies (page 38-39; and Note 17 of the Financial Statements (page 57). 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. The component of the Gross Technical Provisions that is particularly sensitive to such assumptions and judgements is the allowance for Incurred But Not Reported (IBNR) claims and as such our significant risk is focussed on the determination of this element. Due to the magnitude of the 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. We assessed that the key assumptions and judgements applied by the Company in determining the IBNR are: • Initial expected loss ratios; • Frequency and severity of losses; • That the historical claims development pattern will occur again in the future; and • Given recent inflationary pressures, the estimate of the impact of future inflation.	As part of our audit procedures, with the assistance of EY actuaries, we 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 and the underlying assumptions; • Performed independent projections of 88% of the IBNR using EY's in-house modelling software and PIC's data, including the estimation of a reasonable range of the reserves. • Reviewed the methodology and approach for the remaining 12% of the IBNR • 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 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 £2.0m (2023: £2.9m), which represents 1% of the Revenue (Gross Written Premium) (2023: 2% of Net Assets). We have selected revenue as the basis for our calculation which is a change from prior year, and this is due to the focus of the Company being a growth strategy on the pet insurance book through various partnerships and providing underwriting capacity for other entities in the Pinnacle Pet Group. This also aligns with the key performance indicators noted in the prior year financial statements and monthly management information. In the prior year, we used net assets as the basis, given the view that solvency (closest proxy is net assets in the financial statements) would be the most important KPI for stakeholders until the Part VII transfer of the non-pet book took place. Although solvency remains a key KPI, we have concluded that the Group and Company's strategic focus on revenue growth and completion of the Part VII transfer before 31 December 2024, makes revenue a more appropriate basis.

During the course of our audit, we reassessed initial materiality of £1.7m and updated it to £2.0m due to the increases in the Company's Revenue between interim and year end.

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 75% (2023: 50%) of our planning materiality, namely £1.5m (2023: £1.5m). In the prior year, the performance materiality was set at 50% in line with our methodology applicable to initial audits. Our initial audit did not identify a significant level of uncorrected audit misstatements and therefore we have reassessed our performance materiality to 75% in the current year.

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 £0.10m (2023: £0.15m), 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.

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

Report on the audit of the financial statements (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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.

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.

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

Report on the audit of the financial statements (continued)

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 law 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. 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:
    - Reviewing estimates for evidence of management bias. We considered management override risk to be higher within the valuation of gross technical provisions (excluding unearned premium reserve), 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;
    - Evaluating the business rationale for significant and/or unusual transactions;
    - In relation to the mandatory fraud risk over revenue recognition, auditing the relationship between gross written premiums, insurance debtors and cash, with minimal differences noted.

Report on the audit of the financial statements (continued)

  - Testing 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.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of minutes of meeting and inquiries to senior management.
- 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 two years, covering the years ending 31 December 2023 and 31 December 2024.
- 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.

Andrew Blackmore

Andrew Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
4 April 2025

PINNACLE INSURANCE PLC

Income Statement
For the year ended 31 December 2024

Technical account – General business	**Notes**	**2024**	**2023**
		£'000	**£'000**
Gross written premium	3	200,979	150,609
Outward reinsurance premiums		(136,090)	(9,566)
Change in the gross provision for unearned premiums	17	(23,880)	(17,415)
Change in the provision for unearned premiums, reinsurers' share	17	43,913	(4,191)
Earned premiums, net of reinsurance		84,922	119,437
Total technical income		**84,922**	**119,437**
Claims incurred, net of reinsurance			
Claims paid			
– gross amount	5	(119,474)	(86,638)
– reinsurers' share	5	56,374	5,306
		(63,100)	(81,332)
Change in the provision for claims			
– gross amount	5	3,588	(2,182)
– reinsurers' share	5	3,818	(2,938)
		7,406	(5,120)
Claims incurred, net of reinsurance	5	**(55,694)**	**(86,452)**
Net operating expenses	6	(64,207)	(52,693)
Other technical charges, net of reinsurance		211	6
Loss on Part VII transfer	1.1	(12,162)	-
Other income	1.1	12,162	-
		(63,996)	**(52,687)**
Balance on the technical account		**(34,768)**	**(19,702)**

Income Statement
For the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Non-technical account			
Balance on the technical account		**(34,768)**	**(19,702)**
Investment return	4	6,117	5,493
Realised gains on investments	4	83	-
Realised losses on investments	4	-	(1,815)
Unrealised gains on investments	4	345	3,336
Loss on ordinary activities before tax		**(28,223)**	**(12,688)**
Tax credit on ordinary activities	10	5,192	179
Loss for the financial year		**(23,031)**	**(12,509)**
Loss attributable to:			
– Parent company		**(23,031)**	**(12,509)**

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 £23.0m (2023: loss £12.5m) represents total comprehensive loss for the year attributable to the owner of the Company.

The notes on pages 36 to 74 form an integral part of these financial statements.

PINNACLE INSURANCE PLC
Statement of Financial Position
As at 31 December 2024

		2024	**2023**
Assets	**Notes**	**£'000**	**£'000**
Investments			
Financial investments	11	**103,519**	**133,814**
Reinsurers' share of technical provisions			
Provision for unearned premiums	17	48,266	5,465
Long-term business provision	17	15,461	17,436
Claims outstanding	17	11,202	21,110
		74,929	**44,011**
Debtors			
Debtors arising out of direct insurance operations - Policyholders		108,094	76,892
Debtors arising out of reinsurance operations		15,902	5,055
Other debtors	13	8,954	6,373
		132,950	**88,320**
Other assets			
Cash and cash equivalents		32,472	22,216
	12	**32,472**	**22,216**
Prepayments and accrued income			
Accrued interest		798	419
Deferred acquisition costs	18	14,191	10,047
		14,989	**10,466**
Total assets		**358,859**	**298,827**
Liabilities			
Capital and reserves			
Called up share capital	15	151,557	151,557
Share premium	15	23,323	23,323
Retained earnings	15	(51,294)	(28,263)
Total equity		**123,586**	**146,617**
Technical provisions			
Provision for unearned premiums	17	95,660	72,892
Long-term business provision	17	15,461	17,436
Claims outstanding	17	20,803	37,294
		131,924	**127,622**
Provisions for other risks			
Other provisions	19	3	214
		3	**214**
Creditors			
Creditors arising out of direct insurance operations: Intermediaries		11,959	11,897
Creditors arising out of reinsurance insurance operations		69,290	6,120
Other creditors including taxation and social security	14	18,120	5,086
Accruals and deferred income		3,977	1,271
		103,346	**24,374**
Total liabilities		235,273	152,210
Total equity and liabilities		**358,859**	**298,827**

The financial statements were approved and authorised for issue on 3rd April 2025 by the Board of Directors and are signed on its behalf by:

Director
A M Wigg
The notes on pages 36 to 74 form an integral part of these financial statements.

PINNACLE INSURANCE PLC

Statement of Changes in Equity
For the year ended 31 December 2024

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2023	**151,557**	**23,323**	**(15,754)**	**159,126**
Shares issued for cash	-	-	-	-
Loss for the year	-	-	(12,509)	(12,509)
At 31 December 2023	**151,557**	**23,323**	**(28,263)**	**146,617**
Loss for the year			(23,031)	(23,031)
At 31 December 2024	**151,557**	**23,323**	**(51,294)**	**123,586**

The notes on pages 36 to 74 form an integral part of these financial statements.

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.

As permitted by FRS 103 the Company continues to apply the accounting policies that were applied prior to transitioning to FRS 103. 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 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 2024.

Going concern

During the year, the Company made a loss after tax of loss £23.0m (2023 loss: £12.5m). The Company has considerable financial resources, which include cash and cash equivalents of £32.5m (2023: £22.2m) and an investment portfolio of £103.5m (2023: £133.8m) 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 targets the Ratio of Eligible own funds to Solvency Capital Requirement (SCR) between 140% and 160%. The figures disclosed in the Company's Solvency II reporting, including this document, are prepared using the prescribed Standard Formula modified by Undertaking Specific Parameters (USP) for which permission was granted by the PRA on 18 December 2024.

Taking into account the company's current position and its principal risks on pages 5 to 6, 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 2026. 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 31 December 2026. This analysis demonstrates that the Company could continue as a going concern for a period up to 31 December 2026 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 up to the period ending 31 December 2026. 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 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 Transfer of the business

On 31 December 2024, the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 to transfer the non pet general business to ElFlow Insurance limited was approved by the Court of Session. The Part VII transfer was conducted with effect from 31 December 2024. As part of the purchase of PIC by PPG from BNPP, BNPP agreed to indemnify PIC for any loss on sale of the non pet general business.

The following table presents the balances transferred to ElFlow Insurance limited.

	£'000
Gross technical provisions	16,813
Reinsurers share of technical provisions	(9,052)
Net technical provisions transferred	7,761
Cash paid to ElFlow	(19,923)
Loss on Part VII Transfer	(12,162)
Indemnification of loss on Part VII transfer (shown as other income in technical account)	12,162
Net gain/(loss) on Part VII transfer	-

1.2 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 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. Summary of significant accounting policies (continued)

1.3 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.

1.4 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.

1.5 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.

1.6 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.

1.7 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 claim's 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.

1.7 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 2024 (2023: £Nil).

Provisions are calculated gross of any reinsurance recoveries.

1.8 Reinsurance

Contracts entered 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.11.1 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.

1.11.2 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.

1.11 Financial instruments (continue)

1.11.3 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; and

- 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.

1.11.4 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.

1.11 Financial instruments (continued)

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

1.11.6 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.

1.11 Financial instruments (continued)

1.11.7 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.

1.12 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.

1.13 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.

1.14 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.

1.14 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.

1.15 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.

<u>Current tax:</u>

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.

<u>Deferred tax:</u>

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.

1.16 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.

1.17 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.

1.18 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
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 £36.3m (2023: £54.7m). 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.

The key judgements and areas of uncertainty present when assessing IBNR are summarised in the following table (see also note 17):

Business class	Key judgements	Main sources of uncertainty
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

3. Analysis by class of business

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

	2024 £'000	2023 £'000
Gross written premiums		
General business	200,953	150,589
Long-term business	26	20
	200,979	150,609

	2024 £'000	2023 £'000
Net assets		
General business (including shareholder's funds/total equity)	114,453	137,321
Long-term business (run-off operations)	9,133	9,296
	123,586	146,617

2024	Pet £'000	Creditor £'000	Warranty £'000	MGA £'000	Total £'000
Gross Premiums Written					
- Direct insurance	170,292	1,613	160	-	172,065
- Inward reinsurance	28,914	-	-	-	28,914
	199,206	1,613	160	-	200,979
Gross premiums earned	172,335	1,894	2,870	-	177,099
Gross claims incurred	(116,254)	22	(13)	359	(115,886)
Gross operating expenses	(86,302)	(3,016)	(2,628)	(861)	(92,807)
Reinsurance balance	(4,171)	875	(325)	448	(3,173)

3. Analysis by class of business (continued)

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)

4. Net investment return

	2024 £'000	2023 £'000
Interest income from financial investments at fair value through profit and loss	1,278	913
Interest income from financial investments held at amortised cost	4,839	4,580
Net realised gains / (losses) on financial investments	83	(1,813)
Net unrealised gains on financial investments	345	3,336
Net foreign exchange (losses) on investments	-	(2)
	6,545	7,014

5. Net claims incurred

	2024		
Gross amount	**General business £'000**	**Long-term business £'000**	**Total £'000**
Claims paid	118,446	1,028	119,474
Gross movement in the provision for:			
- Claims outstanding	(1,613)	(1,975)	(3,588)
	116,833	(947)	115,886
Reinsurers' share			
Reinsurers' recoveries	(55,346)	(1,028)	(56,374)
Movement in the provision for:			
- Claims outstanding	(5,793)	1,975	(3,818)
	(61,139)	947	(60,192)
	55,694	-	55,694

	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

6. Net operating expenses

	2024 £'000	2023 £'000
Acquisition costs	33,253	24,423
Change in gross deferred acquisition costs	(4,143)	(3,662)
Administrative expenses	61,447	39,468
Reinsurance commissions and profit participation	(26,350)	(7,536)
	64,207	52,693

Commissions in respect of direct insurance business amounted to £33.3m (2023: £24.4m).

6. Net operating expenses (Continued)

Included in administrative expenses are:	2024 £'000	2023 £'000
Management fees charged by Pinnacle Insurance Management Services Plc	37,976	36,170
Cost of onboarding a new major partner (expensed in year)	20,741	-
Professional fees	1,092	1,131
Head office charge	1,359	1,920

7. Auditor's remuneration

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

The analysis of auditor's remuneration is as follows;

	2024 £'000	2023 £'000
Fees payable to Company's auditor for Company's annual accounts	465	513
Non-Audit Fees pursuant to Legislation	65	-
	530	513

In 2023 there were no fees paid to the company's auditor, Ernst & Young LLP 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:

	2024 £'000	2023 £'000
Total staff costs	25,523	21,263
Redundancy cost incurred	85	28
	25,608	21,291

Included above within staff costs are the social security costs of £2.3m (2023: £2.3m) and staff pension contributions of £1.9m (2023: £1.8m).

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

	2024	2023
Administration and finance	251	247
Underwriting	25	19
Claims	30	27
Investments	1	1
	307	294

9. Directors' remuneration

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

	2024 £'000	2023 £'000
Aggregate remuneration	1,653	2,008
Pension contributions to a defined contribution scheme	40	40
	1,693	2,048

The remuneration of the highest paid Director:

	2024 £'000	2023 £'000
Aggregate remuneration of highest paid Director	546	644
Pension contributions of highest paid Director	9	9
	555	653

Appropriate time allocations are 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)	
	2024 £'000	2023 £'000
Current tax		
UK corporation tax charge/(credit) for the year	(2,292)	(447)
Prior year adjustments	(225)	(25)
Total current tax charge /(credit)	(2,517)	(472)
Deferred tax		
Origination and reversal of timing differences	(2,675)	306
Effect of tax rate change on opening balance	-	(13)
Total tax charged/(credited) to income statement	(5,192)	(179)

The Company earns its profits entirely in the UK. UK corporation tax has been charged at 25% (2023: 23.52%), the standard rate in the UK for the period.

10. Taxation (Continued)

Tax reconciliation	2024 General business £'000	 Long-term business £'000	 Total £'000
Non-technical account			
Profit/(loss) on ordinary activities before tax	(28,175)	(48)	(28,223)
Tax calculated at the standard UK corporation tax rate of 25%	(7,044)	(12)	(7,056)
Effect of:			
Movement in Deferred Tax Asset not recognised	2,077	12	2,089
Tax loss	-	-	-
Adjustment in respect of previous years			
-Under provision prior years	(225)	-	(225)
Total tax credited to income statement	(5,192)	-	(5,192)

Tax reconciliation	2023 General business £'000	 Long-term business £'000	 Total £'000
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 19%	(3,021)	37	(2,984)
Effect of:			
Brought forward losses utilised	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)

10. Taxation (Continued)

Deferred tax (asset)

The following is the deferred tax recognised by the Company and movements therein during the current and prior reporting period.

	General business	
	2024	2023
	£'000	£'000
At 1 January	(1,175)	(1,469)
Recognition / De-recognition of deferred tax	(2,675)	306
Re-measurement of deferred tax for changes in tax rates	-	(12)
At 31 December	(3,850)	(1,175)

Deferred tax has been recognised for £15.4m (2023: £4.7m) of tax losses at the statutory rate of 25% which equates to a deferred tax asset of £3.9m (2023: £1.2m). The tax rate having increased from 19% to 25% effective from 1 April 2023.

The company expects £3.9m (2023: £0.5m) of this deferred tax asset will unwind over the next 12 months..

Analysis of unrecognised deferred tax asset

There is an unrecognised deferred tax asset of £6.8m at 31 December 2024 (2023: £3.6m) in respect of trading losses of general business, and £1.4m (2023: £1.3m) in respect of long-term business.

	General business		Long-term business		Total	
	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000
Losses	5,420	3,581	1,358	1,346	6,778	4,927
Unrecognised deferred tax asset	5,420	3,581	1,358	1,346	6,778	4,927

Unrecognised deferred tax is calculated at 25% (2023: 25%).

11. Financial assets and liabilities

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

	Carrying value		Cost price	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Investments held at fair value through profit or loss				
- Debt securities/ Bonds	56,753	43,262	57,102	43,957
Investments held at amortised cost				
- Deposits with credit institutions	46,766	90,552	46,766	90,552
Total Financial investments	**103,519**	**133,814**	**103,868**	**134,509**
Assets held at amortised cost				
- Cash and cash equivalents	32,472	22,216	32,472	22,216
- Other receivables	24,854	11,428	24,854	11,428
	57,326	**33,644**	**57,326**	**33,644**
Total financial assets	**160,845**	**167,458**	**161,194**	**168,153**
Financial liabilities				
Other payables	87,410	11,206	87,410	11,206
Total financial liabilities	**87,410**	**11,206**	**87,410**	**11,206**

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 2024 and 2023.

12. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and in hand	12,472	7,216
Short-term deposits with credit institutions	20,000	15,000
	32,472	22,216

The short-term deposits with credit institutions represent money market funds available for withdrawal subject to one-day notice. The effective interest rate on money market fund for the year ended 31 December 2024 was 5.1% (2023: 4.3%)

13. Other debtors

	2024 £'000	2023 £'000
Other debtors		
- Amounts owed by group undertakings (see note 23)	2,812	4,751
- Deferred tax	3,850	1,175
- Corporation tax	2,292	447
	8,954	6,373
Amounts to be settled within one year	8,954	5,198
Amounts to be settled after one year	-	1,175
	8,954	6,373

14. Other creditors including taxation and social security

	2024 £'000	2023 £'000
Amounts due to group undertakings (see note 23)	12,751	276
Other taxation and social security	5,369	4,810
	18,120	5,086
Amounts to be settled within one year	18,120	5,086
Amounts to be settled after more than one year	-	-
	18,120	5,086

15. Share Capital and Reserves

The total shareholder's funds are analysed as:

	2024 £'000	2023 £'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	(51,294)	(28,263)
Total Shareholder's funds / equity	123,586	146,617

There was no issue of capital in 2023 and 2024.

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

	2024			
	Unearned premiums reserve	Claims outstanding	Long-term business provision	Total
Insurance liabilities	**£'000**	**£'000**	**£'000**	**£'000**
Gross amount				
At 1 January 2024	72,892	37,294	17,436	127,622
Portfolio transfer	-	823	-	823
Part VII transfer	(1,112)	(15,701)	-	(16,813)
Movement in the provision	23,880	(1,613)	(1,975)	20,292
At 31 December 2024	95,660	20,803	15,461	131,924
Reinsurance amount				
At 1 January 2024	(5,465)	(21,110)	(17,436)	(44,011)
Part VII transfer	1,112	7,940	-	9,052
Reinsurance commutation	-	7,761	-	7,761
Movement in the provision	(43,913)	(5,793)	1,975	(47,731)
At 31 December 2024	(48,266)	(11,202)	(15,461)	(74,929)
Net technical provisions				
At 1 January 2024	67,428	16,184	-	83,612
Portfolio transfer	-	823	-	823
Part VII transfer	-	-	-	-
Movement in the provision	(20,033)	(7,406)	-	(27,439)
At 31 December 2024	47,395	9,601	-	56,996

Prior to the Part VII transfer, the 100% quota share reinsurance contract on the non-pet general insurance book was commuted for £7,761k resulting in nil gain or loss.

	2023			
	Unearned premiums reserve	Claims outstanding	Long-term business provision	Total
Insurance liabilities	**£'000**	**£'000**	**£'000**	**£'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				
At 1 January 2023	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

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 2024	37,294	(21,110)	16,184
Claims incurred in current accident year	123,775	(62,299)	61,476
Claims incurred in prior accident years	(20,792)	15,833	(4,959)
Claims paid during the year	(119,474)	56,374	(63,100)
At 31 December 2024	**20,803**	**(11,202)**	**9,601**

	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**

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 claim 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:

	2024	2024
	£'000	£'000
Impact on loss before tax	Impact on loss before tax	Impact on equity
Insurance losses deteriorate against expected outcome		
5% deterioration	(480)	(360)
10% deterioration	(960)	(720)
Insurance losses improve against expected outcome		
5% improvement	480	360
10% improvement	960	720

	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

17. Insurance liabilities (continued)

Following the decision to reinsure non-Pet business to Darnell DAC from 31 December 2021, the net of reinsurance long term business provision is zero.
The gross of reinsurance provision has decreased by £2.0m over 2024.
The long term claims outstanding consists of claims reserves attached to Creditor business with a death benefit attached (nil at year-end 2024).
See the table below for a detailed movement analysis:

	2024					
	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 2024	17,436	-	17,436	-	-	-
Change in exposure	(428)	-	(428)	-	-	-
Adjustments due to change in assumptions:						
Mortality	-	-	-	-	-	-
Discount rate	(1,452)	-	(1,452)	-	-	-
Inflation rate	(24)	-	(24)	-	-	-
Default provision	-	-	-	-	-	-
Expenses	(70)	-	(70)	-	-	-
Other	-	-	-	-	-	-
At 31 December 2024	15,462	-	15,462		-	-

	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	-	-	-

17. Insurance liabilities (continued)

Long-term business provision

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

Rates of interest	2024	2023
RAM - Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
Annuities-general	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
Annuities-pension	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
GUAL- Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
Assurances:		
Life After Fifty	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
Individual Life - WOL & DTA	EIOPA Risk Free Rate - term structure of interest rate for YE24	EIOPA Risk Free Rate - term structure of interest rate for YE23
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	100% of ELT16 Males & ELT16 Females	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	**2020 £'000**	**2021 £'000**	**2022 £'000**	**2023 £'000**	**2024 £'000**	**Total £'000**
estimate of ultimate claims costs						
At the end of accident year	32,784	52,167	58,424	90,153	118,250	
One year later	30,056	48,876	59,076	87,066		
Two years later	29,812	49,413	58,531			
Three years later	29,811	49,438				
Four years later	29,949					
Cumulative claims payments						
At the end of accident year	(18,012)	(40,341)	(48,301)	(74,213)	(103,686)	
One year later	(29,098)	(48,524)	(57,605)	(86,080)		
Two years later	(29,774)	(48,989)	(58,290)			
Three years later	(29,798)	(49,124)				
Four year later	(29,946)					
Current estimate of cumulative claims	29,949	49,438	58,531	87,066	118,250	343,235
Cumulative payments to date	(29,946)	(49,124)	(58,290)	(86,080)	(103,686)	(327,127)
Claims liabilities outstanding	**2**	**314**	**241**	**986**	**14,564**	**16,108**
Claims liabilities outstanding for prior years						**65**
Total Claims liabilities outstanding Gross						**16,173**
Risk Margins						4,272
Claims Handling Expenses						358
Gross Insurance Claims Liabilities Total						**20,803**

*Claim development tables have been updated to include only business for which provisions are held on the year-end 2024 balance sheet. This means that historic figures for business subject to Part VII transfer during 2024 have been removed from the year-end 2023 figures. The extent of the triangles has also been reduced to five accident years as there are no longer material liabilities beyond this point, the triangles covering only Pet and Creditor business.

17. Insurance liabilities (continued)
Claims Development Tables (continued)
Insurance Claims – Net of Reinsurance*

Accident year	2020 £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000	Total £'000
estimate of ultimate claims costs						
At the end of accident year	22,651	48,344	55,691	86,612	58,711	
One year later	22,726	45,375	55,056	83,605		
Two years later	22,611	45,325	55,052			
Three years later	22,614	45,329				
Four year later	22,618					
Cumulative claims payments						
At the end of accident year	(15,607)	(38,925)	(47,261)	(73,288)	(51,685)	
One year later	(22,550)	(45,273)	(54,985)	(83,462)		
Two years later	(22,608)	(45,321)	(55,051)			
Three years later	(22,614)	(45,330)				
Four year later	(22,618)					
Current estimate of cumulative claims	22,618	45,329	55,052	83,605	58,711	265,315
Cumulative payments to date	(22,618)	(45,330)	(55,051)	(83,462)	(51,685)	(258,145)
Claims liability outstanding	**-**	**-**	**2**	**143**	**7,026**	**7,171**
Claims liability for prior years						
Total Claims liabilities outstanding Net						**7,171**
Risk Margins						2,120
Claims Handling Expenses						310
Net Insurance Liabilities Total						**9,601**

*The ceded pet liability figures, which were presented as consolidated figures below the triangles in previous years, have been moved into the triangles.

18. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:	2024	2023
	£'000	£'000
At 1 January 2024	10,047	6,385
Expenses for the acquisition of insurance contracts deferred during the year	33,253	24,424
Amortisation	(29,109)	(20,762)
At 31 December 2024	14,191	10,047

19. Provision

	Payment protection Income (PPI) £'000	Annual review statement provision £'000	Total £'000
At 1 January 2024	27	187	214
Utilisation of provision	(24)	(187)	(211)
At 31 December 2024	3	-	3

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.

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.

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 and note 17.

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; and
- Amounts due from reinsurer.

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.

20. Risk Management (continued)

20.2 Credit and Counterparty risk (continued)

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.

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.

	2024				
	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	103,519	-	-	-	103,519
Debtors arising out of direct insurance operations	108,094	-	-	-	108,094
Debtors arising out of reinsurance operations	15,902				15,902
Reinsurance assets	74,929	-	-	-	74,929
Cash and cash equivalents	32,472	-	-	-	32,472
	334,916	-	-	-	334,916

	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

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	2024				
	Corporate bonds £'000	**Government bonds £'000**	**Deposits with financial institution £'000**	**Cash & cash equivalents £'000**	**Total £'000**
AAA	9,022	13,926	-	-	22,948
AA	-	-	-	-	-
AA-	-	17,350	10,713	-	28,063
A+	15,459	-	25,605	32,472	73,536
A	996	-	10,244	-	11,240
A-	-	-	-	-	-
BBB+	-	-	204	-	204
	25,477	31,276	46,766	32,472	135,991

The highest exposure to single reinsurance counterparty is £11.8m (2023: £13.7m) rated AA- (2023: AA-).

Financial assets by credit rating (%)	2024				
	Corporate bonds	**Government bonds**	**Deposits with financial institution**	**Cash & cash equivalents**	**Total**
AAA	35%	45%	-	-	17%
AA	-	-	-	-	-
AA-	-	55%	23%	-	21%
A+	61%	-	55%	100%	54%
A	4%	-	22%	-	8%
A-	-	-	-	-	-
BBB+	-	-	-	-	-
	100%	100%	100%	100%	100%

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

20. Risk Management (continued)

20.2 Credit and Counterparty risk (continued)

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%	-	5%	-	6%
	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, Capital and ALM 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.

	2024				
<u>Time to maturity</u>	**Total**	**1 year**	**2-3 Years**	**4-5 Years**	**Over 5 Years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Financial investments					
-Corporate bonds	25,477	7,592	17,885	-	-
-Government bonds	31,276	15,430	1,920	13,926	-
-Deposits with financial institutions	46,766	41,640	5,126	-	-
Cash and cash equivalents	32,472	32,472	-	-	-
Debtors arising out of direct insurance operations	108,094	108,094	-	-	-
	244,085	205,228	24,931	13,926	-

20.3 Liquidity Risk (continued)

At 31 December 2024	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	1,992	1,974	17	-	-
- Provision for claims incurred but not reported	18,811	18,647	165	-	-
-Long-term business provision	15,461	1,077	1,962	1,749	10,672
	36,264	21,698	2,144	1,749	10,672
Other payables, including insurance payables	103,346	103,346	-	-	-
Total	139,610	125,044	2,144	1,749	10,672

Time to maturity	2023 Represented 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	-	-	-
Debtors arising out of direct insurance operations*	76,892	76,892	-	-	-
	232,922	180,756	37,853	4,841	9,471

* Added debtors to this table to better reflect matching of debtors to liabilities.

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

** 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 £2.0m (2023: £1.9m) if the interest rates increase and profit of £2.0m (2023: £1.9m) 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 2024 (2023: £nil).

22. Capital management - Audited

Under the Solvency II regime, the company is required to hold sufficient own funds to cover its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).

The Company targets the Ratio of Eligible own funds to Solvency Capital Requirement (SCR) between 140% and 160%.

The company's main goal of the capital management process is to fund profitable growth in line with the business strategy defined by the board of directors, protect the viability and profitability of the company and determine the dividend payment capacity or need for a capital increase.

Capital Planning exercises are undertaken to ensure that the capital requirements of the company satisfied and provide management with a comprehensive picture of the adequacy of the projected capital requirement with the projected capital position and structure. The capital planning process is performed in consistency with the three years Budget process and in accordance with the Own Risk and Solvency Assessment (ORSA).

Capital position	**2024** **£'000**	**2023** **£'000**
Available eligible own funds	125,706	139,681
Solvency Capital Requirement	(47,171)	(50,301)
Capital surplus	78,535	89,380
Capital coverage ratio	266%	278%

Eligible own funds	**2024** **£'000**	**2023** **£'000**
Available capital before foreseeable dividends	125,706	139,681
Available eligible own funds	125,706	139,681

22. Capital management – Audited (continued)

The main differences between UK GAAP equity of £123.6m (2023: £146.6m) and the Solvency II own funds of £125.7m (2023: £139.7m) represents de-recognition of deferred acquisition costs and movement of insurance technical provisions onto Solvency II basis.

23. 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.

	2024 £'000	2023 £'000
Amounts due from group undertakings		
Pinnacle Insurance Management Services Plc	-	1,192
Pet Protect Ltd	466	2,035
Viovet Ltd	1,255	1,524
Pinnacle Pet Group	1,091	-
	2,812	4,751
Amounts due to fellow group undertakings		
Pinnacle Insurance Management Services Plc	12,751	-
Pinnacle Pet Group Ltd	-	276
	12,751	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 £61.4m (2023: £39.4m) in respect of administrative expenses incurred on behalf of the Company including staff cost of £24.3m (2023: £21.3m). See note 6 net operating expenses.
- The Company paid £nil (2023: £1.6m) 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 76.4%) and BNP Paribas Cardif (owning 23.6%).

24. 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 76.4% and BNP Paribas Cardif 23.6%.

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.

25. Events after the balance sheet

There are no post balance sheets events.