

**PINNACLE INSURANCE LIMITED**

Company Registration Number: 01007798  
(Formerly Pinnacle Insurance PLC)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2025**

# PINNACLE INSURANCE LIMITED

## CONTENTS

	<b>Pages</b>
Company Information	2
Strategic Report	3
Directors' Report	12
Directors' Responsibilities Statement	20
Independent Auditor's Report	21
Income Statement	28
Statement of Financial Position	30
Statement of Changes in Equity	31
Notes to the Financial Statements	32

# PINNACLE INSURANCE LIMITED

## Company Information

Directors: S Wainwright \* (Chairman) (Appointed 24 March 2025)  
R A Hines \* (Resigned 31 August 2025)  
A M Wigg  
M J Lorimer  
S L P F Chevalet (Resigned 27 March 2025)  
S M May  
C A Scarr \*  
C A Iordache  
D C L Beeckman  
T O Cuiper \*  
S Suri

\* Independent Non-Executive Director

Company Secretary: M J Lorimer

Registered Office: 4<sup>th</sup> Floor, Limelight,  
Elstree Way,  
Borehamwood  
Hertfordshire  
WD6 1JH

Actuarial Function Holder:  
(Long-term fund) C A Iordache

Independent Auditor: Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

Principal Bankers: Barclays Bank PLC  
54 Lombard Street  
London  
EC3P 3AH



## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

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

#### PET

Gross written premium for pet business increased to £780.9m (2024: £199.2m), during the year the company commenced underwriting the Animal Friends book, this accounts for £413.6m of the increase. 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.

**Net Earned Premiums (NEP):** represents the portion of the policy's premium that applies to the expired period of the policy. NEP for Pet business increased by £187.7m during the year (2024: £84.9m).

**Technical Result:** represents the balance of earned income less incurred claims, commission and profit share payments, net of associated reinsurance balances. The increase in the technical result of £41.2m due to the reduction in the claims ratio and the increased business written in the year.

**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 £6.2m (2024: profit £6.5m) which comprises interest earned on financial investments of £5.3m (2024: £6.1m), realised loss on bonds of £0.03m (2024: gain £0.1m) and unrealised profit on bonds of £0.9m (2024: profit £0.3m).

The investment portfolio comprises of bonds and term deposits of high credit quality. The total portfolio was valued at £89.8m on 31 December 2025 (2024: £103.5m) of which 94% (2024: 55%) was held in bonds, and 6% (2024: 45%) in term-deposits with credit institutions. Deposit holdings reduced by £41.4m, from £46.8m in 2024 to £5.4m in 2025 because the new asset manager, Blackrock Asset Management, mandate does not include investment in deposits. On the 4<sup>th</sup> April 2025 the investment portfolio was transferred to Blackrock. This transfer excluded the deposit portfolio, which the Company continues to manage until all deposits mature. The funds from the matured deposits are transferred to Blackrock and are reinvested in bonds.

**Administration Expenses:** represent those operating expenses incurred by the Company, which are not classified as either acquisition or claims handling costs. Administration costs in 2025 have decreased by £1.3m to £60.1m (2024: 61.4m), compared to the previous year. This reduction is mainly because 2024 included £20.7m in non-recurring expenses for building a platform for a new white label partnership. However, there were increases owing to software cost recharge, as well as additional costs from inflation, new partner development, and expanded IT infrastructure.

**Claims Ratio:** relates to pet business only and is calculated after net of reinsurance claims incurred expressed as a percentage of NEP. The claims ratio in 2025 decreased to 62% (2024: 65% restated to include reinsurance and Waggel).

**Acquisition Cost Ratio:** relates to pet business only after net of reinsurance and is calculated as a percentage of NEP. The ratio in 2025 increased to 13% (2024: 10% restated to include reinsurance and Waggel).

**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 stayed consistent with the prior year at 25%.

## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

#### PRINCIPAL RISKS AND UNCERTAINTIES

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

<b>Risk</b>	<b>Impact on Company</b>	<b>Mitigation of risk</b>
<b>Insurance risk</b>	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).
<b>Operational risk</b>	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.
<b>Reserving risk</b>	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 reserving committee reviews and approves the reserves on a quarterly basis before recommending them to the Board of Directors.
<b>Credit /Counterparty risk</b>	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.

## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

<b>Risk</b>	<b>Impact on Company</b>	<b>Mitigation of risk</b>
<b>Liquidity risk</b>	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.
<b>Market risk</b>	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.
<b>Conduct risk</b>	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.

## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

#### Climate change and Operational Resilience

Due to the increasing impact of climate change and broader Environmental, Social and Governance (ESG) activities, the Company implemented the ESG roadmap in 2025. The governance of ESG is overseen by the PPG ESG Committee. This committee includes PIC representation from the first (Subsidiaries team) and second line (PPG group team), with reporting requirements as defined under the roadmap. This roadmap was a ground up review and included a materiality assessment of all ESG related factors relating to our business model. The Environmental considerations include the impact of our business, suppliers and customers on the planet as well as how climate change will impact our business model over time. The roadmap outlines a series of governance and reporting metrics over the material activities, tracking our progress towards a sustainable future. This includes linkage to the three categories of climate risk as outlined by the PRA. Future climate-change analysis will consider the impact on our operations, supply chain, and different pet breeds, as well as the resulting implications for pricing and claims. The roadmap will also report on the benefits of our ESG activities for both the business and our customers, while identifying and capitalising on opportunities that may emerge.

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

**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. Note: This is supported by quantitative analysis of historic pet claims data during UK flooding events (2014 and 2015).

The Company currently operates in accordance with the Operational Resilience regulatory guidelines, including conducting an annual self-assessment of its important business services. Based on current analysis, the Company's exposure to climate- and weather-related disruption is assessed as low, with no material impact identified across the work environment, third-party arrangements, or supply chain resilience.

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.

**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 Holdings policies relating to SRI (Social Responsible Investments) and ESG (Environmental, Social & Governance). This is reviewed by the Investment and Capital Committee (a sub-committee of the RAC). 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.

**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.

## **PINNACLE INSURANCE LIMITED**

### **STRATEGIC REPORT (continued)**

#### **FUTURE DEVELOPMENTS**

The core agenda defined by the Board and management is:

**Revenue:** Double digit growth in a highly competitive market; management will focus on growth through both direct and aggregator channels for partner and own brands.

**Margin:** Focus on how to manage claims costs through services provided and processes, lever fixed costs and operational scalability through process digitalisation and customer self-service.

**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 profit after tax of £15.9m (2024 loss: £23.0m). The Company has considerable financial resources, which include cash and cash equivalents of £36.3m (2024: £32.5m) and an investment portfolio of £89.8m (2024: £103.5m) 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 2027. The Company is remunerated through sales of policies direct to the consumer, through aggregators and through partnerships and also receives income from inwards reinsurance treaties. 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 2027. This analysis demonstrates that the Company could continue as a going concern for the period to 31 December 2027 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 2027. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**PINNACLE INSURANCE LIMITED**  
**STRATEGIC REPORT (continued)**

**Our Section 172(1) statement**

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

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

**Stakeholder engagement**

**Customers**

Why the Board engages

Acting in the best interest of customers is core to the success of the businesses and the wider Pinnacle Pet Group.

The Company provides management services for companies in the Pinnacle Pet Group and other services to external parties. The Company is focused on delivering services that perform as customers expect. Regular engagement is essential to ensure these expectations are met and any failings are identified and remedied quickly and efficiently.

How the Board engages

The board receives frequent updates from Executive Directors who routinely report to the Board on customer related matters and on levels of customer service. In addition, various committees, particularly the Conduct & Customer 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**

Why the Board engages

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

How the Board engages

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

With the importance attached by the 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.

## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

#### Our Section 172(1) statement (continued)

##### Regulators

###### Why the Board engages

The fair treatment of customers is central to PPG's 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.

###### 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 2025

- Update to capital management policy following USP approval by PRA. The main changes proposed were to the definition of the solvency thresholds, the change of the optimal capital position to 140% - 160%, and clarification of the actions to be taken depending on the solvency ratio level.
- Outsourcing of asset management to Blackrock Asset Management.
- Creation of a reserving committee to review and approve reserves and recommend to the Board on a quarterly basis.
- Approval to underwrite the Animal Friends book and outsourcing of the sales and policy administration for that book of business.
- Registration of the Company changed to a private limited company on 7<sup>th</sup> April 2025.
- The approval of the formation of a new partnership for the provision of white label insurance services for Marks and Spencer PLC.

## PINNACLE INSURANCE LIMITED

### STRATEGIC REPORT (continued)

#### Key Decisions 2025 (continued)

- The approval of the formation of a new partnership for the provision of white label insurance services for the John Lewis Partnership.
- The approval to enter into a renewal rights transfer agreement with Marks & Spencer PLC effective from January 2026.
- The Company has completed a Board-approved capital reduction, decreasing its share capital by £80.3m and cancelling the share premium reserve of £23.3m. In total, £103.6m has been transferred to retained earnings.
- Approval of Interim dividend £33.5m.
- Appointment of a new Non-Executive Director.
- During the year the company outsourced its IT support services and data storage solutions to two third-party providers. The Board assessed the service provider's financial strength, operational capability, security and controls as well as experience.

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

The company is exempt from SECR disclosure requirements for the financial year as the relevant energy consumption and greenhouse gas emissions information is reported within the consolidated accounts of the parent company Pinnacle Pet Holdings Ltd a company incorporated in the UK. These accounts are available from 14<sup>th</sup> Floor 20 Eastbourne Terrace, London, W2 6LG.

#### Approval

This report was approved by the Board of Directors on 9<sup>th</sup> April 2026 and signed on its behalf by:



**Director**  
A M Wigg

# PINNACLE INSURANCE LIMITED

## DIRECTORS' REPORT

The Directors present this report together with the Strategic Report, Financial Statements and Auditor's Report, for the year ended 31 December 2025.

### BUSINESS REVIEW AND ACTIVITIES

#### Change of Name

The Company transitioned from a public limited company (PLC) to a private limited company (LTD) on 7th April 2025. This change was carried out in accordance with the Companies Act 2006 and has been properly documented and approved by shareholders. The conversion has no material impact on the presentation of these financial statements, which have been prepared in accordance with UKGAAP. All statutory obligations and reporting requirements continue to be met, and the directors confirm that the company remains in good standing with all regulatory authorities. The directors believe this change will enhance operational flexibility and support the company's long-term objectives.

#### 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 11. 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 29. The profit after taxation for the year was £15.9m (2024: loss £23.0m).

The Company paid interim dividends of £33.5m (2024: £nil) on ordinary shares during the year to its UK parent. There were £32.3m 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.

The Company has completed a Board-approved capital reduction, decreasing its share capital by £80.3m and cancelling the share premium reserve of £23.3m. In total, £103.6m has been transferred to retained earnings.

#### Directors

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

S Wainwright \* (Chairman) (Appointed 24 March 2025)  
R A Hines \* (Resigned 31 August 2025)  
A M Wigg  
M J Lorimer  
S L P F Chevalet (Resigned 27 March 2025)  
S M May  
C A Scarr \*  
C A Iordache  
D C L Beeckman  
T O Cuiper \*  
S Suri

\* Independent Non-Executive Director

**PINNACLE INSURANCE LIMITED**

**DIRECTORS' REPORT (continued)**

**Political Contributions**

No political contributions were made during the year (2024: £nil).

**Actuarial Valuation**

An actuarial valuation was carried out as at 31<sup>st</sup> December 2025 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.

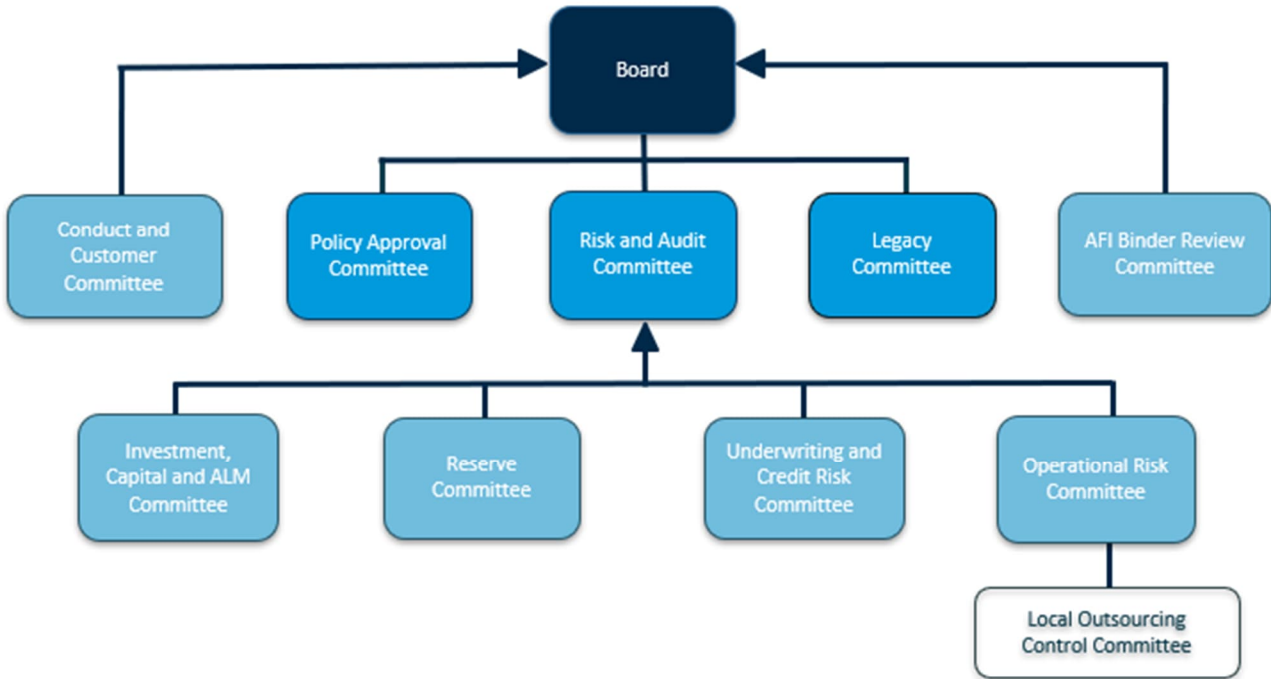
**Corporate Governance**

The Company is not listed and accordingly there is no requirement to comply with the 2024 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 8 times in 2025 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:



## PINNACLE INSURANCE LIMITED

### DIRECTORS' REPORT (continued)

#### Directors' attendance

The Company requires Directors to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company in order to perform their duties. The attendance of the Directors at the Board and Committee meetings, of which they are a member, held in 2025 was as follows:

	Board	Risk and Audit Committee	Investment Capital and ALM Committee	Policy Approval Committee	Conduct and Customer Committee	Underwriting and Credit Risk Committee	Operational Risk Committee	Non-Pet Legacy Committee	AFI Review Committee
<b>Number of meetings held</b>	<b>8</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>1</b>
S Wainwright (1) (2)	5	1	*	*	*	*	*	*	*
R A Hines (1) (2)	5	*	*	*	*	*	*	*	*
S L P F Chevalet (2)	2	1	*	*	*	*	*	1	*
M J Lorimer	8	6	*	4	5	*	4	5	*
A M Wigg	8	6	4	3	*	2	*	3	*
S M May	8	6	4	3	5	5	4	*	1
C A Scarr (1)	7	6	*	*	*	*	*	*	*
D C L Beeckman	8	6	*	*	*	*	*	1	*
C A Iordache	8	6	*	3	4	4	*	*	*
T O Cuiper	8	*	*	*	*	*	*	*	*
S Suri	8	*	*	*	*	*	*	*	*

\* Indicates not a member of that Committee

(1) Independent Non Executive Director.

(2) S Wainwright appointed 24 March 2025, S L P F Chevalet resigned 27th March 2025, R A Hines resigned 31 August 2025.

(3) The Reserve committees first meeting was held on 19<sup>th</sup> January 2026.

The Risk and Audit Committee, Policy Approval Committee and Legacy Committees are formal sub-committees of the Board.

The Investment, Capital and ALM Committee, Reserve Committee, Underwriting and Credit Risk Committee and Operational Risk Committees report into the Risk and Audit Committee.

The Conduct and Customer Committee and AFI Binder review Committee are management committees.

#### Risk and Audit Committee (RAC)

The Risk and Audit Committee (RAC) is a Board committee responsible for providing oversight and advice to the Board on the effectiveness of the Company's risk management framework, internal control system, compliance arrangements, and internal audit function.

## **PINNACLE INSURANCE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Risk and Audit Committee (RAC) (continued)**

In addition:

- the RAC oversees the consolidated risk profile of the Company, including material risks. The committee reviews the adequacy and effectiveness of risk management processes, and monitors material changes in the Company's risk profile;
- the Committee reviews on behalf of the Board, the Company's risk appetite and tolerances and assesses alignment between the Company's strategy, capital position and risk profile. The RAC oversees the Company's Own Risk and Solvency Assessment (ORSA) process, including review of its scope, methodology, key assumptions and stress and scenario analysis. The Committee also reviews the final Company ORSA report prior to its approval by the Board;
- the RAC receives regular reporting from the Risk, Compliance and Internal Audit functions, including regular reporting on material matters arising and any significant regulatory interactions. The key functions have direct access to the Committee and may escalate matters independently of management where appropriate;
- the committee oversees the effectiveness and independence of the Internal Audit Function, reviews the outcome of internal audit work and monitors the implementation of management actions;
- the committee also oversees the integrity of the Company's financial reporting, including significant judgements and estimates, and the effectiveness of the external audit process, including relationship with the external auditors; and
- where appropriate the RAC escalates significant matters to the Board for consideration and decision.

#### **Policy Approval Committee (PAC)**

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:

- ensure all policies are reviewed and approved annually, have sufficient discussion and debate and delegate to management; and
- ensure all approved policies are communicated to and adopted by the relevant business areas.

#### **Legacy Business Committee**

This committee is chaired by the General Counsel 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 and, following completion of the Legacy Business portfolio transfer at year end 2024, to oversee the remaining non-pet business until it is otherwise closed.

## **PINNACLE INSURANCE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Legacy Business Committee (continued)**

This committee meets quarterly, and 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;
- review investment and ALM policies at least once a year and make proposal of change to the RAC;
- to oversee and review the performance, compliance, and effectiveness of the outsourced asset management arrangement, including the appointment, evaluation, and, where appropriate, the termination of external managers; and
- to ensure such the outsourced asset management arrangements align with the investment policy and risk appetite of the organisation.

#### **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.

## **PINNACLE INSURANCE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Conduct and Customer Committee (CCC)**

The Committee is chaired by the Customer Service & Operations Director 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 Control Committee (ORC)**

The Operational Risk Committee (ORC) is chaired by the Chief Financial Officer and includes the Chief Risk Officer and Operations Director within its members; it provides oversight of the Company's operational risk profile and internal control environment. The ORC supports the effective management of operational risks and considers strategic risks relevant to the Company.

The ORC reviews key operational risk exposures through key risk indicators and other risk metrics, control issues, incidents, emerging risks, and considers the adequacy of mitigating actions. It also reviews reports from the Risk and Compliance functions, including outputs from the risk assessment and internal control processes, and monitors development on the regulatory environment relevant to the Company.

The committee is a formal sub-committee of the RAC and escalates significant matters of operational risk to the RAC and supports the RAC and the Board in ensuring that operational risks and internal controls are managed effectively and in line with the Company's risk management framework.

## **PINNACLE INSURANCE LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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.

#### **Animal Friends Insurance (AFI) Binder Review Committee (AFI BR)**

The Committee is chaired by the Chief Risk Officer and reports to the Board.

The Committee's main responsibilities are to:

- Evaluate the adequacy of AFI's fulfilment of its obligations as outlined in the Binder including any KPIs or service level commitments contained with the Binder;
- Review and evaluate the performance of the relationship between the Parties under the Binder with regard to financial, underwriting, operational or conduct risks and identify and escalate as required any non-performance or under-performance;
- Challenge and escalate issues relating to oversight controls, performance measurement reporting, or service level deficiencies, or any other associated form of non-compliance with provisions set out in the Binder;
- Recommend to the AFI and the PIC executive management any remedial actions or amendments for consideration in relation to changes that may, from time to time, be required to be made to the Binder or otherwise relating to the oversight approach; and
- Document findings and decisions for audit and regulatory transparency.

#### **Reserve Committee (RC)**

The Committee is chaired by the Chief Actuary and reports to the RAC.

The Committee's main responsibilities are to:

- review and challenge reserve estimates and underlying assumptions;
- ensure compliance with internal policies, regulatory standards, and audit requirements;
- assess reserving risks and material movements in reserves; and
- recommend reserve levels for RAC approval.

## PINNACLE INSURANCE LIMITED

### DIRECTORS' REPORT (continued)

#### Internal Audit Function

The Company has outsourced its Internal Audit function to Grant Thornton UK LLP. The Internal Audit function provides independent and objective assurance to the Risk and Audit Committee and the Board on the adequacy and effectiveness of the Company's internal control environment, risk management framework, and broader governance arrangements.

Internal Audit operates independently from the first and second lines of defence and has unrestricted access to records, systems, personnel and information necessary to perform its work. Internal Audit reports its findings to the RAC and the Board as appropriate and makes recommendations for improvement as appropriate. Findings may contain agreed actions for closure that are deemed necessary to address identified issues. Progress against actions is monitored and reported to the RAC until closure.

The RAC agrees the Internal Audit plan and audit schedule each year in consultation with Internal Audit and the second line functions. Where required, the schedule may be adjusted to address new or emerging risks and regulations or to respond to specific requests from the RAC or Board. This enables Internal Audit to provide timely assurance over areas of relevance to the Company's operations and risk profile.

#### 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

9<sup>th</sup> April 2026

## **PINNACLE INSURANCE LIMITED**

### **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.

## PINNACLE INSURANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED

#### Opinion

We have audited the financial statements of Pinnacle Insurance Limited ("the Company") for the year ended 31 December 2025 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 26 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 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 2027;
- Corroborating the information in the assessment where relevant to supporting documentation;
- Challenging the key assumptions used in the assessment and assessing 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.

## PINNACLE INSURANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED

#### Report on the audit of the financial statements (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to 31 December 2027.

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	<ul style="list-style-type: none"><li>Valuation of Claims Outstanding Balance</li></ul>
Materiality	<ul style="list-style-type: none"><li>Overall materiality of £ 7.8m (2024: £2.0m) which represents 1% (2024: 1%) of Revenue (Gross Written Premium)</li></ul>

#### 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 Limited. 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 forms part of the "Other information", rather than the audited financial statements. The company has disclosed their commitment to identify 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 32 under the Basis of preparation.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

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.

**PINNACLE INSURANCE LIMITED**

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED**

**Report on the audit of the financial statements (continued)**

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, 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.

<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Audit Committee</b>
<p><b>Valuation of claims outstanding balance £53.2m, (2024: £20.8m)</b></p> <p>Refer to the Accounting policies (page 35-36); and Note 17 of the Financial Statements (page 53)</p> <p>The valuation of claims outstanding balance is a key area of estimation within the financial statements due to the magnitude of the balance and the subjectivity of the assumptions used to calculate the balance which could be open to manipulation.</p> <p>There is a risk that inappropriate assumptions or judgements were made when determining the balance which could materially impact the result for the year. It is particularly sensitive to such assumptions and judgements in the allowance for Incurred But Not Reported (IBNR) claims and as such our significant risk is focussed on the determination of this element. Furthermore, IBNR has increased significantly during the current year due to onboarding of new partnerships resulting in additional risk.</p> <p>We assessed that the key assumptions and judgements applied by the Company in determining the IBNR are:</p> <ul style="list-style-type: none"> <li>• Initial expected loss ratios (IELR)</li> <li>• Frequency and severity of losses</li> <li>• Development of existing claims may develop into a consistent way to historical observed claims development patterns</li> <li>• Given recent inflationary pressures, the estimate of the impact of future inflation.</li> </ul>	<p>As part of our audit procedures, with the assistance of EY Actuaries, we performed the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the reserving process including the setting of claims reserves and IBNR by conducting walkthroughs and assessed the design and implementation effectiveness of key controls;</li> <li>• Assessed the reasonableness of key assumptions, actuarial model, methodologies and challenged assumptions made by management for both IBNR and case reserves on a sample basis;</li> <li>• Tested the development (outturn) of claims reserves to assess historical accuracy of the projections and the underlying assumptions;</li> <li>• Performed independent projections of 92% of the net IBNR using our own assumptions to management data including the estimation of our view of future claims development, IELRs and historical inflation trends and loss ratios;</li> <li>• Reviewed the methodology and approach applied by management to determine the remaining claims outstanding balance;</li> <li>• Assessed the reasonability of management’s estimate of claims outstanding balance by analysing whether post year end the provision is in line with the provision made at year end; and</li> <li>• Assessed the reasonableness of management’s conclusion that no additional unexpired risk reserve (‘AURR’) was required.</li> </ul> <p>Other procedures performed in respect of claims outstanding include:</p> <ul style="list-style-type: none"> <li>• Tested the accuracy and completeness of the underlying data used in the actuarial analysis;</li> <li>• Obtained the underlying claims outstanding data and selected samples of reported but not settled cases (RBNS) to test. We verified post year-end settlement to confirm that the case reserves recorded at the balance sheet date were not materially misstated; and</li> <li>• We challenged the level of margin held compared to market practice, prior periods and in the context of the areas of uncertainty for which the margin is held.</li> </ul>	<p>In aggregate, our work on claims outstanding gave us assurance that the claims outstanding balance lies within a reasonable range of possible outcomes.</p>

## PINNACLE INSURANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED

#### Report on the audit of the financial statements (continued)

##### Key audit matters(continued)

In the prior year, our auditor's report included a key audit matter in relation to valuation of gross technical provisions (excluding unearned premium reserve). In the current year, we have reassessed this and considered that the key risk lies only in the claims outstanding balance. This is primarily due to the non-complex nature of the remaining balances in technical provisions (unearned premiums and long-term provision), as these do not involve significant level of judgement and estimate.

##### 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 £7.8m (2024: £2.0m), which represents 1% of the Revenue (Gross Written Premium) (2024: 1%). We have selected revenue as the basis for our calculation which is same as prior year. This aligns with the focus of the users of the financial statements and it is included as a key performance indicator.

##### 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% (2024: 75%) of our planning materiality, namely £5.9m (2024: £1.5m) which is same basis as prior 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 £0.4m (2024: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

##### Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **PINNACLE INSURANCE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED**

#### **Report on the audit of the financial statements (continued)**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

## PINNACLE INSURANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED

#### Report on the audit of the financial statements (continued)

#### ***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 claims outstanding balance 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;
  - Using analytical procedures to identify trends and anomalies in premium data that may indicate additional risk factors and inspecting any significant or unusual journal entries in response to the auditing standards presumed risks of fraud in revenue recognition; and
  - Testing the appropriateness of journal entries recorded in the general ledger with a particular focus on manual journals, including evaluating the business rationale and identifying entries posted outside the normal course of business that may indicate inappropriate revenue recognition.

## PINNACLE INSURANCE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PINNACLE INSURANCE LIMITED

#### Report on the audit of the financial statements (continued)

- 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 three years, covering the years ending 31 December 2023 to 31 December 2025.
- 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  
9 April 2026*

**PINNACLE INSURANCE LIMITED**

**Income Statement  
For the year ended 31 December 2025**

<b>Technical account – General business</b>	<b>Notes</b>	<b>2025 £'000</b>	<b>2024 £'000</b>
Gross written premium	3	780,885	200,979
Outward reinsurance premiums		(388,366)	(136,090)
Change in the gross provision for unearned premiums	17	(236,232)	(23,880)
Change in the provision for unearned premiums, reinsurers' share	17	<u>116,376</u>	<u>43,913</u>
<b>Earned premiums, net of reinsurance</b>		<b><u>272,663</u></b>	<b><u>84,922</u></b>
<b>Total technical income</b>		<b><u>272,663</u></b>	<b><u>84,922</u></b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
– gross amount	5	(328,682)	(119,474)
– reinsurers' share	5	<u>157,966</u>	<u>56,374</u>
		(170,716)	(63,100)
Change in the provision for claims			
– gross amount	5	(11,883)	3,588
– reinsurers' share	5	<u>13,064</u>	<u>3,818</u>
		<u>1,181</u>	<u>7,406</u>
<b>Claims incurred, net of reinsurance</b>	5	<b>(169,535)</b>	<b>(55,694)</b>
Net operating expenses	6	(95,332)	(64,207)
Other technical charges, net of reinsurance		3	211
Loss on Part VII transfer	1.1	-	(12,162)
Other income	1.1	-	12,162
		<u>(95,329)</u>	<u>(63,996)</u>
<b>Balance on the technical account</b>		<b><u>7,799</u></b>	<b><u>(34,768)</u></b>

**PINNACLE INSURANCE LIMITED**

**Income Statement  
For the year ended 31 December 2025**

		<b>2025</b>	<b>2024</b>
		<b>£'000</b>	<b>£'000</b>
<b>Non-technical account</b>	<b>Notes</b>		
<b>Balance on the technical account</b>		<b>7,799</b>	<b>(34,768)</b>
Investment return	4	5,326	6,117
Realised (loss) / gains on investments	4	(30)	83
Unrealised gains on investments	4	886	345
<b>Profit/(loss) on ordinary activities before tax</b>		<b>13,981</b>	<b>(28,223)</b>
Tax credit on ordinary activities	10	1,935	5,192
<b>Profit/(loss) for the financial year</b>		<b>15,916</b>	<b>(23,031)</b>
<b>Profit/(loss) attributable to:</b>			
– Parent company		<b>15,916</b>	<b>(23,031)</b>

A statement of other comprehensive income (SOCl) or loss is not presented as there were no items requiring classification to the SOCl during the year and prior year. Hence, the profit of £15.9m (2024: loss £23.0m) represents total comprehensive profit for the year attributable to the owner of the Company.

The notes on pages 32 to 70 form an integral part of these financial statements.

**PINNACLE INSURANCE LIMITED**  
**Statement of Financial Position**  
**As at 31 December 2025**

<b>Assets</b>	<b>Notes</b>	<b>2025</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
<b>Investments</b>			
Financial investments	11	<u>89,787</u>	<u>103,519</u>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	17	164,642	48,266
Long-term business provision	17	15,239	15,461
Claims outstanding	17	<u>25,105</u>	<u>11,202</u>
		<b>204,986</b>	<b>74,929</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations –			
Policyholders		351,217	108,094
Debtors arising out of reinsurance operations		56,215	15,902
Other debtors	13	<u>18,132</u>	<u>8,954</u>
		<b>425,564</b>	<b>132,950</b>
<b>Other assets</b>			
Cash and cash equivalents	12	<u>36,283</u>	<u>32,472</u>
		<b>36,283</b>	<b>32,472</b>
<b>Prepayments and accrued income</b>			
Accrued interest		1,513	798
Deferred acquisition costs	18	<u>67,017</u>	<u>14,191</u>
		<b>68,530</b>	<b>14,989</b>
<b>Total assets</b>		<b>825,150</b>	<b>358,859</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	15	71,232	151,557
Share premium	15	-	23,323
Retained earnings	15	<u>34,770</u>	<u>(51,294)</u>
<b>Total equity</b>		<b>106,002</b>	<b>123,586</b>
<b>Technical provisions</b>			
Provision for unearned premiums	17	331,892	95,660
Long-term business provision	17	15,239	15,461
Claims outstanding	17	<u>53,239</u>	<u>20,803</u>
		<b>400,370</b>	<b>131,924</b>
<b>Provisions for other risks</b>			
Other provisions	20	<u>-</u>	<u>3</u>
		-	3
<b>Creditors</b>			
Creditors arising out of direct insurance operations:			
Intermediaries		28,218	11,959
Creditors arising out of reinsurance operations	19	244,767	69,290
Other creditors including taxation and social security	14	45,244	18,120
Accruals and deferred income		<u>549</u>	<u>3,977</u>
		<b>318,778</b>	<b>103,346</b>
<b>Total liabilities</b>		<b>719,148</b>	<b>235,273</b>
<b>Total equity and liabilities</b>		<b>825,150</b>	<b>358,859</b>

The financial statements were approved and authorised for issue on 9<sup>th</sup> April 2026 by the Board of Directors and are signed on its behalf by:



Director  
A M Wigg

The notes on pages 32 to 70 form an integral part of these financial statements.

**PINNACLE INSURANCE LIMITED**

**Statement of Changes in Equity  
For the year ended 31 December 2025**

	<b>Called up share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
<b>At 1 January 2024</b>	<b>151,557</b>	<b>23,323</b>	<b>(28,263)</b>	<b>146,617</b>
Loss for the year	-	-	(23,031)	(23,031)
<b>At 31 December 2024</b>	<b>151,557</b>	<b>23,323</b>	<b>(51,294)</b>	<b>123,586</b>
Share capital reduction (note 15 and 16)	(80,325)	(23,323)	103,648	-
Dividend paid			(33,500)	(33,500)
Profit for the year	-	-	15,916	15,916
<b>At 31 December 2025</b>	<b>71,232</b>	<b>-</b>	<b>34,770</b>	<b>106,002</b>

The notes on pages 32 to 70 form an integral part of these financial statements.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Corporate information

PINNACLE INSURANCE LIMITED (“the Company”), a public limited company, is incorporated and domiciled in the United Kingdom. The Company’s registered office address is 4<sup>th</sup> Floor, Limelight, Elstree Way, Borehamwood, Hertfordshire, WD6 1JH.

#### Change of Name

The Company transitioned from a public limited company (PLC) to a private limited company (LTD) on 7<sup>th</sup> April 2025. This change was carried out in accordance with the Companies Act 2006 and has been properly documented and approved by shareholders. The conversion has no material impact on the presentation of these financial statements, which have been prepared in accordance with UKGAAP. All statutory obligations and reporting requirements continue to be met, and the directors confirm that the company remains in good standing with all regulatory authorities. The directors believe this change will enhance operational flexibility and support the company’s long-term objectives.

#### 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 measured 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 2025.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Going concern

During the year, the Company made a profit after tax of £15.9m (2024 loss after tax: £23.0m). The Company has considerable financial resources, which include cash and cash equivalents of £36.3m (2024: £32.5m) and an investment portfolio of £89.8m (2024: £103.5m) 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 2027. The Company is remunerated through sales of policies direct to the consumer, through aggregators and through partnerships and also receives income from inwards reinsurance treaties. 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 2027. This analysis demonstrates that the Company could continue as a going concern for a period up to 31 December 2027 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 2027. 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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 EIFlow 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 EIFlow Insurance limited.

	<b>£'000</b>
Gross technical provisions	16,813
Reinsurers share of technical provisions	(9,052)
Net technical provisions transferred	7,761
Cash paid to EIFlow	(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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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 2025 (2024: £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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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 is 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 FRS 102, 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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 on financial assets measured at amortised cost*

Interest income is recognised using the effective interest method, which allocates interest over the expected life of the instrument on a time-proportionate basis reflecting its effective interest yield.

##### *Interest income on debt instruments measured at fair value through profit or loss*

For debt instruments measured at fair value through profit or loss, interest income is recognised based on the contractual interest rate and is presented within investment return.

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

##### *Provisions*

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.

##### *Contingencies*

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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 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.

##### *Current tax:*

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

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

##### *Deferred tax:*

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

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

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

#### 1.16 Share capital and Dividend

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.

A dividend is recognised as a liability in the financial statements when all the following conditions are met:

- The dividend has been formally approved by the PIC Board or shareholders in accordance with the Articles of Association;
- PIC has an unconditional obligation to make the payment; and
- The amount of the dividend can be measured reliably.

Until these conditions are met, dividends are treated as non-adjusting events and are not recognised as liabilities.

#### 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.

# PINNACLE INSURANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 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.

- **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 £68.5m (2024: £36.3m). 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	<ul style="list-style-type: none"><li>• Selection of paid development patterns.</li><li>• Selection of loss ratios for less developed periods.</li></ul>	<ul style="list-style-type: none"><li>• Claims settlement delays.</li><li>• Variability in expected Loss ratios for the most recent periods.</li></ul>

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**3. Analysis by class of business**

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

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<u>Gross written premiums</u>		
General business	780,885	200,953
Long-term business	-	26
	780,885	200,979
 <u>Net assets</u>		
General business (including shareholder's funds/total equity)	96,869	114,453
Long-term business (run-off operations)	9,133	9,133
	106,002	123,586

<b>2025</b>	<b>Pet</b>	<b>Creditor</b>	<b>Warranty</b>	<b>MGA</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross Premiums Written</b>					
- Direct insurance	584,959	(86)	-	-	584,873
- Inward reinsurance	196,012	-	-	-	196,012
	780,971	(86)	-	-	780,885
 Gross premiums earned	544,739	(86)	-	-	544,653
Gross claims incurred	(339,959)	(589)	-	(17)	(340,565)
Gross operating expenses	(186,603)	(135)	7	(6)	(186,737)
Reinsurance balance	(10,381)	813	(7)	24	(9,551)

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**3. Analysis by class of business (continued)**

<b>2024</b>	<b>Pet £'000</b>	<b>Creditor £'000</b>	<b>Warranty £'000</b>	<b>MGA £'000</b>	<b>Total £'000</b>
<b>Gross Premiums Written</b>					
- Direct insurance	170,292	1,613	160	-	172,065
- Inward reinsurance	28,914	-	-	-	28,914
	<u>199,206</u>	<u>1,613</u>	<u>160</u>	<u>-</u>	<u>200,979</u>
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)

**4. Net investment return**

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Interest income from financial investments at fair value through profit and loss	2,152	1,278
Interest income from financial investments held at amortised cost	3,174	4,839
Net realised gains / (losses) on financial investments	(30)	83
Net unrealised gains on financial investments	886	345
	<u>6,182</u>	<u>6,545</u>

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

5. Net claims incurred

	<b>2025</b>		<b>Total</b>
	<b>General business £'000</b>	<b>Long-term business £'000</b>	
<b>Gross amount</b>			<b>£'000</b>
Claims paid	327,691	991	328,682
Gross movement in the provision for:			
- Claims outstanding	12,105	(222)	11,883
	<u>339,796</u>	<u>769</u>	<u>340,565</u>
<b>Reinsurers' share</b>			
Reinsurers' recoveries	(156,975)	(991)	(157,966)
Movement in the provision for:			
- Claims outstanding	(13,286)	222	(13,064)
	<u>(170,261)</u>	<u>(769)</u>	<u>(171,030)</u>
	<u>169,535</u>	<u>-</u>	<u>169,535</u>
	<b>2024</b>		
	<b>General business £'000</b>	<b>Long-term business £'000</b>	<b>Total £'000</b>
<b>Gross amount</b>			
Claims paid	118,446	1,028	119,474
Gross movement in the provision for:			
- Claims outstanding	(1,613)	(1,975)	(3,588)
	<u>116,833</u>	<u>(947)</u>	<u>115,886</u>
<b>Reinsurers' share</b>			
Reinsurers' recoveries	(55,346)	(1,028)	(56,374)
Movement in the provision for:			
- Claims outstanding	(5,793)	1,975	(3,818)
	<u>(61,139)</u>	<u>947</u>	<u>(60,192)</u>
	<u>55,694</u>	<u>-</u>	<u>55,694</u>

6. Net operating expenses

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Acquisition costs	174,337	33,253
Change in gross deferred acquisition costs	(52,826)	(4,143)
Administrative expenses	60,121	61,447
Reinsurance commissions and profit participation	(86,300)	(26,350)
	<u>95,332</u>	<u>64,207</u>

Commissions in respect of direct insurance business amounted to £115.1m (2024: £33.3m).

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**6. Net operating expenses (Continued)**

Included in administrative expenses are:	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Management fees charged by Pinnacle Insurance Management Services limited	57,206	37,976
Cost of onboarding a new major partner (expensed in year)	-	20,741
Professional fees	1,373	1,092
Head office charge	1,423	1,359

**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;

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to Company's auditor for Company's annual accounts	605	465
Non-Audit Fees pursuant to Legislation	128	65
	<u>733</u>	<u>530</u>

**8. Employees**

The Company had no employees during the year. A fellow subsidiary of PPG, Pinnacle Insurance Management Services limited ("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:

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Total staff costs	32,882	25,523
Redundancy cost incurred	643	85
	<u>33,525</u>	<u>25,608</u>

Included above within staff costs are the social security costs of £3.5m (2024: £2.3m) and staff pension contributions of £2.1m (2024: £1.9m).

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

	<b>2025</b>	<b>2024</b>
Administration and finance	310	251
Underwriting	31	25
Claims	49	30
Investments	-	1
	<u>390</u>	<u>307</u>

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**9. Directors' remuneration**

The total Directors' remuneration in respect of services to PINNACLE INSURANCE LIMITED was as follows:

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate remuneration	2,075	1,653
Pension contributions to a defined contribution scheme	47	40
	<u>2,122</u>	<u>1,693</u>

The remuneration of the highest paid Director:

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate remuneration of highest paid Director	630	546
Pension contributions of highest paid Director	9	9
	<u>639</u>	<u>555</u>

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:

	<b>Total (all related to General business)</b>	
	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax charge/(credit) for the year	2,245	(2,292)
Prior year adjustments	(820)	(225)
Total current tax charge /(credit)	<u>1,425</u>	<u>(2,517)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3,360)	(2,675)
<b>Total tax charged/(credited) to income statement</b>	<u>(1,935)</u>	<u>(5,192)</u>

The Company earns its profits entirely in the UK. UK corporation tax has been charged at 25% (2024: 25%), the standard rate in the UK for the period.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**10. Taxation (Continued)**

	<b>2025</b>		<b>Total £'000</b>
	<b>General business £'000</b>	<b>Long-term business £'000</b>	
<b>Tax reconciliation</b>			
<b>Non-technical account</b>			
Profit/(loss) on ordinary activities before tax	13,978	3	13,981
Tax calculated at the standard UK corporation tax rate of 25%	3,494	1	3,495
Effect of:			
Brought forward losses utilised	(1,249)	-	(1,249)
Movement in Deferred Tax Asset not previously recognised	(3,360)	(1)	(3,361)
Adjustment in respect of previous years			
-Under provision prior years	(820)	-	(820)
<b>Total tax credited to income statement</b>	<b>(1,935)</b>	<b>-</b>	<b>(1,935)</b>

	<b>2024</b>		<b>Total £'000</b>
	<b>General business £'000</b>	<b>Long-term business £'000</b>	
<b>Tax reconciliation</b>			
<b>Non-technical account</b>			
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)
<b>Total tax credited to income statement</b>	<b>(5,192)</b>	<b>-</b>	<b>(5,192)</b>

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**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.

	<b>General business</b>	
	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	(3,850)	(1,175)
Recognition	(3,360)	(2,675)
At 31 December	(7,210)	(3,850)

Deferred tax has been recognised for £28.8m (2024: £15.4m) of tax losses at the statutory rate of 25% which equates to a deferred tax asset of £7.2m (2024: £3.9m).

The company expects £7.2m (2024: £3.9m) of this deferred tax asset will unwind over the next 12 months.

**Analysis of unrecognised deferred tax asset**

There is no unrecognised deferred tax asset in respect of trading losses of general business at 31 December 2025 (2024: £6.8m) and an unrecognised deferred tax asset of £1.4m (2024: £1.4m) in respect of long-term business.

	<b>General business</b>		<b>Long-term business</b>		<b>Total</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Losses	-	5,420	1,358	1,358	1,358	6,778
Unrecognised deferred tax asset	-	5,420	1,358	1,358	1,358	6,778

Unrecognised deferred tax is calculated at 25% (2024: 25%).

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**11. Financial assets and liabilities**

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

	Carrying value		Cost price	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
<u>Investments held at fair value through profit or loss</u>				
- Debt securities/ Bonds	84,409	56,753	83,872	57,102
<u>Investments held at amortised cost</u>				
- Deposits with credit institutions	5,378	46,766	5,378	46,766
<b>Total Financial investments</b>	<b>89,787</b>	<b>103,519</b>	<b>89,250</b>	<b>103,868</b>
<u>Assets held at amortised cost</u>				
- Cash and cash equivalents	36,283	32,472	36,283	32,472
- Other receivables	67,137	24,854	67,137	24,854
	<b>103,420</b>	<b>57,326</b>	<b>103,420</b>	<b>57,326</b>
<b>Total financial assets</b>	<b>193,207</b>	<b>160,845</b>	<b>192,670</b>	<b>161,194</b>
<b>Financial liabilities</b>				
Other payables	290,011	87,410	290,011	87,410
<b>Total financial liabilities</b>	<b>290,011</b>	<b>87,410</b>	<b>290,011</b>	<b>87,410</b>

**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 2025 and 2024.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**12. Cash and cash equivalents**

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	8,440	12,472
Collective Investments Undertakings	27,843	20,000
	36,283	32,472

Collective Investments Undertakings 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 2025 was 4.3% (2024: 5.1%).

**13. Other debtors**

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
Other debtors		
- Amounts owed by group undertakings (see note 24)	10,222	2,812
- Deferred tax	7,210	3,850
- Corporation tax	700	2,292
	18,132	8,954
Amounts to be settled within one year	18,132	8,954
	18,132	8,954

**14. Other creditors including taxation and social security**

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
-Amounts due to group undertakings (see note 24)	12,422	12,751
-Other taxation and social security	32,822	5,369
	45,244	18,120
Amounts to be settled within one year	45,244	18,120
	45,244	18,120

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 15. Share Capital and Reserves

The total shareholder's funds are analysed as:

	2025 £'000	2024 £'000
Authorised 153,836,000 Ordinary shares of £0.47 each (2024: £1.00 each)	71,232	153,836
Issued, allotted, called up and fully paid Ordinary shares 151,557,050 of £0.47 each (2024: £1.00 each)	71,232	151,557
Share Premium	-	23,323
	71,232	174,880
Retained earnings	34,770	(51,294)
Total Shareholder's funds / equity	106,002	123,586

There was no issue of capital in 2024 and 2025.

The issued share capital of the Company was reduced from £151,557,050 to £71,231,813.50 through the cancellation and extinguishment of £0.53 of capital on each fully paid ordinary share of £1.00 nominal value, thereby reducing the nominal value of each ordinary share from £1.00 to £0.47.

The aggregate reduction of £103,648,187.22 has been credited to the Company's Retained earnings as distributable reserves in accordance with Part 23 of the Companies Act 2006 and the Companies (Reduction of Share Capital) Order 2008.

#### 16. Reserves

##### Share premium account

The entire share premium account of the company in the amount of £23.3m was cancelled on 10 June 2025.

The Company has completed a Board-approved capital reduction, decreasing its share capital by £80.3m and cancelling the share premium reserve of £23.3m. In total, £103.6m has been transferred to retained earnings.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**17. Insurance liabilities**

	<b>2025</b>			
	<b>Unearned premiums reserve £'000</b>	<b>Claims outstanding £'000</b>	<b>Long-term business provision £'000</b>	<b>Total £'000</b>
<b>Insurance liabilities</b>				
<b>Gross amount</b>				
At 1 January 2025	95,660	20,803	15,461	131,924
Inward Reinsurance transfer*	-	20,331	-	20,331
Movement in the provision	236,232	12,105	(222)	248,115
At 31 December 2025	331,892	53,239	15,239	400,370
<b>Reinsurance amount</b>				
At 1 January 2025	(48,266)	(11,202)	(15,461)	(74,929)
Inward Reinsurance transfer*	-	(617)	-	(617)
Movement in the provision	(116,376)	(13,286)	222	(129,440)
At 31 December 2025	(164,642)	(25,105)	(15,239)	(204,986)
<b>Net technical provisions</b>				
At 1 January 2025	47,395	9,601	-	56,996
Inward Reinsurance transfer*	-	19,715	-	19,715
Movement in the provision	119,855	(1,181)	-	118,674
At 31 December 2025	167,250	28,135	-	195,385

\*Inward reinsurance transfer: This relates to the 100% quota share reinsurance arrangement covering the Animal Friends pet insurance book with Red Sands Insurance Company (Europe) Limited, in respect of policies incepting prior to 25 February 2025. The associated technical provisions and deferred acquisition costs were transferred in line with the terms of the agreement, with the reinsurer assuming the full underwriting risk for the covered portfolio.

	<b>2024</b>			
	<b>Unearned premiums reserve £'000</b>	<b>Claims outstanding £'000</b>	<b>Long-term business provision £'000</b>	<b>Total £'000</b>
<b>Insurance liabilities</b>				
<b>Gross amount</b>				
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
<b>Reinsurance amount</b>				
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)
<b>Net technical provisions</b>				
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.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**17. Insurance liabilities (Continued)**

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

	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2025	20,803	(11,202)	9,601
Claims incurred in current accident year	349,312	(153,411)	195,901
Claims incurred in prior accident years	11,806	(18,458)	(6,651)
Claims paid during the year	(328,682)	157,966	(170,716)
At 31 December 2025	53,239	(25,105)	28,135

	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**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:

	<b>2025</b> <b>£'000</b>	<b>2025</b> <b>£'000</b>
	Impact on profit before tax	Impact on equity
<i>Impact on profit before tax</i>		
<u>Insurance profit deteriorates against expected outcome</u>		
5% deterioration	(1,407)	(1,055)
10% deterioration	(2,814)	(2,110)
 <u>Insurance profit improvement against expected outcome</u>		
5% improvement	1,407	1,055
10% improvement	2,814	2,110
	<b>2024</b> <b>£'000</b>	<b>2024</b> <b>£'000</b>
	Impact on loss before tax	Impact on equity
<i>Impact on loss before tax</i>		
<u>Insurance losses deteriorate against expected outcome</u>		
5% deterioration	(480)	(360)
10% deterioration	(960)	(720)
 <u>Insurance losses improvement against expected outcome</u>		
5% improvement	480	360
10% improvement	960	720

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**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 £0.2m over 2025.

The long term claims outstanding consists of claims reserves attached to Creditor business with a death benefit attached (nil at year-end 2025).

See the table below for a detailed movement analysis:

	<b>2025</b>					
	<b>Gross</b>		<b>Reinsurance</b>		<b>Net</b>	
	Long-term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2025	15,461	-	15,461	-	-	-
Change in exposure	113	-	113	-	-	-
Adjustments due to change in assumptions:						
Mortality	-	-	-	-	-	-
Discount rate	(245)	-	(245)	-	-	-
Inflation rate	(191)	-	(191)	-	-	-
Default provision	-	-	-	-	-	-
Expenses	101	-	101	-	-	-
Other	-	-	-	-	-	-
At 31 December 2025	15,239	-	15,239	-	-	-

	<b>2024</b>					
	<b>Gross</b>		<b>Reinsurance</b>		<b>Net</b>	
	Long-term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding	Long- term business provision	Claims Outstanding
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	(25)	-	(25)	-	-	-
Default provision	-	-	-	-	-	-
Expenses	(70)	-	(70)	-	-	-
Other	-	-	-	-	-	-
At 31 December 2024	15,461	-	15,461	-	-	-

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**17. Insurance liabilities (continued)**

**Long-term business provision**

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

<u>Rates of interest</u>	<b>2025</b>	<b>2024</b>
RAM - Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
Annuities-general	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
Annuities-pension	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
GUAL- Annuities	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
<u>Assurances:</u>		
Life After Fifty	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
Individual Life - WOL & DTA	EIOPA Risk Free Rate - term structure of interest rate for YE25	EIOPA Risk Free Rate - term structure of interest rate for YE24
<u>Mortality tables</u>		
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	100% of ELT16 Males & ELT16 Females
Individual Life - WOL & DTA	100% of A1967-70	100% of A1967-70

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

17. Insurance liabilities (continued)

Claims Development Table  
Insurance Claims – Gross\*

Accident year	2021 £'000	2022 £'000	2023 £'000	2024 £'000	2025 £'000	Total £'000
<b>estimate of ultimate claims costs</b>						
At the end of accident year	52,167	58,424	90,153	118,250	343,261	
One year later	48,876	59,076	87,066	129,448		
Two years later	49,413	58,531	88,711			
Three years later	49,438	59,505				
Four years later	49,769					
<b>Cumulative claims payments</b>						
At the end of accident year	(40,341)	(48,301)	(74,213)	(103,686)	(301,359)	
One year later	(48,524)	(57,605)	(86,080)	(127,616)		
Two years later	(48,989)	(58,290)	(87,064)			
Three years later	(49,124)	(58,838)				
Four year later	(49,292)					
Current estimate of cumulative claims	49,769	59,505	88,711	129,448	343,261	670,694
Cumulative payments to date	(49,292)	(58,838)	(87,064)	(127,616)	(301,359)	(624,169)
<b>Claims liabilities outstanding</b>	<b>477</b>	<b>667</b>	<b>1,647</b>	<b>1,832</b>	<b>41,902</b>	<b>46,525</b>
<b>Claims liabilities outstanding for prior years</b>						<b>378</b>
<b>Total Claims liabilities outstanding Gross</b>						<b>46,903</b>
Risk Margins						5,644
Claims Handling Expenses						692
<b>Gross Insurance Claims Liabilities Total</b>						<b>53,239</b>

\* The claim development tables have been updated to include only those classes of business for which provisions are held on the 2025 year-end balance sheet. the extent of the development triangles has been reduced to five accident years, as there are no longer material liabilities beyond this period. The revised triangles therefore reflect only the Pet and Creditor lines of business.

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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

Accident year	2021 £'000	2022 £'000	2023 £'000	2024 £'000	2025 £'000	Total £'000
<b>estimate of ultimate claims costs</b>						
At the end of accident year	48,344	55,691	86,612	58,711	172,177	
One year later	45,375	55,056	83,605	71,051		
Two years later	45,325	55,052	85,063			
Three years later	45,329	55,888				
Four year later	45,754					
<b>Cumulative claims payments</b>						
At the end of accident year	(38,925)	(47,261)	(73,288)	(51,685)	(150,765)	
One year later	(45,273)	(54,985)	(83,462)	(69,881)		
Two years later	(45,321)	(55,051)	(84,100)			
Three years later	(45,330)	(55,430)				
Four year later	(45,417)					
Current estimate of cumulative claims	45,754	55,888	85,063	71,051	172,177	429,933
Cumulative payments to date	(45,417)	(55,430)	(84,100)	(69,881)	(150,765)	(405,593)
<b>Claims liability outstanding</b>	<b>337</b>	<b>458</b>	<b>963</b>	<b>1,170</b>	<b>21,412</b>	<b>24,340</b>
<b>Claims liability for prior years</b>						<b>273</b>
<b>Total Claims liabilities outstanding</b>						<b>24,613</b>
<b>Net</b>						<b>24,613</b>
Risk Margins						2,833
Claims Handling Expenses						689
<b>Net Insurance Liabilities Total</b>						<b>28,135</b>

\* The ceded pet liability figures, which in prior years were disclosed as consolidated amounts below the claim's development triangles, have been integrated into the triangles for 2025 to provide improved consistency and transparency of gross and net development patterns.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**18. Deferred acquisition costs**

The reconciliation of opening and closing deferred acquisition costs is as follows:

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January 2025	14,191	10,047
Expenses for the acquisition of insurance contracts deferred during the year	174,337	33,253
Amortisation	(121,511)	(29,109)
At 31 December 2025	67,017	14,191

**19. Creditors arising out of reinsurance operations**

Included in Creditors arising out of reinsurance operations is funds held on behalf of reinsurers relating to the Quota Share reinsurance treaty of £22.7m (2024: £13.9m).

**20. Provision**

	<b>Payment protection Income (PPI) £'000</b>	<b>Annual review statement provision £'000</b>	<b>Total £'000</b>
At 1 January 2025	3	-	3
Utilisation of provision	(3)	-	(3)
At 31 December 2025	-	-	-

**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 misselling 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 that all have been fully settled. As a result, the provision has reduced to £nil at 31 December 2025.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 20. Provision (continued)

##### Annual review statement compensation provision (run-off operations)

The Company had previously recognised a provision in respect of errors identified in certain customers' PPI Annual Review Statements, where twelve months of premium instalments were omitted from the statements issued. These errors related to Creditor business sold through a distribution partner. Under an agreement with the Competition and Markets Authority, the partner committed to provide affected customers with refunds equal to the value of the omitted amounts. During the year, the Company completed a full review of all potentially affected books of PPI business, including those where further similar issues had initially been identified. All required remediation activity has now been carried out, and the associated costs have been fully settled. As a result, the provision has reduced to £nil at 31 December 2025.

Based on completed remediation work, the Company does not expect any further liabilities to arise in respect of this matter. No new evidence has emerged that would indicate any remaining or future obligation. The provision has therefore been fully released in accordance with FRS 102 requirements for recognising and de-recognising provisions.

#### 21. 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 other risks of the company are Strategic, Reserving, and Operational 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.

##### 21.1 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 21. Risk Management (continued)

##### 21.1 Insurance risk (continued)

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.

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.

##### 21.2 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. 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.

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 21. Risk Management (continued)

##### 21.2 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.

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**21. Risk Management (continued)**

**21.2 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.

	<b>2025</b>				<b>Carrying value in the balance sheet £'000</b>
	<b>Neither past due nor impaired £'000</b>	<b>Past due 1- 90 days £'000</b>	<b>Past due more than 90 days £'000</b>	<b>Assets that have been impaired £'000</b>	
Financial investments	89,787	-	-	-	89,787
Debtors arising out of direct insurance operations	351,217	-	-	-	351,217
Debtors arising out of reinsurance operations	56,215				56,215
Reinsurance assets	204,986	-	-	-	204,986
Cash and cash equivalents	36,283	-	-	-	36,283
	<b>738,488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>738,488</b>

	<b>2024</b>				<b>Carrying value in the balance sheet £'000</b>
	<b>Neither past due nor impaired £'000</b>	<b>Past due 1- 90 days £'000</b>	<b>Past due more than 90 days £'000</b>	<b>Assets that have been impaired £'000</b>	
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
	<b>334,916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>334,916</b>

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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.

<i>Financial assets by credit rating</i>	2025				
	Corporate bonds £'000	Government bonds £'000	Deposits with financial institution £'000	Cash & cash equivalents £'000	Total £'000
AAA	15,261	14,180	-	27,843	57,284
AA+	908	-	-	-	908
AA-	-	7,735	-	-	7,735
A+	15,403	-	-	8,440	23,843
A	1,746	-	5,378	-	7,124
A-	7,573	-	-	-	7,573
BBB+	17,562	-	-	-	17,562
BBB	4,041	-	-	-	4,041
	62,494	21,915	5,378	36,283	126,070

The highest exposure to single reinsurance counterparty is £13.3m (2024: £11.8m) rated A (2024: AA-).

<i>Financial assets by credit rating (%)</i>	2025				
	Corporate bonds	Government bonds	Deposits with financial institution	Cash & cash equivalents	Total
AAA	25%	65%	-	77%	45%
AA+	1%	-	-	-	1%
AA-	-	35%	-	-	6%
A+	25%	-	-	23%	19%
A	3%	-	100%	-	6%
A-	12%	-	-	-	6%
BBB+	28%	-	-	-	14%
BBB	6%	-	-	-	3%
	100%	100%	100%	100%	100%

<i>Financial assets by credit rating</i>	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

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

20. Risk Management (continued)

21.2 Credit and Counterparty risk (continued)

<i>Financial assets by credit rating (%)</i>	2024				Total
	Corporate bonds	Government bonds	Deposits with financial institution	Cash & cash equivalents	
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%

21.3 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.

<i>Time to maturity</i>	2025				
	Total	1 year	2-3 Years	4-5 Years	Over 5 Years
	£'000	£'000	£'000	£'000	£'000
Financial investments					
-Corporate bonds	62,494	14,454	20,033	24,626	3,381
-Government bonds	21,915	1,996	4,193	15,726	-
-Deposits with financial institutions	5,378	5,378	-	-	-
Cash and cash equivalents	36,283	36,283	-	-	-
Debtors arising out of direct insurance operations	351,217	351,217	-	-	-
	477,287	409,328	24,226	40,352	3,381

PINNACLE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

21.3 Liquidity Risk (continued)

<b>At 31 December 2025</b>	<b>Total carrying value £'000</b>	<b>1 Year £'000</b>	<b>2-3 Years £'000</b>	<b>4-5 Years £'000</b>	<b>Over 5 years £'000</b>
Gross insurance liabilities*					
-Provision for claims reported but not settled	5,901	1,757	3,134	1,010	-
- Provision for claims incurred but not reported	47,340	44,227	1,851	1,262	-
-Long-term business provision	15,237	1,057	1,963	1,755	10,462
	68,478	47,041	6,948	4,027	10,462
Other payables, including insurance payables	318,777	318,777	-	-	-
Total	387,255	365,818	6,948	4,027	10,462

**2024**

<u>Time to maturity</u>	<b>Total £'000</b>	<b>1 year £'000</b>	<b>2-3 Years £'000</b>	<b>4-5 Years £'000</b>	<b>Over 5 Years £'000</b>
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	-

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

<b>At 31 December 2024</b>	<b>Total carrying value £'000</b>	<b>1 Year £'000</b>	<b>2-3 Years £'000</b>	<b>4-5 Years £'000</b>	<b>Over 5 years £'000</b>
Gross insurance liabilities**					
-Provision for claims reported but not settled	1,991	1,974	17	-	-
- Provision for claims incurred but not reported	18,812	18,647	165	-	-
-Long-term business provision	15,461	1,078	1,962	1,749	10,672
	36,264	21,699	2,144	1,749	10,672
Other payables, including insurance payables	103,346	103,346	-	-	-
Total	139,610	125,045	2,144	1,749	10,672

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

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 21.4 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. This risk exists for all investment assets, best estimate liability and best estimate ceded reinsurance liability which are sensitive to changes in term structure of interest rate.

The Company has a low-risk appetite for market risk, which has been translated into a policy allowing the Company to invest predominantly in short-term and intermediate-term bonds to match the short-tail nature of most of its claims. The risk is managed by the Investment Committee.

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 £3.6m (2024: £2.0m) if the interest rates increase and profit of £3.6m (2024: £2.0m) for the interest rate decrease. The rate applied for sensitivity varies according to the duration of the bond.

#### 22. Commitments

There were no outstanding capital commitments at 31 December 2025 (2024: £nil).

#### 23. 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).

**PINNACLE INSURANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

**23. Capital management – Audited (continued)**

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital position</b>		
Available eligible own funds	91,680	125,706
Solvency Capital Requirement	(61,119)	(47,171)
<b>Capital surplus</b>	<b>30,561</b>	<b>78,535</b>
Capital coverage ratio	150%	266%
	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b>Eligible own funds</b>		
Available capital before foreseeable dividends	91,680	125,706
<b>Available eligible own funds</b>	<b>91,680</b>	<b>125,706</b>

The main differences between UK GAAP equity of £106.3m (2024: £123.6m) and the Solvency II own funds of £91.7m (2024: £125.7m) represents de-recognition of deferred acquisition costs and movement of insurance technical provisions onto Solvency II basis.

The Company maintains a strong capital position, with a solvency capital surplus of £30.6m (2024: £78.5m) above its Solvency Capital Requirement. Eligible own funds decreased from £125.7m to £91.7m during 2025. The net reduction of £34.0m primarily reflects dividends paid of £33.5m and foreseeable dividends of £32.3m, partially offset by the positive UK GAAP result for the year and movements arising from the differences between the UK GAAP and Solvency II valuation bases.

**24. Related party transactions**

The table below gives details of the balances between the Company, its parent and other related parties which comprise other fellow group undertakings on the grounds that they are members of the same parent, Pinnacle Pet Group Ltd.

	<b>2025</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Amounts due from group undertakings</u></b>		
Animal Friends Ltd	8,168	-
Pet Protect Ltd	1,086	466
Viovet Ltd*	968	1,255
Pinnacle Pet Group	-	1,091
	<b>10,222</b>	<b>2,812</b>
<b><u>Amounts due to fellow group undertakings</u></b>		
Pet Holdings Ltd	170	
Pinnacle Insurance Management Services Ltd	9,916	12,751
Viovet Ltd	753	-
Pinnacle Pet Group Ltd	1,583	-
	<b>12,422</b>	<b>12,751</b>

\*PIC loan and interest balance to Viovet Ltd as at 31 December 2025.

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 Ltd charged £57.2m (2024: £61.4m) in respect of administrative expenses incurred on behalf of the Company including staff cost of £33.5m (2024: £24.3m). See note 6 net operating expenses.

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

## PINNACLE INSURANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 25. Ultimate parent undertaking

The Company is a subsidiary of Pinnacle Pet Group Ltd (the “UK Parent”), which in turn is a subsidiary of Pinnacle Pet Holdings Ltd. Until June 2022 the Company was part of the global banking group BNP Paribas SA. At 30 June 2022 JAB Holding Company and BNP Paribas Cardif formed a joint business venture. JAB set up the holding company for the new JV which purchased 100% of the share capital of the Company and two fellow subsidiaries. The ownership structure of the ultimate holding company in the UK is JAB Holdings 76.4% and BNP Paribas Cardif 23.6%.

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

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

#### 26. Events after the balance sheet

After the reporting date the directors proposed a final dividend of £32.3m in total. This dividend has not been recognised as a liability in the financial statements as it was not declared at the reporting date.

The dividend will be presented for approval by shareholders at the forthcoming annual general meeting.