Registered number: 10757654

TSTAR PINNACLE LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

TSTAR PINNACLE LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021

Introduction

The 12 month period between 1st April 2020 and 31st March 2021 has without doubt been a most testing period for TStar Pinnacle Limited and its subsidiaries (the "Group"). COVID 19's impact on the UK was sudden and severe and considerably worse than most had expected. With a March year end, the Group Board had just approved a budget for the forthcoming year only to find that management's focus needed to change very quickly from growth to preservation; preservation of the health of our people and our clients as well as the preservation of cash to enable us to continue to operate through a period of considerable uncertainty.

The machinery that we had already put in place to deal with this kind of incident proved more resilient than we might have reasonably expected. Working groups were quickly established to deal with a range of COVID related issues, business continuity plans for over 240 contracts were tested and updated, the procurement team were quick to secure forward order for all necessary PPE, and the working capital team went into overdrive to ensure maximum cash collection. As a management team, we reviewed a series of potential outcomes and factored these into revised cashflows. And last but certainly not least our health and safety team kept us all abreast of the rapidly changing guidance and requirements from central Government on how we could continue to operate.

The quick response to the changes faced by the Group highlighted the strength of the Group's central functions and enabled us to weather the worst effects of the COVID pandemic. It is also clear that we are fortunate that the majority of our activities were classified as key worker activities and the strong relationship we had built with our clients resulted in our invoices being settled with minimum or no delay.

With the COVID pandemic now largely balanced by the majority of the UKs adult population having had both jabs, we can look back on the period with considerable pride having not only exceeded our pre COVID budget EBITDA of £3.6 million but exceeded it by 21% while also ending the period with circa three times our cash balance at the start of the period. At no stage during the pandemic did the Group require access to its existing overdraft facility which says much about the tireless efforts of both operations and the working capital team.

The Group's performance required our people to be prepared to continue working either at home or at their normal work locations and we are enormously grateful for the commitment that this portrayed. It is clear that many of our people made significant personal sacrifices not only to perform their normal tasks, but also the support they gave to the communities we serve. Despite this strong response, it remains deeply upsetting that we lost two of our colleagues to COVID during 2020.

Strategic Direction

The experiences we gained from managing our way through the COVID crisis have strengthened the Group and provided us with a strong base from which to develop the Group and enhance our service offering further. We remain focused on providing community facing services ranging from the delivery of housing solutions and wider facilities management services to the provision of integrated community infrastructure fit to meet the demands placed on us by climate change and wider policy objectives including the levelling up agenda. We believe that a successful community is one in which people wish to live and that requires care of both the physical and social fabric. That is why in addition to our FM and Housing activities, we continue to provide employment solutions to the communities we serve and why we intend to integrate this service further with our housing management services.

Our core housing services have continued to develop during the pandemic as our affordable housing activities are supported by our growing exposure to the private rented sector and continued growth in our residential management business. It is clear that there is an increasing appetite from large scale institutional investors from the UK as well as overseas to invest in residential property and Pinnacle intends to become the manager of choice for these investors given our ability to operate all residential tenures across the UK. It is also clear that institutional investors require a very different type of service to the private landlord investor with data very much at the heart of a more analytical approach than has typically been provided. As systems and technology become increasingly important components in the provision of a best-in-class service our investment in this area will continue.

Our investment in our infrastructure businesses, Pinnacle Power and Grain, has proved to be timely and rewarding. As the pandemic took hold, the need for homeowners and renters to have access to high speed broadband became acute. As a result, Grain developed a more aggressive and capital intensive expansion plan and at the calendar year end commenced the process to raise £75 million of new capital to fund this. An interim fund raise took place in December 2020 following which our interest in Grain was diluted to 20.2%. The current fundraise is scheduled to complete after the year end and following the sale of 50% of the shares currently held our interest will be further diluted to 6.4%.

The heightened global and national interest in the impact of climate change and the forthcoming COP26 conference in Glasgow at the end of October have provided a significant boost to the prospects for Pinnacle Power. The company, which saw an initial slowing in activity during the first lockdown, has nonetheless established a presence in the design, build and operation of district heating networks and associated energy centres which form a significant part of the Governments Green Agenda given the ban on new domestic gas boilers in 2025.

Post Balance Sheet Events

Despite the constraints placed on all businesses during the initial lockdown we were able to martial our resources to submit the largest single bid in our history to secure the contract to provide housing management services to the Defence Infrastructure Organisation's 49,000 service family accommodation portfolio across the whole of the UK, the result for which came through after the year end, but the hard work necessary to create and submit the bid was very much a part of FY21. The contract which covers an initial 7 year period with revenue for that period of approximately £150 million has the potential for three one year extensions. This contract covers all of the UK enhancing our service coverage capabilities. The contract brings with it significant responsibility for a politically sensitive service, and it therefore says much about the Group, and our trusted credentials that a major central Government Department has chosen to award us the contract.

On 14th July 2021, Grain Connect Limited exchanged contracts with funds managed by Equitix the result of which at completion on 5th August 2021, they invested a total £75 million in shareholders' loan and equity capital, with the equity element of £21.4 million being priced at £30.82 per share. Pinnacle Group Limited exchanged contracts at the same time and at the same price to sell 50% of its interest in Grain Connect Limited for a consideration of £3,535k, leaving a remaining interest of 114,714 numbers of shares or 6.4%.

Outlook

Given the relatively strong position the Group has secured through prudent management during the pandemic, we are now able to consider accelerating growth through both organic growth and growth by acquisition. We want to increase our geographic coverage of the UK, particularly in both cities and major towns, as well as enhance the quality of our service delivery and the spread of the services we can offer to a community. Where this is practical, we will be looking to areas of activity which will support our aim of improving our net margins.

The emergence of ESG as a measure of a business's responsibility towards its clients' customers and the wider community is long overdue but by most measures is an area where the Group is already well ahead of its peers. We have developed a comprehensive EGS framework which is a key component of our future business planning and scrutinising performance against our ESG targets is a management priority.

We anticipate there will bumps ahead as some of the effects of Brexit begin to overtake the noise surrounding the pandemic and there is now heightened risk that inflation will return as supply chains tighten and the currently subdued inflationary effects of the debt mountains created in the developed world find their way through to the real economy.

The Group emerges from the pandemic in robust shape. We have an energised management team, a strong client base across both public and private sectors, supportive shareholders and have secured a major win from central Government. We also have the resources to capitalise on these strengths. That cannot be said for many other businesses which have suffered through no fault of their own during the pandemic, so it is beholden on us to get it right.

Summary of results and Key Performance Indicators (KPIs)

The Group uses the following KPIs to assist in the understanding of the performance of the business:

- Group revenues plus joint ventures were £122,124k against £107,090k in the prior year.
- Loss for the year of £308k (2020: £2,632k).

The business does not currently report on non-financial KPIs.

Balance sheet and cash

The net assets of the Group at 31 March 2021 were £4,525k compared to £5,376k at 31 March 2020 and at 31 March 2021 the Group had £11,889k in cash compared to £3,445k at 31 March 2020.

Stakeholders Agenda

Section 172(1) statement - Companies Act 2006
This report sets out how the Directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted the Board's decision making throughout the year.

The Role of the Board
The Board's primary role is to promote the long-term success of the Company, by creating and delivering sustainable shareholders' value through the provision of high quality services and jobs that sustain and enhance communities by ensuring they operate effectively and affordably. This relies on a number of factors, including maintaining positive relationships with a wide range of stakeholders.

A formal schedule of reserved matters is set out and reviewed regularly to ensure it remains fit for purpose. This will include decisions on the ongoing strategic direction of the group, approval of the business plan and budget, the acquisition or disposal of assets, entry into major new contracts and changes in key policies.

The Board also monitors the effectiveness of the Group's internal controls, governance, and risk management processes.

The Board delegates the day-to-day running of the business to the Group Chief Executive, who is supported by members of the Executive Committee. It also delegates certain responsibilities to the Audit Committee and Remuneration Committee and both of which are made up of Non-Executive Directors and provide the Board with independent oversight.

Board Governance
In 2020 we updated our approach to reflect changes in the reporting requirements, most notably the 2018 UK Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018.

We continue to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 31 March 2021, which allow us to reflect on where we have done well, and where we can learn from best practice to raise our corporate governance standards to a higher level.

The Principles also support directors in meeting the requirements of Section 172 with guidance on the following areas:

- Purpose and leadership;
- Board Composition;
- Directors' responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholders.

Our Corporate Governance Statement, which is set out in the statutory accounts for Pinnacle Group Limited, provides details of how the Group has applied these principles.

Board Activity during the year
The strategy and strategic priorities of the Group were set out in a 3-year Business Plan (FY20-FY22), which was signed off by our shareholders in Jan 2019. In approving the plan, the Directors also consider external factors

such as the market and our competitors, as well as economic and political conditions.

We provide quarterly reviews to staff on our progress against the plan, and any changes to our strategic direction where relevant.

During the year, the Directors made the following key decisions:

- Given the heightened interest in the affordable housing space, the board decided to utilise its for-profit Registered Provider, Pinnacle Spaces Limited, to work alongside institutional investors who require a suitable operating platform. We currently have a contracted pipeline of 117 properties which will come on stream during FY22.
- An alliance was formed with Asuria, an Australian employment and skills business, to jointly bid the Department of Work and Pensions Restart contracts under the CAEHRS Framework - unfortunately we were unsuccessful this time round.
- Relocation of our head office to Holborn Tower, High Holborn with the design and implementation of a revised flexible working model reducing our head office footprint by nearly 70%, also supporting our carbon reduction targets.
- Towards the end of the year, we stepped into another Schools PFI contract, this time in Exeter, which runs until August 2033.
- Having come through the COVID-19 pandemic with increased cash in the bank, the board has indicated its willingness to grow the business through strategic acquisition as well as organically.
- Following the financial year end, we were delighted to be awarded the National Accommodation Management Services contract and entered into a 7-year contract with three one year extensions with the Defence Infrastructure Organisation to manage 49,000 service family homes across the UK.

It is the Board's priority to ensure that Directors have acted in the way that they consider, in good faith, would be most likely to promote the success of the company and its members as a whole. This includes the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006, as follows:

a. The likely consequences of any decision in the long term

- Decisions to enter new customer contracts follow a robust Investment Committee (IC) process.
- Decisions to enter any new Key Supplier arrangements are taken to and approved by Executive Committee.
- Decisions to make any material changes to Employee T&Cs, Pension Scheme arrangements, the Business Plan (and budget), dividends to parent companies, etc. are all reviewed at ExCom.
- Final approvals for making any changes to the corporate structure / material changes to the Business Plan, and entering into major contracts, settling any material disputes or litigation are matters reserved to the board, and the shareholders.

b. The interests of the company's employees

- The Directors recognise that our staff remain the lifeblood of the business and are essential to its long term success. The Group is certified to Silver standard by the Investors in People, and continually strives to improve the way that it interacts with its staff.
- COVID-19 ensured that overnight, the business embraced the concept of hybrid working, which generally proved to be both beneficial to the individual and to the business. Communications across the whole organisation were enhanced, with Microsoft Teams at the forefront of our technology solution.

- We undertook Working from Home surveys at different points of the pandemic, acknowledging that the large majority of our staff continued to deliver essential services to our local communities. Going forward we encourage all our managers to engage with their teams and discuss how work can best be organised to meet the needs of individuals and the required contract deliverables, with flexibility at the heart of those discussions.
- The health & safety of staff remains a top priority, and the Directors review the performance in this area at each meeting.
- Last year we relaunched our Performance Management Framework and followed up this year with a survey to determine people's experience of engaging with that new framework. This survey brought some really positive results, not least in relation to the more dynamic, regular informal check-in process. Additionally, we carried out staff engagement surveys in partnership with The Happiness Index - results are in the main very encouraging, scoring above 8 out of 10 in the areas of engagement, intention to stay, and inclusion.
- See our Corporate Governance Statement for further details.

c. The need to foster business relationships with suppliers, customers, and others

- The Board regularly reviews how the Group maintains positive relationships with all key stakeholders.
- During the year, we achieved ISO44001 accreditation, and have started to embed collaborative working arrangements with stakeholders into our contract mobilisation and contract management processes.
- Please also refer to our newly launched ESG framework.
- A number of customer engagement surveys were carried out during the course of the year across our portfolio of Housing contracts - the results of these surveys are reported back through the Shareholder Control Group forum. Furthermore, we have now signed up as a corporate member of the Institute of Customer Service and will work with the institute and other members to enhance the customer experience.
- We have rigorous processes in place to ensure that our suppliers are paid promptly, in accordance with contract terms. Quarterly reviews with key suppliers provide the mechanism for jointly seeking opportunities to develop our contractual arrangements for the benefit of both parties.

d. The impact of our operations on the community and the environment

- The Directors are committed to providing a secure, safe, and healthy environment for all our stakeholders.
- During the year, we have maintained our ISO14001 accreditation, are ESOS compliant, and worked hard on our challenging strategic target to become carbon neutral by 2025. Our environmental targets are reviewed on an annual basis.
- Please also see sections on streamlined energy and carbon reporting.
- During the year, we have continued to take an active role in the communities we serve. Our involvement in a wide range of social value projects and community activities is described in more detail in the Social Value section of this report.
- The Group continued with its strategy for engaging with local supply chain partners on major contracts.
- Please also see more detail on our Community Impact and Protecting our Planet as set out in our ESG Framework.

e. Desirability of the company to maintain a reputation for high standards of business conduct.

- The reputation of the Group is of upmost importance to our Directors, and this is not just limited to financial and operational performance. To that end, the Board has approved the Group's policies on Modern Slavery, and Anti-Bribery and Corruption.
- We monitor compliments and complaints from our customers, our key suppliers are signed up to a Code of Conduct, and all staff must adhere to our Core HR Policies and our staff handbook, which incorporates a section on "Living the Values".
- The Board has also considered the findings of our Gender Pay Gap report, including areas to focus going forward.

f. The need to act fairly between members of the company.

- The shareholders are committed to the business plan (FY20 -FY22), which sets out targets for and looks to develop all the main areas of the group. This is reinforced through the approval of the annual budget.
- Decisions from the Board are filtered down through ExCom, whose membership includes all the statutory directors for the two largest operating businesses, Pinnacle Housing Limited and Pinnacle FM Limited.
- Group companies where Pinnacle Group Limited does not have 100% ownership (e.g., Pinnacle Power Limited and Grain Connect Limited), operate their own statutory boards whose makeup reflects the relevant shareholdings in those businesses, and decision making reflects the shareholders agreements in place.

Corporate governance statement

For the year ended 31 March 2021, in accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the Company has continued to adopt the Wates Corporate Governance Principles for Large Private Companies. We set out below how we have applied the Principles during this financial year.

Principle 1 – Purpose and leadership

The focus of the Board, through the Executive Committee (see below), has been the delivery of the Annual Budget, and the Business Plan which defines our purpose, vision, and values. The plan, and our progress are communicated throughout the business through quarterly updates, workshops, and Q&A sessions. Employees are encouraged to contribute ideas through our Innovation Centre, which is managed by our Project Management Office. Annually we have a managers' conference to share key messages, which again this year was combined with our annual staff awards, recognising individuals that embody our vision and values – the "Pinnacles 2020" were held virtually for the first time, and we hope to be able to get back together in person again next year.

We have made significant strides during the year in embedding our governance structures and groups, and streamlining a number of processes whilst providing enhanced management information to the business through the creation of a series of Apps, Flows, SharePoint lists and PowerBI data analytics, cutting out duplication and often replacing more labour intensive and inefficient manual operations. Our governance framework supports a positive risk culture, one which encourages openness and discusses real business issues in a realistic manner.

Principle 2 – Board Composition

The Board comprises a separate Non-Executive Chairman and Group Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained, as well as a Chief Financial Officer. Two further non-Executives representing our major shareholders provide a wealth of experience and expertise both within and outside of the sectors that we operate, provide new perspectives and challenge. We consider that the size and composition of the Board is appropriate for our current business.

We acknowledge the lack of diversity on the Group Board, but remain committed to developing a more diverse workforce, particularly within senior roles in the organisation where we continue to make steady progress in achieving a better balance – for more details see www.pinnaclegroup.co.uk/our-team/.

Principle 3 – Directors' Responsibilities

The Board has a programme of four principal meetings every year. This is supplemented by a further four "Shareholder Control Group" meetings between the shareholders' representatives and senior management which provides a forum for sharing and discussing key performance information on all aspects of the business.

The Board receives timely information on all the main areas of the business, including health & safety, risks and opportunities, financial and operational performance, and customer feedback.

As part of the business planning process, a list of strategic priorities to develop our service offering were identified. The Board's key areas of focus during the year are set out in the Section 172(1) Statement.

Principle 4 - Opportunity and Risk

Our aim is to integrate risk-based decision making into Pinnacle's governance, planning, management, reporting, policies, values, and culture.

As a contracting business delivering a wide range of services to communities, opportunity and risk come hand in hand. We have a robust Investment Committee process in place which provides the framework for managing contracting risks, including clear approval processes for submitting tenders and proposals, and subsequently entering into contract.

Our Risk Management Group (as delegated by the Board) was set up in FY20 to complement existing governance structures, enhance the group's risk management capability and engender and embed a culture that encourages and supports the early and appropriate identification and escalation of risks. At the end of FY20, we activated our Crisis Management team in accordance with our business continuity plan, and this has remained in operation throughout this financial year and beyond, coordinating our activity and response to the COVID-19 pandemic.

We have set out in the table below our considered Principal Risks:

Strategic	Wrong business strategy	Failure to grow profitably	Failure to manage reputation
Financial	Financial control failure		
Operational	Contract non-performance / non-compliance	Failure of major change initiative	Supply chain failure
People	Loss of key people	Skills shortage	Failure to act with integrity
Hazard	Disaster	Pandemic	
Legal & compliance	Material legal & regulatory compliance failure	Major information security breach	

Please see separate section on Principal Risks and Uncertainties for more information.

Our Contract Oversight Group and Deal Forum continue to focus on opportunities for the business, both within our existing portfolio of contracts and externally.

Principle 5 – Remuneration

The Remuneration Committee's primary objective is approve the terms of employment of senior management within the business, to ensure that we can retain quality staff who can deliver the Group's strategic goals in a manner consistent with both its purpose and the interests of its shareholders.

The Remuneration Committee (two from our Non-Executive Board Directors) sat twice during the year, firstly to approve those terms of employment in line with the annual budget process, and secondly to consider and approve the annual bonus proposals for the senior management team.

In 2018, the Group published its first Gender Pay Gap report and each year ExCom sit down to consider the findings and assess areas of focus looking forward. The latest report can be found on our website, but it is worth reflecting on some of the headlines here to confirm the progress we are making:

- 27% of our senior management population are now female (up from 11% in 2017)
- Looking at full time staff only, we have a negative mean pay gap, an indication of a good distribution of female and male staff in full-time roles at different levels across the organisation.
- Our overall median pay gap has reduced every year since reporting began and now stands at 3.6%.

Principle 6 – Stakeholders

The manner in which Pinnacle Group Limited is governed is critical to the long-term success of the business. The Board's objective is to continue to build a sustainable business through consistent, profitable growth and to make sure that we act responsibly in meeting our accountabilities to all our stakeholders community.

Our brand has been built up by doing the right things the right way and reflects our core values. Good governance and effective communication are essential to deliver our purpose and to protect the company's brand, reputation and relationships with our shareholders, customers, staff, suppliers, and the local communities in which we work.

To our customers, we are committed to delivering creative, imaginative, and dependable solutions which will have a lasting and positive effect.

To our suppliers, we are committed to maintaining the highest standards of honesty and integrity and expect the same from them. We have rigorous processes in place to ensure that our suppliers are paid promptly, in accordance with contract terms.

To our communities, we are committed to helping disadvantaged communities, organisations and individuals to participate fully in the life of their community by delivering excellent services and investing in the long term.

Our Staff

Our staff remain our largest material stakeholders group. Over time, we have developed a range of formal and informal channels that allow our staff to engage in meaningful two-way dialogue, enabling the sharing of ideas and/or concerns with senior management. Our approach, as outlined in our Pinnacle Way booklet that goes to all staff, supports a culture of openness and transparency. People are encouraged to raise issues in a number of ways, individually and as teams.

Two of the five Values that underpin our culture are Challenge and Involve. Positive indicators of "Involve" behaviours include "embraces the contribution of his/her colleagues", "co-operates with other team members, is open to others' ideas", with managers specifically encouraged to "involve staff in all decisions that affect them". Behaviours looked for in Challenge include "challenges the way we work – looks for alternative ways to deliver the service", ensuring that the sharing of everyone's ideas is woven into the fabric of the organisation, it takes place on a daily basis.

To complement this, there is a well-defined structure of team meetings, health & safety meetings, contract oversight group meetings, etc. where managers meet staff and talk about issues affecting their contract and the business overall. People are encouraged to speak openly, and managers are encouraged, as a function of creating the right environment for their teams, to make sure they understand the reality of the difficulties faced by their staff on a daily basis, support them, and take an interest in their staff and their problems.

The flow of communication with people's line managers is complemented by ad hoc Senior Manager walkabouts (mostly virtual during FY21), webinars, Intranet updates, and a regular e-bulletin called Inside Angle, which keeps staff up to date on the latest developments and achievements across the Group and encourages contributions from everyone.

A number of virtual social "clubs" were established at the beginning of lockdown, including cookery, gardening, and the ever-popular photography club.

In the second half of the year, we engaged an external training organisation to deliver a programme of mental health & wellbeing on-line courses which were well received by staff and managers alike.

Performance Management Framework

During the year, in consultation with the business, we built on the launch of our performance management framework in FY20 as follows:

We undertook a survey to determine people's experience of engaging with the framework brought some really positive results, particularly in how successful the regular check-ins have been:

- 85% of people either agreed or strongly agreed that their check-ins have felt like an open and equal discussion, with constructive feedback in a supportive environment
- 77% agreed or strongly agreed that they had constructive discussions with their manager about development and career aspirations
- 89% agreed or strongly agreed that it was clear to them how their work is aligned with the goals of the organisation
- 81% agreed or strongly agreed that they were encouraged to collaborate actively with their manager in setting their objectives
- 75% agreed or strongly agreed that they have had discussions with their manager about how they are going about their work in line with our Values

As a result of the survey findings, the framework was tweaked to focus more on the importance of our Values and on development. The updated framework now includes matrices of behaviours against our Values and more guidance on identifying and meeting development needs.

To support the launch of the revised framework, a series of workshops were run with mangers to emphasise the approach, and the importance of managing as coaches, with their people's needs at the centre.

Engagement Surveys

During the year we also invested in a partnership with The Happiness Index, which is a platform that provides real-time employee engagement technology, to enable us to improve our collection of, and reaction to, employee feedback on our culture and experience of working for us. Pilot surveys were run, which will be expanded over the rest of the Group in FY22.

Pilot results were, in the main, very encouraging, with the following scores all out of 10:

- Engagement - 8.5
- Happiness - 7.5
- Intention to stay - 8.3
- Net promoter score - 7.6
- Strength of culture* - 7.8
- Inclusion - 8.2

*Covering the following: Respect - 8.3, Involvement - 8.0, Trust - 7.6, Challenge - 7.5, display of values by colleagues - 7.9 and display of values by managers 7.9.

The pilots also identified a couple of specific contract areas, where results were not so positive. Follow up workshops with the staff involved were run, which were well received, and have resulted in detailed actions plans in a number of areas being drawn up with the involvement of everyone in the areas, ensuring buy in.

Working from Home

While the vast majority of our staff have been working as normal throughout the pandemic, providing key front line services to our clients, our office based staff did have to quickly embrace the move to remote working, which was achieved remarkably successfully.

In common with many organisations, in FY21 we surveyed our staff who had been working from home, to gauge how they were feeling, and to gauge opinion on whether people wanted a more flexible approach to working to be sustained into the future. The main results were:

- Only 9% reported a negative impact on mental health
- 92% agreed or strongly agreed that they had been communicated with well by the organisation, and 92% said the same about communication with their manager
- 84% agreed or strongly agreed that they felt as much part of the team
- 84% agreed or strongly agreed that they had been as productive
- With regard to flexibility going forward, 39% would prefer 3 days at home and 2 in the office, and 24% 2 days at home and 3 in the office

In reaction to the survey and to what we have learned during the pandemic, we have embraced the concept of hybrid working, believing it to be beneficial for individuals and for the business. We have reduced the size of our Head Office in London, which has been designated for use primarily as a place to come together for collaboration, creativity and problem solving.

At the same time, we have encouraged managers to engage with their teams to discuss together how their work can best be organised to meet the needs of individuals and the required contract deliverables, with flexibility at the heart of those discussions.

We continue to support our staff in accordance with our Silver standard Investor in People accreditation. This is an important external barometer which clearly demonstrates that we are a values driven organisation, with people at the heart of everything we do. During the year, we were also awarded Silver on the Ministry of Defence's Employer Recognition Scheme and are proud to be an employer that supports the employment of those who serve or have served in the Armed Forces and their families.

Finally, where things are not working, it is important that people know where they can turn. We have clear and comprehensive policies and procedures, and all staff are aware of how they can take advantage of those processes, including access to a confidential Employee Assistance Helpline.

Committees

Audit Committee

The Audit Committee's principal purpose is to recommend the appointment of external auditors to shareholders, oversee the integrity of the Company's financial information, ensure that the financial controls and risk management processes are robust and appropriate, and sign off the Audit Report.

In this financial year, the committee comprised our three Non-Executive Directors. Additionally, other individuals are invited to attend as and when appropriate, including the CEO, CFO, Finance Director, Group Commercial & Legal Director and our External Auditors.

The committee has a clearly defined terms of reference, which is reviewed annually alongside all other governance groups.

Remuneration Committee

The Remuneration Committee's primary objective is to approve the terms of employment of senior management within the business, to ensure that we can retain quality staff who can deliver the Group's strategic goals in a manner consistent with both its purpose and the interests of its shareholders. The committee also approves annual bonus proposals for the senior management team.

The committee firmly believes that attracting and retaining the best talent through competitive remuneration packages is key to the delivery of long-term sustainable value for all stakeholders.

In this financial year, the committee comprised two Non-Executive Directors. The committee has a clearly defined terms of reference, which is reviewed annually alongside all other governance groups.

Principal risks and uncertainties

The Board sets the risk appetite for the Company and reviews the Principal Risks on an annual basis.

Ownership and responsibility for risk management and controls are delegated to management (through the Risk Management Group). A comprehensive set of policies and procedures are available on the Company's Intranet. Risk registers are in place and maintained at divisional and function level. Risk registers are also in place for major contracts.

A risk management framework, procedural guide and Group policy are in place and available to employees.

The Risk Management Group convenes every six months (as a minimum) to consider existing risks, but also to identify any new and emerging risks. As a group we considered whether Uninsurable Risks should be classed as a Principal Risk, as we have seen a significant hardening of the insurance market across a range of policies, with premiums increasing and new cover limitations and exclusions being introduced. On reflection, we have decided not to include it as a Principal Risk, but it remains on our "watch list" going forward.

Pinnacle's Principal Risks are explained below.

1. Strategic

Wrong Business Strategy - employing the wrong business strategy and not being able to adapt to change could lead to a decline in financial viability of the business, job losses, reputational damage, and loss of market share.

Failure to Grow Profitably - could result in the business stagnating, limited access to funding/capital, and an inability to invest in new growth strategies, equipment, or technologies.

We have a robust 3 year business plan in place, signed off by the Board. Our Governance structure creates an environment for regular monitoring and reporting of progress, review of the markets and competition in which we operate and adapting to change quickly as required.

Failure to Manage Reputation - our strong reputation in the market is paramount to the long-term success of the Group. Failure to manage our reputation would negatively impact on our ability to retain existing business and win new work.

We believe that by conducting business in line with our business values, with honesty and integrity, and delivering on our promises will protect and enhance our reputation. We actively seek feedback from our customers and end users to ensure that we are achieving this.

2. Financial

Financial Control Failure - failure to have robust control systems and processes in place could lead to fraud, loss of income and have a significant negative impact on our available working capital.

We ensure robust, efficient, and auditable financial controls are in place, understood and followed. We have multi-tiered approval levels, and an appropriate segregation of duties.

Rigorous supply chain checks are carried out (as part of the on-boarding process and at regular intervals) to reduce risk of fictitious suppliers.

Training programmes and review checks in place to mitigate against human processing errors.

3. Operational

Contract non-performance - can lead to deductions, costly rectification, additional performance monitoring, step-in or ultimately termination of a contract. This will additionally damage our reputation in the marketplace, and impact on our ability to successfully grow the business.

Our Contract Oversight Group structure ensures robust monthly reporting and review of key contract performance, covering financial and operational performance, commercial risks, and opportunities, corporate KPIs and client feedback. Quarterly, a summary report is issued and discussed with shareholders (Shareholder Control Group).

Supporting this is our ISO9001 framework, which regularly undertakes compliance audits of our key contracts, and records and addresses any non-conformities.

Failure of major change initiative - we have a dedicated Project Management Office function in place to ensure that all major change programmes are scoped, costed, managed and monitored in a consistent and professional manner, mitigating the risk of delay, cost overrun and lack of adoption.

Supply Chain failure - resulting in our inability to obtain or purchase goods or services critical to the delivery of our contractual obligations.

All supply chain management is managed centrally through the Procurement team. They carry out regular due diligence on key supply chain partners, including credit checks. We have a strategy to ensure there is no single point of failure, with alternative suppliers in place should any problems arise with our preferred suppliers. Where possible, we limit our supply to UK based partners who can source from the UK.

4. People

Loss of key people, skills shortage - our employees are the lifeblood of our business. The inability to recruit, retain, manage, and reward our people could lead to an un-motivated workforce, unable to deliver contracted services and negatively impact on both operational and financial performance. It would also impact on our ability to grow the business in a sustainable way.

We ensure that clear succession plans are in place for all key people, with documented roles and responsibilities. Our performance management framework is embedded in the organisation and supports the development of our employees in accordance with our company values, highlighting any gaps and training needs. We have staff development and upskilling programmes in place to cover potential shortfalls and limit reliance on external skills at higher levels.

We have supported our staff who are EU citizens through the process to obtain permission to stay in the UK under the EU Settlement Scheme. We do not anticipate a significant problem arising here.

Failure to act with integrity - where the leadership team, or employees, act with willful or reckless disregard of legal requirements, obligations, ethics, standards, or rules. Depending on severity of the failure, this could lead to reputational damage, legal proceedings, costly rectification, and penalties.

We have a strict corporate governance framework and a Code of Conduct which supports doing business the right way. We call this the Pinnacle Way.

5. Hazard

Disaster - failure to maintain high standards of health, safety and environmental management could result in harm to employees, our customers and end-users, or the environment, with consequential fines and reputational damage. Inability to be able to recover quickly from disasters (whether of our own making or not) would impact on the ongoing viability of the business.

The business takes its obligations to safety very seriously, with any issues reported through the quarterly Health & Safety Committee and escalated to the Board as necessary. This has been particularly important during the COVID-19 pandemic, ensuring the safety of our staff, our customers, and other members of the public whilst continuing to deliver essential front-line services to the communities we serve.

We have a set of robust and tested business plans across all areas of the business. Our workforce and office / site locations are geographically spread across the UK, minimising full service disruption. Additionally, we operate a cloud based IT system, accessible globally.

Pandemic - this was added last year as a new Principal Risk as a result of COVID-19. This could lead to significant shortages in available resources (employee and supply chain), site shutdowns, transport network disruptions, quarantine, etc. This could further lead to the inability of the company to carry out its contractual obligations and KPI's across a large part of its business due to staff absences and inability to travel.

A year on, we can reflect on how robust and resilient our business has been throughout the pandemic, which is testament to the dedication and commitment of both staff and management to continue providing quality services to our customers in the most challenging of circumstances. We have also been fortunate that the sectors in which we operate have for the most part (schools catering aside) not been affected by the government restrictions imposed through guidance or legislation. We are grateful to our clients who have worked collaboratively with us throughout this time and, where necessary, adapt services according to need. Much of the learning that we have gained is embedded within our operating model and will remain so as we come out the other side.

6. Legal & Compliance

Material legal & regulatory compliance failure - failure to comply with applicable laws and regulations may lead to prosecution, significant fines, and damage to Pinnacle's reputation. It could also prohibit us from bidding for public sector contracts.

Our Commercial & Legal, HR and Health & Safety functions (amongst others) ensure they regularly monitor legal and regulatory changes and assess and communicate to the business the impact of those changes. This oversight is embedded in all our governance groups, which include regular framework and policy reviews.

Major information security breach - cyber risk and protection of data is an ever increasing risk across many businesses, as hacking, phishing and ransomware attacks get more and more sophisticated. We have continued to invest in technology to protect the group in this regard, and this year maintained the government's Cyber Essentials Plus accreditation.

However, we cannot rely on this alone to keep the Group's (and our customers') data safe. As part of our established Information Security Management System (which has achieved ISO27001 accreditation), we have an ongoing on-line information and data security training programme to ensure that our staff are regularly reminded of the risks at play, our policies and what to do if they receive any suspicious activity on their account.

Despite all the preventative measures we have in place, we have also taken the additional step and have insured the business against cyber risk.

Streamlined energy and Carbon Reporting

TStar Pinnacle Limited provides people-first services across a range of community-facing assets and infrastructure – including multi-tenure housing, schools, open spaces, public buildings, utilities and broadband networks – as well as a range of complementary employment and wellbeing outcomes.

Over the previous reporting period, we worked closely with a carbon reduction consultant to help identify the various emissions sources contributing to our carbon footprint. The diverse nature of the Group's client base and service offerings has been instrumental in ensuring that we plan the correct path to being a net-zero company.

We have also partnered with Greenstone, a leading software provider who specialise in sustainability and environmental reporting and analysis to ensure our reporting is robust and meets the very best industry standards.

During the current reporting period, the Group established an ESG Steering Group and produced an ESG Framework which will guide the Group over the coming years as we embark on the journey to being net-zero in the shortest possible timeframe whilst remaining commercially successful and, most importantly, environmentally conscious.

We have developed the ESG Framework, which gives a focused approach from which we can track our journey towards transforming communities, changing lives. Our ESG Framework consists of 4 Pillars: Protect Our Plant, Our People, Community Impact and Responsible Business. Each of the Pillars guides our approach to optimise our impact. They will be shaped and reviewed continuously through our internal governance frameworks. We will measure and report against them via our reporting mechanisms and the publication of our annual ESG Impact Report.

Whilst the reporting period has been one of the most challenging years in modern history globally, we have managed to make some progress on our road to being net-zero. Some highlights include:

- Reducing our head office footprint by 70% by adopting more flexible working arrangements on a permanent basis and moving to a newer, modern and energy efficient space.

- Replacing almost 6,000 fluorescent light fittings with new LED energy efficient fittings on 7 schools and reducing energy consumption by two thirds.

- Selecting a new national chemicals provider based on the sustainability and environmental impact of their products leading to a significant reduction in the use of harmful chemicals and supply chain Green House Gas (GHG) emissions.

- Evaluating our fleet and planning the switch to and roll out of electric vehicles over the next reporting period.

- Commencing the process for a salary sacrifice scheme to encourage EV take up amongst grey fleet drivers.

- Implementation of a driver behaviour data analysis dashboard for all fleet drivers to help visualise their driving behaviour and identify areas for improvement and reducing CO2 emissions including speeding, idling, harsh breaking etc.

The journey to being net-zero has only just begun. Over the coming year, we will set achievable targets to further reduce our carbon footprint and GHG emissions by:

- Commencing the roll out of our EV fleet.

- Working more closely with supply chain partners to ensure we are using the most environmentally sustainable products and delivery methods in the most cost-efficient manner.

- Encouraging our staff to make use of sustainable transport methods.

- Procuring our energy through green energy providers

We will continue to set specific goals in the areas where we can make the most meaningful impact and generate the biggest results, aligning them to the Pinnacle business model and values.

This report has been generated by identifying all GHG sources within the Group that fall within the required reporting scopes for scope 1, 2 and category 6 of scope 3 (business mileage) for the period 1/4/2020 to 31/3/2021.

Scope 1

GHG emissions from sources that are owned or controlled by the organisation e.g., emissions from combustion in owned or controlled boilers, furnaces, and vehicles and also GHG emissions from owned or controlled process equipment e.g., air conditioning systems.

Scope 2

GHG emissions from the generation of electricity, steam or heating/cooling consumed by an organisation, i.e., purchased or otherwise brought into the organisational boundary. GHG emissions from such sources are a consequence of the organisation's activities but physically occur at the source / facility where the electricity, steam or heating/cooling is generated.

Scope 3, Category 6

GHG emissions from the transport of employees for business-related activities during the reporting year in vehicles that the reporting company does not own or operate.

Green House Gas Emissions Table

			FY21 (tCO_2e)	FY20 (tCO_2e)
Scope 1 Emissions (emissions from combustion of fuel)	Fuel	Natural Gas	**41**	**457**
	Road Business	Agricultural	**135**	**140**
		Car	**11**	**52**
		Construction	**82**	**97**
		HGV	**71**	**65**
		LCV	**1,710**	**1,677**
Total Scope 1 Emissions			**2,050**	**2,488**
Scope 2 Emissions from electricity	Electricity (Grid)	Standard Grid	**104**	**136**
Total Scope 2 Emissions			**104**	**136**
Scope 3 Category 6 Business Travel (Road Business)	Road Business	Car	**71**	**789**
Total Scope 3 Emissions			**71**	**789**
Total Emissions			**2,225**	**3,413**
Emissions intensity ratio (CO_2 (t) per FTE (2,310))			**0.96**	**1.6**

The total carbon dioxide equivalent emissions from the above sources for FY21 is 2,225 tonnes of CO2e (FY20: 3,413 tonnes of CO2e), calculated according to the GHG Protocol, which equates to an emissions intensity ratio per FTE of 0.96 CO2 (t) (FY20: 1.6 CO2 (t)). This will be the baseline year against which FY22 progress will be reported.

Our Communities & Customers

Across our Group, our residents are at the core of everything we do. We constantly liaise with and listen to our residents through our employees who interact with them on a daily basis and through other formal and informal means.

Our People

The Group now employs 2,908 people working on our contracts across the UK and we continue to hold Investors in People accreditation. In the statement on our people in last year's report, we commented that achieving the goals we set for ourselves would be dependent on our people and we could not have imagined at that time how important that statement would be. As the COVID 19 crisis began to hit the UK, it became clear that many of our people would be part of the front line continuing to deliver essential services to the communities we serve. My colleagues rose to that challenge in the most extraordinary ways, far too many to mention here, but their outstanding performance has been recognised by multiple clients and has been fully deserved.

Management

While there have been no changes to the management of the Group, we remain grateful for the support of my senior colleagues who have demonstrated their strengths and commitment in the face of the extraordinary challenges we have faced as the COVID 19 pandemic has spread to the UK.

Summary

The year to March 2021 was one of challenges and uncertainty despite which the Group remains in a strong position and ready to meet new challenges as the UK emerges from the COVID pandemic. We have a clear sense of direction, the resources needed to implement our plan and the people who can make it happen. The future holds opportunities for us which we are well placed to meet at a time when it is clear that companies who understand the impact they make on others and adjust their activities accordingly, will thrive.

Directors' statement of compliance with duty to promote the success of the Group

This report sets out how the Directors comply with the requirements of Section 172 of Companies Act 2006 and how these requirements have impacted the Board's decision making throughout the year.

This report was approved by the board on 16 September 2021 and signed on its behalf.

D J Simmonds
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021

Financial Statements

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2021.

Results and dividends

The Group loss for the year, after taxation and minority interests, amounted to £423k (2020: £2,413k).

During the year the Group paid no dividends. There were no proposed dividends at year end.

Description of the Business

TStar Pinnacle Limited provides people-first services across a range of community-facing assets and infrastructure including multi-tenure housing, schools, open spaces, public buildings, utilities, and broadband networks, as well as a range of complementary employment and wellbeing outcomes.

On behalf of the public sector, institutional investors, registered housing providers and private sector partners, we deliver tailored solutions that are not just comprehensive and integrated, but also create long-term value within the communities we serve.

Future developments

This is covered under the Strategic Direction and Outlook section included within the Group Strategic report.

Donations

Donations including social value initiatives of £98k (2020: £750) were made during the year. No political donations were made in the year (2020: £nil).

Payments to suppliers

Settlements terms are agreed with suppliers as part of the contract terms, and it is the Group's policy to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. Creditor days for the current year are approximately 24 days (2020: 38 days).

Financial instruments

The Group is exposed to the usual credit risk and cash flow risk associated with standard 30-day payment terms and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk. Further information is provided in note 25 to the financial statements.

Directors

The directors who served during the year were:

R M H Croft-Sharland
T M Tolley
D J Simmonds
K L S Dhanoa

Statement of Corporate Governance arrangements

The Board of Directors recognises the importance of high standards of corporate responsibility and governance. This is evidenced through the following:

Covid-19

In what has been an unprecedented year we are proud of how our company has responded to the pandemic and worked hard to reduce risks for all our employees, clients, customers and the communities we operate in.

First and foremost, we have taken care of our teams through supporting flexible working, ramping up our health and wellbeing initiatives and training, creating support groups and launching virtual events and social activities. We have ensured our practices for key workers delivering services on the ground have put safety first. From providing adequate and sustainable PPE equipment, face coverings and antibacterial products through to tweaking operational procedures to maximise safety. We have supported our management teams through our coronavirus response group, giving instant updates in line with evolving government advice, bringing absolute clarity and confidence in our company approach.

We were grateful to only furlough a very small number of our teams for a short period and were delighted to bring back 100% of our people to carry on delivering our vital services.

Our procurement teams worked very closely with our supply chain partners, many of whom are smaller, local businesses, to help and support them through some of the logistical challenges. We even helped one supplier by sharing our PPE and securing them stocks so they could stay in business.

To assist in the community and deliver safe services for our clients we adapted our cleaning services so we could keep vital infrastructure running, such as cleaning waste collection vehicles and cabs. We helped assign the homeless community to properties giving them refuge, we supported vulnerable residents in the community helping clients make calls each week to check on them at the height of the pandemic. We even volunteered to help issue free school meals during holidays and provided rapid response to set up community testing sites.

As always, we have continued to work towards our purpose of transforming communities, changing lives even when a global crisis hit. We are proud of each team member at Pinnacle for upholding our values and delivering service excellence above and beyond requirements.

Health and Safety

In addition to the extra precautionary measures as a result of Covid-19 our health and safety drive continues at pace. We provide clear and accessible frameworks, training and management support for all our work environments to be safe places for our teams and the communities around us. This applies to physical safety in the form of practical and behavioural training programmes, as well as digital safety. We are fully cyber security accredited, and all staff trained and regularly tested.

The Group recognises the fundamental importance of effective health and safety management and is committed to providing a secure, safe, and healthy environment for both employees and residents and other members of the public with whom we interact.

The ongoing and sustained success of our Health and Safety policy requires the involvement and commitment of everybody within the company. Every employee has both a moral and legal obligation to co-operate in all health and safety matters and to take reasonable care for their own health and safety and that of others. In addition to this, the Group will also have a financial obligation to ensure we have good health and safety systems in place.

Everyone understands their responsibilities and how working together can improve the overall health and safety culture of our company. We continue to promote the sharing of best practice and information across the Group to help continuously improve standards as well as ensuring our knowledge and expertise matches our growth.

The impact of a robust health and safety management system touches on every part of the business. Not just from protecting our staff and those that may be affected by our actions, from injury but also working within Group to review how we can reduce the number of chemicals we use, and the level of risk associated with certain products. Educating our colleagues on the benefits in trying and using new chemicals will form part of this project.

The introduction of battery-operated equipment will also be beneficial on at least two levels. Not only will this be better for the environment as it will reduce the amount of fuel being used or even stored, but will have less impact on the operative and will greatly reduce the level of vibration and noise that the new machinery will emit.

Additionally, the Health and Safety Team have been heavily involved in the Driver Awareness programme. We have over 500 vehicles on the road and a campaign has been put in place to highlight how good driving has many benefits. Not only does it reduce the number of accidents, but it reduces the level of wear and tear on each vehicle, making the vehicle more efficient. Driver Improvement Plans have been introduced and all drivers are now aware of the minimum standards expected when using our vehicles. The awareness campaign also highlights where unnecessary 'idling' can reduce our carbon emissions.

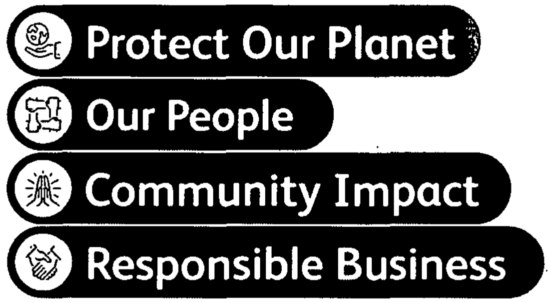
The Health and Safety team will continue to support our colleagues, to ensure all our employees are aware of our health and safety policy and are committed to its effective implementation. To support the above, our health and safety management system is CHAS and ISO45001 accredited.

Environment, Social, Governance (ESG)

We care deeply about our purpose of transforming communities, changing lives. Each day our teams go above and beyond to protect our planet, care for our people, have a positive impact in the community and deliver our services in a responsible and ethical manner.

During FY21 we have bolstered our investment in ESG to build upon the decades of the Group delivering added value for clients, customers and communities.

We have appointed a Head of ESG, as the Group integrates ESG across its services portfolio and launched an ESG Framework, which sets out our approach to Environment, Social and Governance. The unique ESG framework we have developed is structured around four pillars - 'Protect Our Planet', 'Our People', 'Community Impact' and 'Responsible Business'. As early adopters of ESG, we have set out our commitments underneath each of these pillars.



To bring rigour to our measurement and reporting of ESG over the coming years, we are aligning to the Themes, Outcomes and Measures (TOMs) framework and progress will be reviewed regularly by a dedicated ESG steering group, as well as the Executive team conducting an in-depth business wide review each quarter.

The launch of our ESG Framework is a key milestone for the Group as we build upon and strengthen further our commercially minded and socially principled approach evident across our group of businesses.

Protect our Planet

Across our Group central support functions, Homes business and FM businesses we are working towards Net Zero.

We are in the process of calculating our baseline year to enable us to set meaningful targets. We are working closely with external carbon reduction specialists and have partnered with a leading software provider to effectively measure and monitor our carbon emissions. To collaborate with our supply chain, we have developed group wide processes and procedures to onboarding delivery partners with ESG at the core of our approach.

In FY21 we mobilised a new partnership with Bunzl plc, a FTSE 100 listed business that specializes in distributing products internationally, to source sustainable cleaning products for use in our FM business where we have a significant spend for this type of product. 95% of our cleaning products are now rated as bronze, silver or gold sustainability standard by Bunzl. We have reduced deliveries, have a sustainability scoring system on over 1,400 products, use recycled packaging, provide chemical free cleaning and offset any remaining carbon footprint from sourcing these products.

Our drive to go electric continues, as we begin to transition our commercial fleet from diesel and petrol vehicles to electric. We have around 4% of our fleet already on electric and orders have already been placed to increase this to 10% over the course of the year. We are working with key stakeholders to build the infrastructure required to cater for this increase, with electric vehicle charging points being established across our portfolio. We have committed to our new defence contract for the Defence Infrastructure Organisation of having 100% electric vehicles in use.

Our grounds maintenance teams have switched 100% of our small kit to electric rather than fuel on our contract with Essex County Council and we continue to work with all clients to use the latest technologies and techniques in this area including non - herbicide based weed control methods, installing mulch barriers for chemical free weeding and in-situ cut and drop mowing to reuse green waste.

In FY21 we also embarked on a significant program to switch out over 6,000 fluorescent light fittings for LED energy efficient fittings on seven schools in Swindon to materially reduce the schools' energy consumption. We are now looking to work with other clients to do this across more of the schools we maintain. We have also deployed IBMS (Intelligent Building Management Systems) on our Swanscombe Schools contract so we can use data to drive continuous improvement and optimisation of energy use.

We will continue to collaborate with our clients, embrace the latest technologies and work with our supply chain partners to work towards the commitments we have made for Protect our Planet.

Our People

Our HR framework seeks to ensure that employee experience is maximised at all stages of the employee lifecycle, to make the Group an attractive and rewarding place to work. During FY21, we have articulated this *into two overriding commitments as below:*

1. Putting our people's happiness and wellbeing first;

   There has been three areas of focus;

   a) Managing as coaches. Happiness and wellbeing start with how our people are managed. That relationship is the most important of all. Throughout FY21, we have built on the launch of our performance management framework in FY20, to develop and embed the behaviours we feel are important and in line with our Values, to develop productive, rewarding, mutually beneficial relationships. At its heart is the recognition that managing effectively involves embracing continuous feedback, based on supportive, two-way discussions using a coaching style. 172 managers have attended at least one workshop on our approach.

   b) Raising our people's voice. In FY21, we embarked on a partnership with The Happiness Index to enable our people to share their experience of work. It has been an opportunity for our people to help create cultural changes they want to see, have input into the way the business is run, and let us know about ideas, concerns, and innovations to help improve the working environment. Our overall average Happiness score amongst those surveyed in FY21 was 7.5 out of 10.

c) Positive mental health. For many years we have had systems and processes in place to support our teams. Crucially, 100% of our people can access the Employee Assistance Programme for personal advice and support from qualified professionals through a 24/7 helpline, live chat, email, or one-to-one sessions. In FY21, given the pressures of modern society, particularly during a very difficult year for many due to COVID-19, a programme of mental awareness training was rolled out, which covered 119 people (including 102 managers). In addition, a network of 59 mental health first aiders has been established, with training to be rolled out in FY22.

2. Providing equal opportunities for all to achieve their ambitions;

   Again, there are three areas of focus;

   a) Identifying our people's ambitions. Our management approach of embracing continuous feedback in the form of regular catch ups contributes to gaining a far better grasp of our people's ambitions and development goals. It encourages both parties to take active ownership of development and ensures everyone is having those conversations.

   b) Ensuring equality of opportunity. As well as developing and sustaining an overall environment of inclusion through the very fact of people sharing their experiences with us through the Happiness Index surveys, we ask specifically whether people think we create an inclusive environment for people of all backgrounds (8.2 out of 10) and whether people feel there are opportunities to learn and grow (7.2 out of 10).

   c) Apprenticeships. We run multiple types of apprenticeships to cater for all life stages, whether it be someone seeking to start their career, wanting to progress in their existing career or wanting to learn completely new skills and switch jobs. During FY21, a wide variety of technical programmes have been run (housing and property management, facilities management, property maintenance, horticulture, sports turf, construction management, maintenance electrician, plumbing and heating, digital technology, HR) as well management programmes at Chartered Institute of Management Levels 3 and 5.

In addition, communication has been an important focus during the year, particular for those employees working remotely due to the pandemic. When we surveyed our staff working from home, 92% agreed or strongly agreed that they had been communicated with well by the organisation and 92% said the same about communication with their manager. There is a well-defined framework of team meetings, which together with regular e-bulletins and other employee communications (such as Inside Angle company newsletter) ensure our people are regularly informed about the activities of the Group and changes in law or Government policy which may impact them. Information regarding our financial performance is available to relevant employees on a monthly basis.

We continue to support our colleagues from the EU regarding registering for Settled Status. As at July 2021, of our 588 EU nationals, 557 have advised us they have settled status and have shared their "code".

Community Impact

We are well placed to have a positive impact in the community as our teams operate in and around people's homes. Teams on all of our contracts are fully empowered to work with local stakeholders and provide added value from volunteering to help local causes, to launching and running community employability programmes through to raising awareness and funds for charitable causes.

FY21 was no different, despite it bringing logistical challenges due to social distancing measures. We supported 25 foodbanks spread across the UK in the communities we serve. Our teams volunteered their time, with around 1000 hours given and we also donated £500 to each of the foodbanks totalling over £10,000. Teams on our Metropolitan Thames Valley contract provided services to local food banks on a weekly basis, helping with deliveries, donating food, ensuring cleaning supplies are available and working with the supply chain to bolster support.

We have set up an internal Armed Forces Network to help us more effectively support our own community of ex-service personnel, reservists and their families whether it be through providing careers, supporting relevant charities, or raising awareness. We were also proud to be headline sponsors for SSAFA's 13 bridges charity walk and took part to raise over £11,000 for this vital charity.

Our teams are also regenerating spaces and bringing communities together. On our Lambeth contract our teams used their initiative to help solve a fly-tipping problem by regenerating the space to create a community garden. We built a garden retreat for those with a learning disability to enjoy on a scheme being delivered for Walsall Housing Group. Our teams have carried out tree planting at Barking and Riverside. Our community support is endless with teams each day going above and beyond requirements.

Crucially, we are also embedding into our business educational support for residents. Within our Homes business for example, we are leading the way by putting in post a green energy and grants specialist who advises residents on all Government and industry related grants available to them. This exceeds any contractual requirements and has received fantastic feedback from the communities we serve.

As we continue to do extra for the community, our business arm of Pinnacle People gets right to the heart of assisting long-term unemployed and the more vulnerable members of society back into work. This is done through CV support, employability programmes, soft skills training and much more.

Our position delivering vital community infrastructure services puts us in a unique position to truly work towards transforming communities, changing lives.

Responsible Business

We hold ourselves to account through robust governance procedures and processes via our corporate governance programmes as highlighted in the Strategic Report, whilst seeking external verification and testing to ensure we deliver for all customers.

Our commitment to Responsible Business also extends across other stakeholder groups. In light of this we are focusing on our supply chain as we believe that taking a partnership approach is critical in delivering against this commitment. As an example, in FY21 we partnered with WildHearts for the sole supply of office consumables and products. WildHearts is a Social Enterprise and distribute their profits into schemes such as entrepreneurial training programmes for schools, colleges and universities, as well as funding a micro finance scheme which provides entrepreneurial opportunities for women in developing countries. Through our partnership we track how many lives we have positively impacted through their services and are delighted to have already impacted 30 lives.

We have a very diverse supply chain and whilst we work with some large suppliers, the majority is made up of smaller, local businesses. We acknowledge the importance of cashflow for any business and consistently pay over 80% of our suppliers within 30 days. We also appreciate that not every small business can deliver through an ESG lens so will be working closely with select businesses in our supply chain to understand what contribution we can make to support them with any ESG initiatives they might look to undertake.

To conclude, the Group has articulated commitments that we believe will further enhance our impact on the communities we serve building on many of the initiatives that have evolved organically over the years, continue to focus on the well-being of our staff and broaden and deepen our collaborative efforts with other stakeholders across the business.

Disclosure of information to the Auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

(a) so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and

(b) the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Independent Auditors

Under section 487 of the Companies Act 2006, PricewaterhouseCoopers LLP, will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 16 September 2021 and signed on its behalf.

D J Simmonds
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Independent auditors' report to the members of TStar Pinnacle Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- TStar Pinnacle Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2021; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

TStar Pinnacle Limited (TStar) is the holding company of Pinnacle Group Limited (Pinnacle). It holds an investment in Pinnacle Group Limited and loan notes due to related undertakeings.

Overview

Audit scope

- We conducted a full scope audit of the consolidated financial statements of Tstar Pinnacle Limited and the TStar Pinnacle Limited company.
- Our audit work in respect of the company consists of procedures covering the material balances including the investment in subsidiary, the loans payable, and intercompany balances.

Key audit matters

- Risks posed by Covid 19 (group and parent)
- Impairment assessment of goodwill (group)
- Valuation of defined benefit obligation (group)
- Carrying value of investments (parent)

Materiality

- Overall group materiality: £1,221,000 based on approximately 1% of revenue.
- Overall company materiality: £502,000 based on approximately 1% of total assets.
- Performance materiality: £915,750 (group) and £377,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

All of the key audit matters are new key audit matters this year.

Key audit matter	How our audit addressed the key audit matter
Risks posed by Covid 19 (group and parent) The COVID-19 pandemic has impacted the UK economy through the year to 31 March 2021 and as a result has brought increased estimation uncertainty to certain areas of the financial statements. The key areas of the financial statements most impacted by this estimation uncertainty are the carrying values of investments and of goodwill (both considered below) and going concern. TStar Pinnacle Limited is a non-trading holding company which holds an investment in the Pinnacle Group Limited, a trading group which provides services across a range of community-facing assets and infrastructure. The company is in a net liabilities position of £2.5m and the group is in a net asset position of £4.5m and generated a net cash inflow of £8.4m in the year. The Group's short-term cash flow forecasts to [October 2022] have been reviewed by the Board. These are prepared based on certain key assumptions, against which a severe but plausible downside sensitivity has been applied. This included consideration of the potential impact on the Group's working capital of unexpected contract losses and an assessment of potential mitigating actions. The majority of the Group's contracts have continued to operate during the Covid-19 national lockdown. These forecasts show that the Group has sufficient liquidity to meet its liabilities as they fall due for at least 12 months from the date of this report.	We evaluated the Director's going concern assessment. The actual experience of the group during the year to 31 March 2021 is that contracts have continued to operate and the contractual receipts have continued to be received. The assumptions used to support the future profitability of the Group involve the application of subjective estimates about future business performance. The Group's cash flows forecast for the period to October 2022, contain assumptions over the revenue, profitability, and cash generation of the Group. The procedures performed over going concern have been outlined in the "Conclusions related to going concern" section below.

Impairment assessment of goodwill (group) *Refer to Note 2 (Accounting Policies) and Note 15 (Intangible assets).* The Group carried £15.1m of Goodwill at 31 March 2021 (2020: £15.1m). The Goodwill was recognised as a result of the acquisition of Pinnacle Group Limited in 2017. The Directors are required to test goodwill annually for impairment and to perform an assessment at each reporting date whether there is an indication that goodwill is impaired. The Directors have performed an impairment assessment using a value in use model. The audit of goodwill was a focus area as this is a material balance and the forecasts used in the impairment assessment are dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement, experts engaged by management and market data.	In evaluating the Directors' annual impairment assessment for goodwill, we performed the following procedures: • We obtained the Board-approved cash flow forecasts which formed the basis of the model used in the impairment calculation. • We considered whether the planned growth rates and expected operating margins in the impairment model were consistent with the Board-approved cash flows; • We tested certain contracts in the Group's pipeline to provide evidence of the associated revenue forecast in the cash flow model; • We challenged management's forecasts and compared future cash flow performance to historical levels as part of our assessment as to whether the planned performance was considered achievable; • We tested the discount rate with the support of our internal valuation experts; • We evaluated the sensitivity analyses performed by management and performed our own independent sensitivity analyses. • We then ensured that the disclosure provided in the financial statements in accordance with IAS 36, 'Impairment of assets'. Based on the procedures performed, we were satisfied that no impairment was necessary, and with the associated disclosures included in the financial statements.
Valuation of defined benefit obligation (group) *Refer to Note 2 (Accounting Policies) and Note 24 (Employee benefit assets).* The Group participates, through the wholly owned subsidiary Pinnacle Housing Limited, in one defined benefit pension scheme, the Citrus Pension Plan. This is a multi-employer scheme and the valuation as at 31 March 2021 for the purpose of the financial statements was prepared with the support of management's third party expert. The last full independent actuarial valuation was undertaken at 31 March 2018. At 31 March 2021 the net employee benefit asset was £0.2m (2020: £0.7m). The accounting for these arrangements can be complex and the valuation of the defined benefit obligation involves judgements and estimates. Due to the materiality of the pension liabilities as well as the judgements and estimates involved in determining the valuation, this was an area of focus for the audit.	We obtained the actuarial valuation at 31 March 2021 and tested the valuation of the pension liabilities as follows: • We challenged, with the support of our pension experts, the actuarial assumptions by comparing them against benchmark ranges based on the market conditions and expectations as at 31 March 2021. Based on our review of the assumptions, in each case we found that the actuarial assumptions used were reasonable and sat within our acceptable range and, where appropriate, were applied on a basis consistent with previous years; • We performed substantive testing on the material movements of the pension liabilities; • We assessed the pension plan agreement to verify whether the participating subsidiary of the Group has the right to recognise the current surplus position; and • We reviewed the financial statements disclosures. We did not identify any material exceptions within our testing and were satisfied the assumptions applied are within an appropriate range.
Carrying value of investments (parent) *Refer to Note 2 (Accounting Policies) and Note 16 (Investments).* The Company holds investments in subsidiaries of £50m (2020: £50m) which is the investment in Pinnacle Group Limited. The carrying value of the investment cost is material to the company level financial statements. We focused on this area due to the size of the investment balance in the context of the Group's balance sheet and because the net asset balance of Pinnacle Group Limited is lower than the investment cost. Based on the assessment, management concluded that no impairment was needed in this financial year. Due to materiality and the judgements and estimates involved, this is considered an area of significant audit risk.	We reviewed the Directors' impairment assessment of the carrying value of the investment in Pinnacle Group Limited. We agreed the cash flows used in this assessment to the forecasts used in the assessment of impairment of goodwill. Our work performed on those cash flows is set out in the Goodwill Key Audit Matter above. As a result of these procedures, we were satisfied with the Directors' conclusion that no impairment was required against the carrying value of the investment in Pinnacle Group Limited.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

TStar Pinnacle Limited is an investment holding company which holds an investment in Pinnacle Group Limited and its subsidiaries and also has loans due to related parties. The trading activities are all performed by Pinnacle Group Limited and its subsidiaries and comprise services across a range of community-facing assets and infrastructure in the UK. TStar Pinnacle Limited and Pinnacle Group Limited share the same accounting process and finance function.

We conducted full scope audits of the Pinnacle Group Limited consolidated and standalone financials, and the TStar Pinnacle Limited company level. We also performed additional procedures on the consolidation process of the TStar Pinnacle Limited group by auditing the consolidation journals and goodwill impairment assessment. We are satisfied that we obtained appropriate audit coverage over the Group's financial statements through our audit work.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - company**
Overall materiality	£1,221,000.	£502,000.
How we determined it	Approximately 1% of revenue.	Approximately 1% of total assets.
Rationale for benchmark applied	Revenue is deemed an important benchmark for management and users to determine growth and performance of the group. It is also a more stable measure than profit and subject to less year on year fluctuation.	We believe that total assets reflect the nature of the company, which primarily acts as a holding company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1,220,000 to £502,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 25% of overall materiality, amounting to £915,750 for the group financial statements and £377,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £61,000 (group audit) and £25,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewed the Directors going concern paper to ensure the cash flow assumptions are consistent with the Board approved forecasts and our understanding of the outlook for the Group's businesses and the wider market;

- Performed inquiry of each divisional managing director to understand the detailed outlook for their area of the Group and understanding of future plans;
- Compared the FY21 actual performance against FY21 forecast prepared in prior year to assess management's ability to forecast accurately;
- Challenged the key assumptions applied and considered the appropriateness of each key assumption;
- Assessed the integrity and mathematical accuracy of the formulas in the model;
- Reviewed the severe but plausible downside prepared by the Directors and performed our own independent sensitivity analysis; and
- Reviewed the disclosure relating to going concern within the financial statements.

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 group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements for the year ended 31 March 2021, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to but were not limited to payroll and tax laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, divisional managing directors and group legal counsel;
- Challenging the key assumptions made by management in their significant accounting estimates, including in our audit work in respect of the carrying value of goodwill, the recognition and measurement of leases, and the valuation of the defined benefit obligations;
- Identifying and testing journal entries meeting certain risk criteria, in particular any journal entries posted with unusual account combinations, journal entries containing unusual words and certain post-close and consolidation journals; and
- Reviewing relevant meeting minutes, including those of the Board of Directors.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	*2020* *£000*
Revenue	7	**122,124**	*107,090*
Raw materials and consumables		**(31,397)**	*(29,049)*
Staff costs	9	**(64,445)**	*(55,673)*
Depreciation, amortisation and impairment	8	**(7,358)**	*(5,044)*
Administration and operating expenses		**(16,025)**	*(16,776)*
Profit from operations		**2,899**	*548*
Finance income	11	**43**	*146*
Finance expense	11	**(3,964)**	*(3,280)*
Share of joint venture results and post-tax losses of equity accounted associates	17	**(545)**	*(660)*
Other gains	10	**1,474**	-
Loss before tax		**(93)**	*(3,246)*
Tax (expense)/credit	12	**(215)**	*614*
Loss for the year		**(308)**	*(2,632)*
(Loss)/profit for the year attributable to:			
Equity holders of the parent		**(423)**	*(2,413)*
Non-controlling interest		**115**	*(219)*
Loss for the year		**(308)**	*(2,632)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	2020 £000
Loss for the year		**(308)**	*(2,632)*
Actuarial (loss)/gain on defined benefit pension scheme, net of deferred tax	24	**(543)**	*232*
Other comprehensive (expense)/income for the year, net of tax		**(543)**	*232*
Total comprehensive expense		**(851)**	*(2,400)*
Total comprehensive (expense)/income attributable to:			
Equity holders of the parent		**(966)**	*(2,181)*
Non-controlling interest		**115**	*(219)*
Total comprehensive loss		**(851)**	*(2,400)*

TSTAR PINNACLE LIMITED
REGISTERED NUMBER: 10757654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Assets			
Non-current assets			
Property, plant and equipment	13	**4,670**	*5,814*
Investment property	14	**16,037**	*17,328*
Intangible assets	15	**27,450**	*28,875*
Investments in equity accounted associates	17	**4,694**	*3,565*
Employee benefit assets	24	**220**	*732*
		53,071	*56,314*
Current assets			
Inventories	18	**109**	*136*
Trade and other receivables	19	**16,843**	*21,225*
Cash and cash equivalents		**11,889**	*3,445*
		28,841	*24,806*
Total assets		**81,912**	*81,120*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Liabilities			
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**36,139**	*33,765*
Lease liabilities	22	**15,517**	*16,438*
Deferred tax liabilities	12	**1,951**	*2,469*
		53,607	*52,672*
Current liabilities			
Trade and other payables	20	**19,280**	*18,065*
Lease liabilities	22	**4,500**	*5,007*
		23,780	*23,072*
Total liabilities		**77,387**	*75,744*
Net assets		**4,525**	*5,376*
Equity attributable to equity holders of the parent			
Share capital	23	**7,012**	*7,012*
Accumulated losses		**(2,649)**	*(1,683)*
		4,363	*5,329*
Non-controlling interest		**162**	*47*
TOTAL EQUITY		**4,525**	*5,376*

The financial statements on pages 38 to 47 were approved and authorised for issue by the board of directors on 16 September 2021 and were signed on its behalf by:

D J Simmonds
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Assets			
Non-current assets			
Investments	16	**49,978**	*49,978*
		49,978	*49,978*
Current assets			
Trade and other receivables	19	**222**	*296*
		222	*296*
Total assets		**50,200**	*50,274*

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Liabilities			
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**36,139**	*33,765*
		36,139	*33,765*
Current liabilities			
Trade and other payables	20	**16,535**	*16,189*
		16,535	*16,189*
Total liabilities		**52,674**	*49,954*
Net (liabilities)/assets		**(2,474)**	*320*
Equity attributable to equity holders of the parent			
Share capital	23	**7,012**	*7,012*
Accumulated losses		**(9,486)**	*(6,692)*
TOTAL EQUITY		**(2,474)**	*320*

The Company's loss for the year was £2,794k (2020: loss of £2,461k).

The financial statements on pages 38 to 47 were approved and authorised for issue by the board of directors on 16 September 2021 and were signed on its behalf by:

D J Simmonds
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Retained earnings/ (Accumulated losses)	Total parent equity	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000
At 1 April 2019	7,012	498	7,510	266	7,776
Loss for the year	-	(2,413)	(2,413)	(219)	(2,632)
Other comprehensive income	-	232	232	-	232
Total comprehensive expense for the year	-	(2,181)	(2,181)	(219)	(2,400)
At 31 March 2020	**7,012**	**(1,683)**	**5,329**	**47**	**5,376**
At 1 April 2020	7,012	(1,683)	5,329	47	5,376
(Loss)/profit for the year	-	(423)	(423)	115	(308)
Other comprehensive expense	-	(543)	(543)	-	(543)
Total comprehensive (expense)/income for the year	-	(966)	(966)	115	(851)
At 31 March 2021	**7,012**	**(2,649)**	**4,363**	**162**	**4,525**

The notes on pages 48 to 93 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Accumulated losses	Total equity
	£000	£000	£000
At 1 April 2019	7,012	(4,231)	2,781
Loss for the year	-	(2,461)	(2,461)
Total comprehensive expense for the year	-	(2,461)	(2,461)
At 31 March 2020	**7,012**	**(6,692)**	**320**
At 1 April 2020	7,012	(6,692)	320
Loss for the year	-	(2,794)	(2,794)
Total comprehensive expense for the year	-	(2,794)	(2,794)
At 31 March 2021	**7,012**	**(9,486)**	**(2,474)**

The notes on pages 48 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £000	*2020 £000*
Cash flows from operating activities			
Loss for the year		**(308)**	*(2,632)*
Adjustments for			
Depreciation, amortisation and impairment	8	**7,358**	*5,044*
Bad debt written off		**85**	*65*
Finance income	11	**(43)**	*(146)*
Finance expense	11	**3,964**	*3,280*
Share of joint venture results and post-tax losses of equity accounted associates	17	**545**	*660*
Loss on sale of property, plant and equipment	8	**63**	*2*
Other gain	10	**(1,474)**	-
IAS19 pension income	24	**(351)**	*(117)*
Income tax expense/(credit)	12	**215**	*(614)*
		10,054	*5,542*
Movements in working capital:			
Decrease/(increase) in trade and other receivables	19	**3,772**	*(622)*
Decrease/(increase) in inventories	18	**27**	*(136)*
Increase in trade and other payables	20	**1,093**	*70*
Cash generated from operations		**14,946**	*4,854*
Income tax refund/(paid)		**196**	*(145)*
Interest paid		**(1,468)**	*(853)*
Net cash from operating activities		**13,674**	*3,856*
Cash flows from investing activities			
Purchases of property, plant and equipment	13	**(517)**	*(1,075)*
Purchase of intangible assets	15	**(613)**	*(435)*
Purchase of additional shares in an associate	17	**(200)**	-
Interest received		**43**	*123*
Net cash used in investing activities		**(1,287)**	*(1,387)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £000	*2020* *£000*
Cash flows from financing activities		
Principal elements of lease payments	**(3,943)**	*(1,760)*
Net cash used in financing activities	**(3,943)**	*(1,760)*
Net cash increase in cash and cash equivalents	**8,444**	*709*
Cash and cash equivalents at the beginning of year	**3,445**	*2,736*
Cash and cash equivalents at the end of the year	**11,889**	*3,445*

1. Reporting entity

TStar Pinnacle Limited (the 'Company') is a private limited company incorporated and domiciled in the United Kingdom. The Company's registered office is at 2nd Floor One Eagle Place, St. James's, London, SW1Y 6AF. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in providing people-first services across a range of community-facing assets and infrastructure including multi-tenure housing, schools, open spaces, public buildings, utilities and broadband networks, as well as a range of complementary employment and wellbeing outcomes.

2. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group's consolidated financial statements were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Details of the Group's accounting policies, including changes during the year, are included in note 3.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Income Statement or Statement of Comprehensive Income in these financial statements.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 6.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of defined benefit plan assets that are stated at their fair value.

2.2 Changes in accounting policies

i) New standards effective during the financial year

There were no new standards effective during this financial year.

2. Basis of preparation (continued)

ii) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation and modifications of financial liabilities.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendment to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-20-22
- Sale or contribution of assets between an investor and its associates or joint venture – Amendments to IFRS 10 and IAS 28

The Group does not anticipate the adoption of the new accounting standards and interpretations (listed above) to have a material effect on its financial statements.

3. Accounting policies

3.1 Basis of consolidation and equity accounting

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the ventures' unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition.

Investment in associates (Equity accounting basis)

The consolidated financial statements include the Group's share of the total comprehensive income and

3. Accounting policies (continued)

3.1 Basis of consolidation and equity accounting (continued)

equity movements of equity accounted investees, from the date the significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

3.2 Going concern

The financial statements have been prepared on a going concern basis which forecasts that the Group will have sufficient liquidity to meet its financial obligations for a period of at least 12 months from the date of these financial statements.

A consolidated liquidity forecast, including entity level forecasts, has been prepared for a period of more than 12 months from the date of approval of these financial statements. The forecasts indicate that, whilst taking into account severe but plausible downsides, sufficient funds are expected to be generated within the Group so as to meet the liabilities of the Group as they fall due.

As part of their review the directors have additionally considered the implications of the current Coronavirus Pandemic on the going concern assumption. In FY2021 the Group remained strong despite the current economic crisis due to Covid-19 pandemic. The Group's revenue increased by 14% to £122,124k from £107,090k in FY2020. The cash position of the Group also remained strong with a cash balance of £11,889k (FY20: £3,445k).

The economic impact due to the Coronavirus Pandemic is subject to an unprecedented level of uncertainty with the full range of possible effects unknown. Sensitivity analyses have been applied to the cashflow forecasts to assess the impact on EBITDA and working capital and the ability of the Group to fund its capital commitments. These forecasts continue to support the going concern assumption and the directors are confident they can take sufficient mitigating action to ensure that available funds will be sufficient for the business needs.

3.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group

3. Accounting policies (continued)

3.3 Business combinations (continued)

recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

3.4 Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

3.5 Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. For the purpose of impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment reviews are performed annually using discounted cash flow analysis. This analysis assumes a 11% post tax discount rate, projects future cash flows for three years with an assumption of growth, year on year.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent year. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. Accounting policies (continued)

3.6 Revenue

Revenue represents fees receivable, excluding VAT. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it delivers the service to a customer.

There are a number of principal revenue streams which have different revenue recognition policies, these are detailed below: -

Revenue streams:
- Housing and facilities management*
- Contact centre services *
- Professional services*
- Low carbon energy development*
- Management of welfare to work employment related services**

Recognition policies:
*Long-term contracts for which revenue is recognised over the period the service is delivered. For contracts which span a number of years the contracts have either discrete annual measurement periods or specific milestones and revenue is recognised accordingly. Revenue is recognised over time.

**Long-term contracts for which revenue is recognised when the performance has been confirmed by the customer. Revenue is recognised over time.

3.7 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments, discounted by using the interest rate implicit in the lease. If this interest rate cannot be readily determined, the Group uses its incremental borrowing rate(IBR). The Group's IBR is determined after considering its cost of borrowing funds across all alternative sources of borrowing and the risk of investing, adding a risk premium to the cost of capital.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

3. Accounting policies (continued)

3.7 Leases (continued)

The Group as a lessee (continued)

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

The right-of-use assets are measured at cost comprising of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Consolidated Statement of Financial Position.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3. Accounting policies (continued)

3.8 Finance income

Finance income comprises interest receivable on funds invested using the effective interest method.

3.9 Finance costs

Finance costs comprise interest payable on loans and borrowings recognised in profit or loss using the effective interest method.

3.10 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post-employment obligations

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

3. Accounting policies (continued)

3.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in Statement of comprehensive income, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

3.12 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold land and buildings	1 to 5 years
Plant and equipment	1 to 5 years
Motor vehicles	1 to 5 years

3. Accounting policies (continued)

3.12 Property, plant and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3.13 Investment property

Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment

3.14 Intangible assets

Intangible assets (excluding goodwill)

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Software development costs	3 years
Trademarks	10 years
Customer contracts	12 years

3.15 Impairment of non-financial assets (excluding goodwill)

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the group of units on a pro rata basis.

3. Accounting policies (continued)

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs comprise direct materials, direct labour and where applicable, those overheads that have been incurred in bringing the stocks to their present location and condition. Where appropriate, cost is calculated on a specific identification basis, otherwise stocks are valued using the first-in first-out method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

At each reporting date an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the Consolidated Income Statement.

3.17 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

3. Accounting policies (continued)

3.17 Financial instruments (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised costs and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Refer to note 25 for further details on the recognition of expected credit losses.

3.18 Dividends

Dividends are recognised as distributions to owners during the year in which the dividend is paid. Dividends are recognised in the Statement of Changes in Equity.

4. Disclosure exemptions - parent Company individual financial statements

In preparing its individual financial statements under FRS 101, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets

5. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Group's functional currency. All amounts have been rounded to the nearest thousand pound, unless otherwise indicated.

6. Accounting estimates and judgements

6.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Defined benefit pension scheme valuations

In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below are largely dependent on factors outside the control of the Group:

- Inflation rate;
- Mortality;
- Discount rate; and
- Salary and pension increases.

Please refer to note 24 for details of the assumptions used.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the business units and the selection of appropriate discount rates to calculate present values.

Please refer to note 15 for details of the assumptions used.

Expected or estimated credit losses

The provision for estimated credit losses are based on assumptions about the risk of default and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the estimated credit losses calculation, based on the Group's history and current and forward-looking information on macroeconomic factors affecting the ability of its customers to settle the receivables.

Please refer to note 25 for details of the assumptions used.

7. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2021 £000	*2020 £000*
Housing and facilities management services	**108,329**	*94,907*
Services to assist the unemployed	**2,014**	*2,491*
Sustainable energy solutions	**11,742**	*9,509*
Other	**39**	*183*
	122,124	*107,090*

Revenues of approximately £8,563k (2020: £9,132k) are derived from a single external customer. All revenue is generated within the UK.

The Group derives revenue from provision of services provided over time and at a point in time. The Group does not recognise any material assets and liabilities related to contracts with customers.

8. Operating expense and auditors' remuneration

	Note	2021 £000	*2020 £000*
Depreciation of owned assets	13,14	**582**	*523*
Depreciation of right of use assets	13,14	**4,732**	*2,674*
Amortisation of intangible assets	15	**2,038**	*1,847*
Impairment		**6**	-
Loss on sale of property, plant and equipment	13	**63**	*2*
Fees payable to the Company's auditors for the audit of the Company's financial statements		**47**	*20*
Fees payable to the Company's auditors for services in respect of the audit of the Company's subsidiaries pursuant to legislation		**244**	*174*

9. Staff costs

	2021 £000	*2020* *£000*
Wages and salaries	57,660	*49,877*
Social security costs	4,397	*3,753*
Defined contribution pension cost	2,221	*1,841*
Defined benefit scheme cost	167	*202*
Total staff costs	**64,445**	*55,673*

Key management personnel compensation

The Group's key management personnel are the board and members of the executive committee.

Executive directors are subject to a mutual notice period of either 6 or 12 months. On resignation at the request of the Group, they are entitled to termination benefits in line with the contractual notice period.

	2021 £000	*2020* *£000*
Key management personnel compensation comprised of:		
Total emoluments	1,341	*1,309*
Short term bonuses	237	*232*
Social security costs	225	*191*
Employers' contributions to money purchase pension plans	178	*151*

The above remuneration relates to the directors of Pinnacle Group Limited only. The remuneration of the directors of TStar Pinnacle Limited is included in other companies within the TStar Pinnacle Lux Sarl group.

The aggregate emoluments and benefits paid to directors amounted to £701k (2020: £666k). The emoluments of the highest paid director amounted to £291k (2020: £282k).

The contributions made to money purchase pension scheme in respect of the highest paid director amounted to £29k (2020: £26k).

Retirement benefits under money purchase pension scheme are accruing in respect of 2 directors (2020: 2).

9. Staff costs (continued)

Staff numbers

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2021 No.	*2020 No.*
Housing and facilities management services	**2,740**	*2,504*
Services to assist the unemployed	**23**	*28*
Sustainable energy solutions	**51**	*55*
Other	**94**	*80*
Total	**2,908**	*2,667*

10. Other gains

	Note	**2021 £000**	*2020 £000*
Fair value gain on dilution of interests in an associate	17	**1,474**	-
		1,474	-

11. Finance income and expense

Recognised in profit or loss

	2021 £000	2020 £000
Finance income		
Interest income on financial assets	23	135
Interest income from defined benefit pension plan	20	11
Total finance income	43	146
Finance expense		
Interest on lease liabilities	1,114	581
Interest on financial liabilities measured at amortised cost	2,695	2,524
Other finance expenses	155	175
Total finance expense	3,964	3,280
Net finance expense recognised in profit or loss	(3,921)	(3,134)

12. Tax expense/(credit)

12.1 Tax recognised in profit or loss

	2021 £000	*2020 £000*
Current tax		
Current tax on losses for the year	**495**	*145*
Adjustments for current tax of prior years	**111**	*(809)*
Total current tax	**606**	*(664)*
Deferred tax (credit)/expense		
Origination and reversal of temporary timing differences	**(278)**	*77*
Adjustments in respect of prior years	**(113)**	*(27)*
Total deferred tax	**(391)**	*50*
Total tax expense/(credit)	**215**	*(614)*

12. Tax expense/(credit) (continued)

12.1 Tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge/(credit) for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2021 £000	2020 £000
Loss for the year	**(308)**	*(2,632)*
Tax expense/(credit) (including income tax on associate and joint ventures)	**215**	*(614)*
Loss before taxes	**(93)**	*(3,246)*
Tax using the Company's domestic tax rate of 19% (2020:19%)	**(18)**	*(617)*
Expenses not deductible for tax purposes	**411**	*481*
Adjustments in respect of prior periods	**(2)**	*(759)*
Non-taxable gain	**(280)**	-
Joint-ventures and associates results, net of tax charge	**104**	*(125)*
Others	-	*406*
Total tax expense/(credit)	**215**	*(614)*

Changes in tax rates and factors affecting the future tax charges

The UK corporation tax rate as at 31 March 2021 is 19% (2020: 19%). In March 2021 the government announced that the rate is to increase to 25% from 1 April 2023 and that this change is to be included in Finance Act 2021.

12.2 Tax recognised in other comprehensive income

	2021 £000	2020 £000
Deferred tax		
Deferred tax (credit)/charge on actuarial (loss)/gain on defined benefit pension plans	**(127)**	*55*
Total	**(127)**	*55*

12. Tax expense/(credit) (continued)

12.3 Deferred tax balances

Group

The following is the analysis of deferred tax liabilities presented in the consolidated statement of financial position:

	2021 £000	*2020 £000*
Deferred tax liabilities	(1,951)	*(2,469)*
	(1,951)	*(2,469)*

	Property, plant and equipment £000	Tax losses £000	Pension scheme £000	Intangible assets £000	Total £000
Recognised deferred tax - Group					
At 1 April 2020	(64)	249	(139)	(2,515)	(2,469)
Prior year adjustments	27	86	-	-	113
Recognised in profit or loss	81	(68)	(30)	295	278
Recognised in other comprehensive income	-	-	127	-	127
At 31 March 2021	44	267	(42)	(2,220)	(1,951)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses of £282k (2020: £282k) because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

13. Property, plant and equipment

Group

	Leasehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Right of use assets £000	Total £000
Cost					
At 31 March 2020	864	5,017	131	5,934	11,946
At 1 April 2020	864	5,017	131	5,934	11,946
Additions	103	414	-	1,258	1,775
Disposals	(136)	(189)	(2)	(345)	(672)
Adjustments	(214)	-	-	-	(214)
At 31 March 2021	**617**	**5,242**	**129**	**6,847**	**12,835**
Accumulated depreciation					
At 31 March 2020	281	3,975	116	1,760	6,132
At 1 April 2020	281	3,975	116	1,760	6,132
Charge for the year	82	501	15	1,995	2,593
Disposals	(95)	(167)	(2)	(278)	(542)
Adjustments	(18)	-	-	-	(18)
At 31 March 2021	**250**	**4,309**	**129**	**3,477**	**8,165**
Net book value					
At 31 March 2020	**583**	**1,042**	**15**	**4,174**	**5,814**
At 31 March 2021	**367**	**933**	**-**	**3,370**	**4,670**

13. Property, plant and equipment (continued)

13.1. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated Statement of Financial Position is as follows:

	2021 £000	*2020 £000*
Property, plant and equipment owned	**1,300**	*1,640*
Right-of-use assets, excluding investment property	**3,370**	*4,174*

Information about right-of-use assets is summarised below:

Net book value

	2021 £000	*2020 £000*
Properties	**2,150**	*2,089*
Motor vehicles	**1,220**	*2,085*

Depreciation charge for the year ended

	2021 £000	*2020 £000*
Properties	**727**	*578*
Motor vehicles	**1,268**	*1,182*

Additions to right-of-use assets

	2021 £000	*2020 £000*
Additions to right-of-use assets	**1,258**	*2,022*

14. Investment property

Group

	2021
	£000
Cost	
At 1 April 2020	**18,242**
Additions	**-**
Disposals	**-**
Remeasurement	**1,451**
At 31 March 2021	**19,693**
Accumulated depreciation	
At 1 April 2020	**914**
Charge for the year	**2,749**
Disposals	**-**
Adjustments	**3**
Remeasurement	**(10)**
At 31 March 2021	**3,656**
Net book value	
At 31 March 2020	**17,328**
At 31 March 2021	**16,037**

The investment property net book value above, includes a balance of £14,319k (2020: £17,271k) which relates to a transaction entered into with a London council whereby, on 25 October 2019 one of the Group's subsidiary's has leased a new building from the Council, consisting of 197 flats, for a period just short of 7 years. The subsidiary is contracted to pay a series of monthly payments to the Council in accordance with the said lease and the subsidiary can rent the flats to those who qualify at discounted market rents. Under IAS 40 and IFRS 16 this transaction classifies the subsidiary's interest in the building as an "Investment Property" which is depreciated accordingly.

The rental income generated from investment properties was £3,067k (2020: £328k). The direct operating expenses associated with the rental income was £2,509k (2020: £425k).

15. Intangible assets

Group

	Goodwill £000	Development & software costs £000	Trademarks £000	Customer contracts £000	Total £000
Cost					
At 31 March 2020	15,060	1,826	5,042	12,430	34,358
At 1 April 2020	15,060	1,826	5,042	12,430	34,358
Additions - external	-	613	-	-	613
Disposals	-	(46)	-	-	(46)
At 31 March 2021	**15,060**	**2,393**	**5,042**	**12,430**	**34,925**
Accumulated amortisation					
At 31 March 2020	-	1,248	1,386	2,849	5,483
At 1 April 2020	-	1,248	1,386	2,849	5,483
Charge for the year - owned	-	498	504	1,036	2,038
Disposals	-	(46)	-	-	(46)
At 31 March 2021	**-**	**1,700**	**1,890**	**3,885**	**7,475**
Net book value					
At 31 March 2020	**15,060**	**578**	**3,656**	**9,581**	**28,875**
At 31 March 2021	**15,060**	**693**	**3,152**	**8,545**	**27,450**

15. Intangible assets (continued)

The net book value of goodwill by cash generating unit (Pinnacle Group Limited) is £15,060k (2020: £15,060k). No impairment charge has been recognised in the year on goodwill (2020: £Nil).

A discount rate of 11% (2020: 11%) has been applied when calculating the future discounted cashflows. The Group tests whether goodwill has suffered any impairment on an annual basis. The goodwill was acquired in the period ended 31 March 2018. For the 2021 financial year, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on the FY22 budget approved by the board. Cash flows beyond the FY22 budget are extrapolated using an estimated growth rate of 2%. The growth rate used is consistent with forecasts.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the CGUs to which goodwill is allocated. The directors believe that any reasonable possible change in the discount rate would not cause the carrying amount of net assets (including goodwill) to exceed the recoverable amount of the related assets.

16. Investments

The Group's subsidiaries at 31 March 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, and the proportion of ownership interests held equals the voting rights held by the group.

		Ownership interest held directly by the Company		Ownership interest held by the Group	
Name of entity	Principal activities	2021 %	2020 %	2021 %	2020 %
Pinnacle Group Limited	Holding company	100	100	100	100
Pinnacle PSG Holdings Limited	Holding company	-	-	100	100
Pinnacle People Limited	Recruitment services	-	-	100	100
UKPIM Holdco Limited	Holding company	-	-	100	100
Pinnacle Power Limited	Low carbon energy development	-	-	58	58
Pinnacle Spaces Limited	Social housing provider	-	-	100	100
Pinnacle Placemaking Limited	Residential development	-	-	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. Investments (continued)

Name of entity	Principal activities	Ownership interest held directly by the Company 2021 %	Ownership interest held directly by the Company 2020 %	Ownership interest held by the Group 2021 %	Ownership interest held by the Group 2020 %
Regenter Limited	Housing project bids	-	-	100	100
Regenter Management Services Limited	Housing project bids	-	-	100	100
Pinnacle Recruitment (Services) Limited	Recruitment services	-	-	100	100
Pulse Social Enterprises Community Interest Company	Recruitment services	-	-	100	100
Pinnacle PSG Limited	Holding company	-	-	100	100
Pinnacle FM Limited	Facilities management	-	-	100	100
Pinnacle Connect Limited	Call centre services	-	-	100	100
Pinnacle Housing Limited	Housing management	-	-	100	100
Woking Housing Partnership Limited	Housing management	-	-	100	100
Nova Power Limited	Renewable energy	-	-	58	58
PP Esco Holdco Ltd	Holding company	-	-	58	58
PP Esco (Clapham Park) Ltd	Heating systems construction & operation	-	-	6	58
Pinnacle Homecare Limited	Dormant	-	-	100	100
Pinnacle Regeneration Group Limited	Dormant	-	-	100	100
Social Housing Regeneration Partnerships Limited	Dormant	-	-	100	100
Pinnacle Regeneration Limited	Dormant	-	-	100	100
Pinnacle Places Limited	Dormant	-	-	100	100
Pinnacle NZ (Holdings) Limited	Dormant	-	-	100	100
Kirkbank Heating Limited	Dormant	-	-	58	58
Captus Metering Ltd	Dormant	-	-	58	58

16. Investments (continued)

The registered address for each of the above companies is 8th Floor, Holborn Tower, 137-144 High Holborn, London, England, WC1V 6PL, except for Kirkbank Heating Limited whose registered address is Balgray House, Lockerbie, Dumfriesshire, DG11 2JT.

All subsidiary undertakings are included in the consolidation. The Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

Company

	Shares in group undertaking
	£000
Cost	
At 1 April 2020	**49,978**
At 31 March 2021	**49,978**
Provisions	
At 1 April 2020	**-**
At 31 March 2021	**-**
Net book value	
At 31 March 2020	**49,978**
At 31 March 2021	**49,978**

Acquisition of Pinnacle Group Limited

On 14 June 2017, the Company acquired 100% of the share capital of Pinnacle Group Limited for a total consideration of £49,978k.

17. Investment in associates and joint ventures

Name of associates/joint ventures	Country of incorporation principal place of business	Relationship to the entity	Ownership interest held as at (%)	
			2021	2020
1) Grain Connect Limited	United Kingdom	Associate	20	30
2) MY8 Development LLP*	United Kingdom	Joint venture	50	50
3) Pinnacle Higgins LLP*	United Kingdom	Joint venture	50	50
4) Pinnacle Fund LLP*	United Kingdom	Joint venture	50	50

*These companies are exempt from audit under section 479 of the Companies Act.

The registered addressed for each of the above companies is 8th Floor, Holborn Tower, 137-144 High Holborn, London, England, WC1V 6PL.

1) Grain Connect Limited

At 31 March 2021, Pinnacle Group Limited owned 20.2% (2020: 30.29%) of Grain Connect Limited shares (class A & class C shares).

On 9 December 2020, Pinnacle Group Limited acquired an additional 10,655 shares (at £18.77 per share) as part of a wider fundraising transaction, thereby increasing its total shareholding from 218,772 ordinary shares to 229,427 ordinary shares. This led to a reduction of the shareholding of TStar Pinnacle Limited ("Group") to 20.2% from 30.29%. The 20.2% investment in Grain Connect Limited is being treated as an investment in associate and therefore the equity accounting method is applied in accordance with IAS 28 para 10.

2) MY8 Development LLP*

In May 2012, UKPIM Holdco Limited formed a 50:50 joint venture, MY8 Development LLP (MY8), with Riverglade Properties Limited. MY8 has a 50:50 joint venture, Myatts Field Development LLP, with Higgins Homes PLC which delivered the Lambeth Development project. The equity accounting method is applied to this investment in accordance with IAS 28 para 10.

3) Pinnacle Higgins LLP*

In November 2013, UKPIM Holdco Limited formed a 50:50 joint venture with Higgins Home Plc to identify and develop regeneration projects. In the period to 31 March 2021 there were no activities or transactions.

4) Pinnacle Fund LLP*

Incorporated in February 2013, it is a 50:50 joint venture between P M A Llyod and Pinnacle Group Limited. In the period to 31 March 2021 there were no activities or transactions.

17. Investment in associates and joint ventures (continued)

Summarised financial information of equity accounted associates and joint ventures

MY8 Development LLP

	2021 £000	*2020* *£000*
As at 31 March		
Total assets	**956**	*963*
Year ended 31 March		
Loss for the year	**(7)**	*(8)*
Total comprehensive expense	**(7)**	*(8)*

Grain Connect Limited

	2021 £000	*2020* *£000*
As at 31 March		
Total assets	**12,733**	*7,492*
Total liabilities	**(1,753)**	*(573)*
Year ended 31 March		
Loss for the year	**(2,684)**	*(1,764)*
Total comprehensive expense	**(2,684)**	*(1,764)*

17. Investment in associates and joint ventures (continued)

Group

Investment in associates and joint ventures - carrying amount

	MY8 Development LLP £000	Grain Connect Limited £000	Other Investments £000	Total £000
At 1 April 2020	369	3,131	65	3,565
Additions	-	200	-	200
Loss for the year	(3)	(542)	-	(545)
Fair value gain	-	1,474	-	1,474
Carrying amount at 31 March 2021	**366**	**4,263**	**65**	**4,694**

Other investments

PP Esco (Springfield) Ltd

As at 31 March 2021, PP Esco Holdco Ltd owned 9.57% of PP Esco (Springfield) Ltd. The total shareholding owned by PP Esco Holdco Ltd being 65,000 £1 B ordinary shares represents a 9.57% TStar Pinnacle Limited ("Group") shareholding with the remainder being owned by Blackmead Infrastructure Limited.

Pinnacle Investments (Holdings) Limited

As at 31 March 2021, TStar Pinnacle Limited ("Group") holds 25% of the shares of Pinnacle Investments (Holdings) Limited, (PIHL). As a result of the terms of the agreement the Group does not have any significant influence over PIHL and hence this entity is not an associate of the Group.

Pinnacle Fund Management Limited

As at 31 March 2021, TStar Pinnacle Limited ("Group") holds 89.5% of the shares of Pinnacle Fund Management Limited (PFML). As a result of the terms of the agreement the Group does not have any significant influence over PFML and hence this entity is not a subsidiary of the Group.

18. Inventories

Group

	2021 £000	*2020* *£000*
Work in progress	**109**	*136*
Total	**109**	*136*

19. Trade and other receivables

Group

	2021 £000	*2020* *£000*
Trade receivables	**8,771**	*15,148*
Other receivables	**941**	*131*
Corporation tax recoverable	**-**	*610*
Prepayments and accrued income	**7,131**	*5,336*
Total trade and other receivables	**16,843**	*21,225*

The increase in prepayments and accrued income is as a result of growth in business during the year.

Company

	2021 £000	*2020* *£000*
Other taxes and social security	**46**	*8*
Corporation tax recoverable	**176**	*288*
Total trade and other receivables	**222**	*296*

20. Trade and other payables

	2021 £000	2020 £000
Group		
Trade payables	**2,188**	*3,011*
Other payables	**5,463**	*4,793*
Corporation tax payable	**122**	-
Accruals and deferred income	**11,507**	*10,261*
Total trade and other payables	**19,280**	*18,065*

The increase in accruals and deferred income is as a result of growth in business during the year.

	2021 £000	2020 £000
Company		
Payable to group undertakings*	**16,519**	*16,184*
Accruals and deferred income	**16**	*5*
Total trade and other payables	**16,535**	*16,189*

*Payables to group undertakings are unsecured, incur interest at 0.5%, have no fixed date of repayment and are repayable on demand.

21. Other interest-bearing loans and borrowings

	2021 £000	*2020 £000*
Group & Company		
Loans payable in more than five years	**34,907**	*32,463*
Accrual of loan interest	**1,232**	*1,302*
Total	**36,139**	*33,765*

The loan amount of £34,907k (2020: £32,463k) is in respect of liabilities due to related undertakings, which fall due for repayment after more than five years from the reporting date.

On the 14 June 2017, the Company issued a £13,424k fixed-rate unsecured loan note instrument due 2027 to Tunstall Pinnacle Holdco S.à r.l. and a £1,200k fixed-rate unsecured loan note instrument due 2027 to management, together comprising the "Notes". A loan agreement was also concluded between the Company and SOF-11 Pinnacle Lux S.à r.l pursuant to which SOF-11 Pinnacle Lux S.à r.l would lend the Company £13,424k repayable in 2027.

Interest accrues on the Notes and the loan agreement at a rate of 8% per annum from the date of issue until redemption, and is payable quarterly in arrears on the Interest Payment Dates which are 31 March, 30 June, 30 September and 31 December.

To the extent that interest is not cash settled on these dates, any accrued interest outstanding on 30 September may be capitalised in accordance with the Notes and the loan agreement.

The interest accruing on the Notes and the loan agreement as at 31 March 2021 amounted to £1,232k (2020: £1,302k).

Tunstall Pinnacle Holdco S.à r.l. loan note was listed on The International Stock Exchange (TISE) on 27 September 2017.

22. Lease liabilities

Group

	2021 £000	2020 £000
Non-current		
Lease liabilities (IFRS 16)	15,517	16,438
Current		
Lease liabilities (IFRS 16)	4,500	5,007
Total	20,017	21,445

Group as a lessee

The company leases various properties (office building, investment property), commercial vehicles & equipment. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (incl. termination and renewal rights).

Lease liabilities are due as follows:

	2021 £000	2020 £000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	4,669	5,057
Between one year and five years	15,946	14,693
More than five years	2,264	5,088
	22,879	24,838

The following amounts in respect of leases have been recognised in profit or loss:

	2021 £000	2020 £000
Interest expense (included in finance expense)	1,114	581

22. Lease liabilities (continued)

Depreciation charges recognised in the Group statement of profit or loss in respect of right of use assets have been disclosed separately in notes 8 & 13.1.

Photocopier leases are classified as low value, a total sum of £15k (2020: £17k) in respect of photocopier lease costs is included in the income statement in this financial year.

Lease costs and payments

	2021 £000	2020 £000
Cost		
Opening balance	21,445	4,073
Additions	1,386	20,207
Interest	1,114	581
Disposals	(64)	(161)
Remeasurement	1,554	-
	25,435	24,700
Payment		
Interest	1,114	581
Principal repayment	4,304	1,760
Accruals	-	914
	5,418	3,255
Lease liabilities balance		
Cost	25,435	24,700
Repayment during the year	(5,418)	(3,255)
Balance at 31 March	20,017	21,445

23. Share capital

Authorised

	2021 Number	2021 £000	*2020 Number*	*2020 £000*
Shares treated as equity				
Ordinary shares of £100 each	**70,117**	**7,012**	*70,117*	*7,012*
Growth shares of £1 each	**750**	-	*750*	-
	70,867	**7,012**	*70,867*	*7,012*

Issued and fully paid

	2021 Number	2021 £000	*2020 Number*	*2020 £000*
Ordinary shares of £100 each				
At 1 April and 31 March	**70,117**	**7,012**	*70,117*	*7,012*

	2021 Number	2021 £000	*2020 Number*	*2020 £000*
Growth shares of £1 each				
At 1 April and 31 March	**750**	-	*750*	-

24. Employee benefit assets

	2021 £000	*2020 £000*
Amounts recognised in the consolidated statement of financial position are as follows:		
Fair value of scheme assets	**10,064**	*9,727*
Defined benefit liability	**(9,844)**	*(8,995)*
Pension asset	**220**	*732*

24. Employee benefit assets (continued)

Pension plan characteristics

The Group participates in two employee benefit schemes.

There is one defined contribution scheme which is a Group Personal Pension for substantially all employees.

The other is a defined benefit scheme. The Plan is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Plan is operated under trust and as such, the trustees of the Plan are responsible for operating the Plan and they have a statutory responsibility to act in accordance with the Plan's Trust Deed and Rules, in the best interest of the beneficiaries of the Plan, and UK legislation (including Trust law). The Trustee and the Company have the joint power to set the contributions that are paid to the Plan.

The assets of the scheme are held separately in independently administered funds. Payments to this scheme during the year have been made in accordance with the actuarial valuation on 31 March 2018. There were no amounts payable to the scheme at end of the current financial year (2020: £Nil).

This reporting statement covers the retirement benefits provided from the Citrus Pension Scheme which is a defined benefit pension scheme. The last full independent actuarial valuation of the plan was undertaken as at 31 March 2018. The administrator of the pension scheme is Hymans Robertson LLP.

The 31 March 2018 valuation was prepared by an independent qualified actuary using the methods and assumptions set out in the Statement of Funding Principles for the purposes of the statutory funding objective, which was introduced by the Pension Act 2004. The principal financial assumptions were price inflation at market price RPI curve, salary increases at RPI less 1.0% per annum, a discount rate before retirement of 2.5% per annum, and a discount rate in the period after retirement of 0.75% per annum. The market value of the scheme's assets at 31 March 2018 was £8,887k.

The defined benefit pension scheme is a section of the Citrus Pension Plan, a multi-employer scheme. The constitution of the Citrus Pension Plan restricts the obligations of each participating employer to the provision of pensions and other Plan benefits to those members of its unitised section.

The pension assets disclosed in the financial statements are derived from a comprehensive unitisation process that involves tracking specific cash flows into and out of the Company's section of the scheme and allocating each section its share of its return on investments on a periodic (usually monthly) basis.

24. Employee benefit assets (continued)

Reconciliation of defined benefit liability and fair value of scheme assets:

	Fair value of scheme assets 2021 £000	Defined benefit liability 2021 £000	Net asset/ (liability) 2021 £000
Balance at 1 April			
Opening asset	9,727	8,995	732
Net asset	9,727	8,995	732
Included in profit or loss			
Service cost - current	-	120	(120)
Administration cost	-	47	(47)
Interest income	214	194	20
Net income/(cost)	214	361	(147)
Other movement			
Contributions by members	23	23	-
Contributions by employer	306	-	306
Benefits paid	(1,040)	(1,040)	-
Net movement	(711)	(1,017)	306
Included in other comprehensive (expense)/income			
Changes in financial assumptions	-	1,671	(1,671)
Experience	-	(166)	166
Return on assets	834	-	834
Actuarial gain/(loss)	834	1,505	(671)
Balance at 31 March			
Closing asset	10,064	9,844	220

The agreed Group contribution rate for the coming year is 26% pa of pensionable salaries. Estimated employer expense for the next accounting year is £186k.

24. Employee benefit assets (continued)

	2021 £000	2020 £000
Fair value of the plan assets and return on those assets		
Equity and similar assets	2,390	2,213
Income generating assets	4,758	4,655
LDI Instruments	2,233	2,441
Cash and cash equivalent	683	418
Total	10,064	9,727

All assets are invested in funds and other instruments, all of which are unquoted.

Actuarial assumptions

The principal actuarial assumptions used in the determining calculating the present value of the defined benefit liability includes:

	2021	2020
Discount rate at 31 March	2.00%	2.30%
First year salary increase	1.60%	2.00%
Future salary increase	2.85%	2.00%
Increases to pensions in payment accrued to date (RPI)	3.35%	2.80%
Increases to pensions in payment accrued to date (CPI)	2.85%	2.00%

Mortality

The average life expectancy assumed now for an individual at the age of 65 and projected to apply in 2021 for an individual then at the age of 65 is as follows:

	2021	2020
Retiring today		
Males	22.6	22.5
Females	26.4	26.3
Retiring in 20 years		
Males	25.0	24.9
Females	29.0	28.9

24. Employee benefit assets (continued)

Sensitivity analysis

	2021 £000	2020 £000
Increase in pension liability		
0.5% decrease in discount rate	10,816	*9,842*
1 year increase in life expectancy	10,239	*9,355*

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Plan's liabilities.

Longevity assumptions

The longevity assumptions as at 31 March 2021 are based on bespoke longevity tables for members provided by Club Vita for the formal valuation of the Section as at 31 March 2018. For future improvements peaked increase in longevity improvements over the short term and longer-term improvement of 1.5% per annum for men and women have been used, based on CMI 2021 projections.

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Historical pension scheme information					
Defined benefit obligation	(9,844)	(8,995)	(9,154)	(9,238)	(9,083)
Scheme assets	10,064	9,727	9,470	8,887	8,619
Surplus/(deficit)	220	732	316	(351)	(464)
Experience adjustment					
Scheme liabilities - (loss)/gain	(1,505)	353	380	130	(1,571)
Scheme assets - gain/(loss)	834	(64)	163	90	699

24. Employee benefit assets (continued)

Risks to which the Plan exposes the Group

The nature of the Plan exposes the Group to the risk of paying unanticipated additional contributions to the Plan in times of adverse experience. The most financially significant risks are likely to be:
- members living for longer than expected;
- higher than expected actual inflation and salary increase experience,
- lower than expected investment returns, and
- the risk that movements in the value of the Plan's liabilities are not met by corresponding movements in the value of the Plan's assets.

The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the Plan's liabilities of the risks highlighted.

25. Financial instruments

25.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	At amortised cost £000	Total £000
31 March 2021		
Financial assets		
Trade and other receivables excluding prepayments	14,923	14,923
Cash and cash equivalents	11,889	11,889
Financial liabilities		
Lease liabilities	20,017	20,017
Trade and other payables excluding non-financial liabilities	15,020	15,020
Borrowings	36,139	36,139

25. Financial instruments (continued)

25.1 Accounting classifications and fair values (continued)

31 March 2020	At amortised cost £000	Total £000
Financial assets		
Trade and other receivables excluding prepayments	19,581	19,581
Cash and cash equivalents	3,445	3,445
Financial liabilities		
Lease liabilities	21,445	21,445
Trade and other payables excluding non-financial liabilities	13,865	13,865
Borrowings	33,765	33,765

25.2 Financial risk management objectives

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

- Credit risk
- Liquidity risk
- Market risk

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a year of 12 months prior to 31 March 2021 and the corresponding historical credit losses experienced within this year. The historical

25. Financial instruments (continued)

25.2 Financial risk management objectives (continued)

loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that given the fact that the majority of its customers are local government entities and large housing associations, losses and risk are extremely low.

On that basis, the loss allowance as at 31 March 2021 was determined as follows:

	0-30 days £000	30-60 days £000	60-90 days £000	90-120 days £000	> 120 days £000	Total £000
31 March 2021						
Trade and other receivables	12,728	793	229	100	400	14,250
Expected loss rate	0.00%	0.07%	0.26%	0.36%	0.39%	
Expected credit loss	-	1	1	-	2	4

The Group's exposure to credit risk is influenced by the characteristics of its trade debtor base, principally in the social housing and schools' sectors this is viewed as a core strength underlying its debtor base.

During the year, the Group made a specific bad debt provision of £38k (2020: £147k) for customers in Pinnacle Housing Limited and Pinnacle Power Limited. (2020: Customer was in Pinnacle Power Limited).

During the year, the Group released a bad debt provision of £197k (2020: £Nil) and £150k of bad debts were written off for customers in Pinnacle Housing Limited.

Trade and other receivables included in the statement of financial position are stated net of a bad debt provision which has been estimated by management following a review of individual receivable accounts.

25. Financial instruments (continued)

25.2 Financial risk management (continued)

Impairment losses

An analysis of the impairment in respect of trade receivables is set out below

	2021 £000	*2020 £000*
Provision as at 1 April	338	*191*
Increase in provision during the year	38	*147*
Provision released during the year	(197)	*-*
Provision as at 31 March	**179**	*338*

There are £729k (2020: £2,819k) of trade receivables that were overdue at the balance sheet date, i.e. over 60 days, which have not been provided against. Of these, there are no indications as at the date of approval of these financial statements that they will not be received.

25.3 Liquidity risk

	Less than 3 months £000	Between 3 months and 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2021					
Lease liabilities (undiscounted)	1,223	3,446	4,278	11,670	2,264
Trade and other payables	15,020	-	-	-	-
At 31 March 2020					
Lease liabilities (undiscounted)	1,350	3,707	4,285	10,408	5,088
Trade and other payables	13,865	-	-	-	-

25. Financial instruments (continued)

25.3 Liquidity risk (continued)

The Group's approach to managing liquidity risk is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damaging the Group's reputation.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 March 2021, the expected cash flows from trade receivables maturing within two months were £8,233k (2020: £12,514k).

Borrowing facilities

Pinnacle Group Limited has a £2,000k overdraft facility in place with Barclays Bank plc. There was no drawdown in this financial year (2020: £Nil)

The Group has adopted amortised cost as the carrying value of its financial liabilities. There is no difference between carrying value and the fair value of the Group's financial liabilities.

25.4 Market risk

Foreign exchange risk

The Group operates primarily within the UK such that its exposure to currency risk is not considered to be significant.

Capital risk management

The Group's overall capital risk management strategy is to maintain a strong capital base to sustain investor, creditor and market confidence and for the future development of the business.

Capital consists of issued share capital, reserves and retained earnings, as disclosed in the consolidated statement of changes in equity.

The group's objectives when managing capital are to:

• safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
• maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group might modify the amount of dividends paid to shareholders.

There were no changes in the Group's approach to capital management during the year.

26. Related party transactions

Group

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no transactions for goods or services between the Group and key management personnel.

The Group Chief Executive of Pinnacle Group Limited (P M A Lloyd) owns 32% of the shares in Pinnacle Investments (Holdings) Limited, one of the Group's associate companies.

Company

The Company has taken advantage of the exemptions available under IAS 24, 'Related Party Disclosures' not to disclose any transactions or balances with entities that are 100% controlled by the Group.

The Company's related party transactions are its borrowings from shareholders and management, please refer to note 21 for terms and conditions relating to the balances.

27. Contingent liabilities

In the normal course of business, claims arise that are subject to a process of negotiation that in some cases can be protracted over a significant period of time. Provision has been made for all amounts which the directors consider likely to be payable in respect of such claims.

The Company has issued guarantees to support the indebtedness of Pinnacle Group Limited and its subsidiaries. The exposure to this guarantee at the balance sheet date was £Nil (2020: £Nil).

28. Controlling party

Group

The ultimate joint controlling parties are Tunstall Pinnacle Holdco S.à r.l and SOF-11 Pinnacle Lux S.à r.l, both incorporated in Luxembourg, and have an ownership interest of 50% each. The immediate parent entity is TStar Pinnacle Lux Sarl, which is incorporated in Luxembourg.

Company

The ultimate joint controlling parties are Tunstall Pinnacle Holdco S.à r.l and SOF-11 Pinnacle Lux S.à r.l both incorporated in Luxembourg.

29. Subsequent events

On 14 July 2021, Grain Connect Limited exchanged contracts with funds managed by Equitix the result of which at completion on 5 August 2021, they invested a total £75 million in shareholders' loan and equity capital, with the equity element of £21.4 million being priced at £30.82 per share. Pinnacle Group Limited exchanged contracts at the same time and at the same price to sell 50% of its interest in Grain Connect Limited for a consideration of £3,535k, leaving a remaining interest of 114,714 numbers of shares or 6.4%.