accurri
statutory financial reporting software

accurri.com

Converting from FRS 101 to FRS 102 financial statements

Converting from FRS 101 to FRS 102 financial statements

This publication is a complimentary resource provided by Accurri Pty Limited and its related entities and is intended to assist those who are converting from FRS 101 to FRS 102 financial statements.

If you are reading a printed version of this publication, please visit accurri.com/resources to make certain that it is the most up-to-date version.

Contents

Disclaimer

Introduction

Trying to understand the difference between FRS 101 and FRS 102 financial statements can be a challenge. One way of coming to grips with the challenge is to study illustrated or model examples of each and note the difference.

Accurri Example Financial Statements are an invaluable statutory accounts production resource. Available in PDF and Word formats, the Example Financial Statements are updated to reflect the International Financial Reporting Standards (IFRS) as at 31 December (all regions) each year.

These practical and clear examples are complimentary, cover a wide range of reporting scenarios and can be used with ease and confidence. You can subscribe to this resource using the following link https://accurri.com/examples.

Whilst model and example financial statements can be very helpful, they are like a map that shows only the destination (or end result). They will clearly show the difference between FRS 101 and FRS 102 financial statements, but what they can't do is explain how to convert from FRS 101 to FRS 102 financial statements.

Accordingly, this booklet seeks to fill in that gap and provide a step-by-step guide to the conversion process.

Users of Accurri accounts production software (the software) do not need to read this booklet. To convert a report in the software simply change the Reporting Option 'Basis of preparation' to an 'FRS 102' selection. The Software will do the rest.

We acknowledge that this booklet is written from our point of view, which is just one of many. However, after many years and many hundreds of financial statements conversions in the United Kingdom, Australia and New Zealand, we know our process works and we are proud to share it.

If you would like to comment on, add to, or even challenge anything in this booklet, please email us at support@accurri.com.

Additional FRS 102 disclosures

Strategic report and directors' report

The strategic report and directors' report disclosures between FRS 101 and FRS 102 remain the same, as these reports are governed by the Companies Act 2006 and not the Accounting Standards.

Financial statements

The recognition and measurement requirements of FRS 101 and FRS 102 financial statements are the same, it is only the disclosure requirements that differ.

We note that some preparers of FRS 101 financial statements have, on occasions, elected to 'over disclose', with a typical example being disclosure of plant and equipment reconciliation for the comparative period.

However, for the purposes of this booklet, we have assumed that the original FRS 101 financial statements (the one to be converted) complied with only the minimum disclosure requirements.

Key additional disclosures

In summary, the key additional disclosures in the notes to the financial statements for FRS 102 financial statements are:

- Statement of cash flows
- New Accounting Standards and Interpretations not yet mandatory or early adopted
- Reconciliations for the comparative period (such as intangible assets and tangible assets)
- Intangible assets impairment testing
- Impairment of receivables
- Capital risk management
- Financial instruments
- Fair value measurement
- Key management personnel disclosures
- Business combinations
- Non-cash investing and financing activities
- Share-based payments

Assumptions and conventions used in the example

Assumption

As mentioned earlier, the example in the following pages assumes that the original FRS 101 financial statements (the one to be converted) complied with only the minimum disclosure requirements.

Conventions

For illustrative purposes the conventions that apply to the following example are:

- Content that formed part of the original FRS 101 financial statements and that remains unchanged, is presented as black text on a clear background
- Content that has been edited as a result of converting from FRS 101 to FRS 102 is presented as green text on a clear background
- Additional content required in the FRS 102 financial statements is presented as green text on a grey shaded background (as in the diagram below)
- The cover page and the placeholder pages reserved for the independent auditor's report have been intentionally omitted

IFRS SYSTEM Sample Limited
Notes to the financial statements
31 December 2017

Note 11. Current assets - financial assets at fair value through profit or loss

	Consolidated 2017 $'000	2016 $'000
Listed ordinary shares - designated at fair value through profit or loss	82	-
Listed ordinary shares - held for trading	278	-
	360	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	310	-
Revaluation increments	50	-
Closing fair value	360	-

Refer to note 40 for further information on fair value measurement.

Note 12. Current assets - other

	Consolidated 2017 $'000	2016 $'000
Accrued revenue	2,005	1,850
Prepayments	1,110	903
Security deposits	65	35
	3,180	2,788

Note 13. Current assets - non-current assets classified as held for sale

	Consolidated 2017 $'000	2016 $'000
Land	6,000	-

The vacant land situated at 22 Smith Street, Parramatta NSW is currently for sale and is expected to be sold within five months from the reporting date through an auction process. The proposed development of a head office building on the site has been abandoned and the land is now surplus to requirements.

Note 14. Non-current assets - receivables

	Consolidated 2017 $'000	2016 $'000
Other receivables	145	145

The other receivables are due to be repaid by 31 December 2020 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

Pinnacle FRS 102 Limited
Strategic report
31 December 2017

The directors present their strategic report on the consolidated entity for the year ended 31 December 2017.

Review of operations

The consolidated entity is a leading manufacturer and supplier of computer equipment, offering state of the art laptops, desktops, tablets and motion detection devices throughout the United Kingdom.

Across our business, we directly employ approximately 2,500 people and maintain over 35 retail outlets. Our manufacturing and central distribution function is based in Northampton, United Kingdom, and employs over 1,200 people. Our Pinnacle computers are offered from our 35 PinnacleTech branded retail outlets and 4 Pinnacle Business Centres. Our customers are largely represented by individual consumers, small to medium sized businesses and government departments.

The consolidated entity operates in highly competitive market that is constantly innovating. Our business strategy relies upon the following key elements:

- Efficient manufacturing and distribution process so that time between order and delivery is minimal.
- Customer contact points: Retail outlets have served as our primary customer contact point, however the extension of our Business Centres has seen full business solutions being sought by our increasing SME business base. Our increasing online presence provides for complete coverage across the United Kingdom.
- Innovative product: Our research and development teams continue to strive to produce better products through listening and analysing the needs of our growing customer base and identifying trends in international markets. Our consultants regularly provide feedback to our strategy team for new product ideas.
- Key relationships: In order to remain fluid in our design capabilities, we rely greatly on the cooperation of our Chinese material suppliers with which we have long term supply contracts.

The continued implementation of strategies to ensure that the business is capable of supporting our growth objectives, whilst maintaining a focus on both innovation and profitability across our divisions will benefit shareholders through continued payment of dividends and share price growth.

	2017 £'000	**2016 £'000**	**Change £'000**	**Change %**
Turnover	438,160	408,273	29,887	7%
Employee benefits expense	219,253	213,689	5,564	3%
Operating profit	37,896	23,838	14,058	59%
Profit after income tax expense	36,192	24,628	11,564	47%
Net current assets	40,334	26,337	13,997	53%
Total assets	314,816	296,129	18,687	6%
Total equity	227,972	220,229	7,743	4%
Average number of employees	2,574	2,511	63	3%

All three of the consolidated entity's divisions improved their profit results. The computer manufacturing division further increased its profit following the re-engineering of its processes, which has resulted in increased production and a reduction in product defects. The computer retailing division had a 7% increase in sales largely from higher value products. The computer distribution division benefited greatly from the final integration of the acquired Pinnacle Carrier Limited, which saw its existing administrative function better utilised.

The financial position of the consolidated entity is very strong with excellent liquidity and a large asset base, which is being fully utilised. With the predicted upturn in the economy and continued profitability of the consolidated entity, bank borrowings are expected to reduce significantly during the year ending 31 December 2018 from current cash on deposit and future earnings, without necessarily reducing dividend payments.

Principal risks and uncertainties

The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

Pinnacle FRS 102 Limited
Strategic report
31 December 2017

Competitive risks
The consolidated entity operates in a highly competitive market. Innovation is constant and superior products that may be released to the market places pricing pressures on our product and causes our product to be repositioned by the market. We manage this risk through maintaining product development teams that are highly experienced and remain abreast of latest technological advances and implications for our current and future products. We also continue to invest in our brand which continues to be well regarded within the United Kingdom.

Our strategy to expand our business customer base has led to four Business Centres now being open to provide full-range IT solutions to the SME business and government market segments. Greater sales leverage is achievable with business customers as multiple units and products are packaged. As individual consumer purchases increasingly move to online, we have sold our Ireland retail stores and redirected labour resources from retail stores to business centres.

Our online strategy has expanded our customer base and raised product awareness around the world. Sales can be generated without significant overhead and is this therefore a more attractive customer contact point when compared to costs association with retail store expansion. We will be looking to increase the range of products available online once we can secure adequate levels of supply.

Environmental risks
The consolidated entity is subject to significant environmental regulation in respect of its manufacturing activities. The relevant authorities are kept updated and, to the best of the directors' knowledge and belief, all responsibilities under the regulations have been discharged and there have been no breaches of any environmental regulation.

Operational risks
The computer industry is a fast moving industry and the rate of technological change is astronomical. The main risk for the consolidated entity, and therefore the focus of management, is stock management. During the financial year the stock module of the management information system was updated to provide 'real time' information on stock turn and the identification of slow moving stock. This allows management to make special offers to customers to clear the stock before it becomes completely obsolete.

Unless we can successfully achieve lower production costs, we remain exposed to competitors with cheaper comparable product. Our strategy to establish a Chinese production base is well established and will be implemented from next year. Lower labour costs overseas will assist us to manage production costs.

During the financial year, the acquisition of Pinnacle Carrier Limited significantly increased the size of the distribution division. With a significant order book at the time of acquisition, sales to external customers from this division are expected to materially increase in the next financial year. Due to contractual confidentiality in relation to this acquisition, further details in relation to future business cannot be provided. Continued integration of this business into the existing structures and servicing of existing customers of that business will be profitable for the distribution division going forward. Our quick-delivery strategy has led to the creation of a secondary distribution centre in Brussels to channel product into Europe.

Financial risks
The consolidated entity's activities expose it to a variety of financial risks. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Use of derivatives
The consolidated entity has entered into forward foreign exchange contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Exposure to price, credit, liquidity and cash flow risk
The consolidated entity is not exposed to any significant price risk.

Pinnacle FRS 102 Limited
Strategic report
31 December 2017

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The consolidated entity does not hold any collateral. The consolidated entity has a credit risk exposure with United Tech PLC (a major United Kingdom retailer), which as at 31 December 2017 owed the consolidated entity £10,680,000 (76% of trade receivables) (2016: £9,510,000 (74% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 31 December 2017. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly Cash at bank and in hand) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Likely future developments
There has been a squeeze on the margins of desktop and laptop computers and a strong demand for tablets and motion detection devices. Management plans to increase production of its high margin tablets and ramp up the research and development of its motion detection devices.

With the manufacturing facilities forecast to be at maximum capacity within the next 6 months, management are actively looking for new premises to house additional machines to increase capacity.

As the economic environment continues to improve and the new higher margin products being sold, management are confident that the prospects of the consolidated entity will continue to improve in the foreseeable future.

This report is made in accordance with a resolution of directors.

On behalf of the directors

Daniel Example Director	Elizabeth Example Director

28 April 2018

Pinnacle FRS 102 Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Pinnacle FRS 102 Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors
The following persons were directors of Pinnacle FRS 102 Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Example
Brad Example
Christina Example (resigned on 18 February 2016)
Daniel Example
Elizabeth Example

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Computer manufacturing
- Computer retailing
- Computer distribution

The computer distribution division was significantly enhanced during the year with the acquisition of Pinnacle Carrier Limited.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Final dividend for the year ended 31 December 2016 (2016: 31 December 2015) of 15 pence (2016: 8 pence) per ordinary share	22,037	11,744
Interim dividend for the year ended 31 December 2017 (2016: 31 December 2016) of 5 pence (2016: 4 pence) per ordinary share	7,346	5,872
	29,383	17,616

On [date] the directors declared a final dividend for the year ended 31 December 2017 of 17 pence per ordinary share to be paid on [date], a total estimated distribution of £24,975,000 based on the number of ordinary shares on issue as at [date].

Review of operations
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to £36,050,000 (31 December 2016: £24,399,000).

Information on the review of operations is disclosed in the strategic report.

Matters subsequent to the end of the financial year
Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely future developments
Information on likely future developments of the consolidated entity are disclosed in the strategic report.

Research and development
The current research and development focus is on motion detection devices, particularly the body motion device. Also on the horizon are the virtual keyboard and the eye-retina mouse, both of which can be deployed in a number of industries and for individuals with motion difficulties in their hands.

Pinnacle FRS 102 Limited
Directors' report
31 December 2017

Financial instruments
Information on the consolidated entity's financial instruments are disclosed in the strategic report.

Charitable and political donations
No charitable or political donations were made during the year.

Disabled employees
The consolidated entity gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the consolidated entity's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement
The consolidated entity operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the consolidated entity has been continued through the newsletter 'Pinnacle News' in which employees have also been encouraged to present their suggestions and views on the consolidated entity's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the consolidated entity's profit sharing schemes and are encouraged to invest in the consolidated entity through participation in share option schemes.

Indemnity of directors
The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the consolidated entity's auditor, each director has taken all the steps that they are obliged to take as a director in order to made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
The auditor Accounting Firm 123 continues in office.

This report is made in accordance with a resolution of directors.

On behalf of the directors

___________________________	___________________________
Daniel Example Director	Elizabeth Example Director

28 April 2018

Pinnacle FRS 102 Limited
Directors' responsibilities statement
31 December 2017

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the consolidated entity and the profit or loss of the consolidated entity for that year.

In preparing these financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the consolidated entity will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the consolidated entity's transactions and disclose with reasonable accuracy at any time the financial position of the consolidated entity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the consolidated entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pinnacle FRS 102 Limited
Contents
31 December 2017

General information

The financial statements cover Pinnacle FRS 102 Limited as a consolidated entity consisting of Pinnacle FRS 102 Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Pound sterling, which is Pinnacle FRS 102 Limited's functional and presentation currency.

Pinnacle FRS 102 Limited is a company limited by shares, incorporated and domiciled in United Kingdom. Its registered office and principal place of business are:

Registered office	Principal place of business
10th Floor Universal Administration Building 12 Highland Street London EC1	5th Floor Pinnacle Business Centre 247 Edward Street London EC1

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 April 2018. The directors have the power to amend and reissue the financial statements.

Pinnacle FRS 102 Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	Consolidated 2017 £'000	2016 £'000
Revenue from continuing operations	3	438,231	408,321
Other income	4	742	192
Expenses			
Changes in inventories		(3,379)	(706)
Raw materials and consumables used		(125,713)	(119,985)
Employee benefits expense	6	(219,253)	(213,689)
Depreciation and amortisation expense	5	(18,788)	(20,012)
Impairment of assets	5	(500)	-
Other expenses		(33,444)	(30,283)
Operating profit		37,896	23,838
Net rent from investment properties	8	3,554	3,248
Net fair value gain/(loss) on investment properties		(600)	1,500
Share of profits of associates accounted for using the equity method	9	3,211	2,661
Net finance costs	10	(1,182)	(2,920)
Profit before income tax expense from continuing operations		42,879	28,327
Income tax expense	11	(8,079)	(5,201)
Profit after income tax expense from continuing operations		34,800	23,126
Profit after income tax expense from discontinued operations	12	1,392	1,502
Profit after income tax expense for the year		36,192	24,628
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		-	1,600
Actuarial gain on defined benefit plans, net of tax		119	57
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		40	-
Cash flow hedges transferred to profit or loss, net of tax		-	(2)
Cash flow hedges transferred to stock in the balance sheet, net of tax		(3)	(7)
Net change in the fair value of cash flow hedges taken to equity, net of tax		(9)	(21)
Foreign currency translation		(257)	(218)
Derecognition of foreign currency reserve		769	-
Other comprehensive income for the year, net of tax		659	1,409
Total comprehensive income for the year		36,851	26,037
Profit for the year is attributable to:			
Non-controlling interest		142	229
Owners of Pinnacle FRS 102 Limited	37	36,050	24,399
		36,192	24,628

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

9

Pinnacle FRS 102 Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	Consolidated 2017 £'000	2016 £'000
Total comprehensive income for the year is attributable to:			
Continuing operations		142	389
Discontinued operations		-	-
Non-controlling interest		142	389
Continuing operations		35,571	24,334
Discontinued operations		1,138	1,314
Owners of Pinnacle FRS 102 Limited		36,709	25,648
		36,851	26,037

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pinnacle FRS 102 Limited
Balance sheet
As at 31 December 2017

	Note	Consolidated 2017 £'000	2016 £'000
Fixed assets			
Intangible assets	13	12,170	11,616
Tangible assets	14	126,812	134,014
Investments accounted for using the equity method	15	34,192	30,981
Available-for-sale financial assets	16	170	-
Investment properties	17	46,900	47,500
Deferred tax	18	6,411	5,890
Other	19	1,214	1,445
Total fixed assets		227,869	231,446
Current assets			
Stocks	20	38,692	43,048
Debtors - amounts falling due within one year	21	14,135	13,323
Financial assets at fair value through profit or loss	22	360	-
Other	23	3,152	2,788
Cash at bank and in hand	24	30,608	5,524
Total current assets		86,947	64,683
Current liabilities			
Creditors - amounts falling due within one year	25	18,876	17,339
Borrowings	26	6,114	4,610
Derivative financial instruments	27	122	107
Income tax	28	6,413	2,103
Provisions	29	11,578	10,980
Other	30	3,365	3,062
Total current liabilities		46,468	38,201
Net current assets		40,479	26,482
Total assets less current liabilities		268,348	257,928
Non-current liabilities			
Borrowings	31	24,801	22,404
Provisions	32	12,263	11,924
Total non-current liabilities		37,064	34,328
Net assets before defined benefit pension liability and deferred tax liability		231,284	223,600
Defined benefit pension liability	33	1,085	1,234
Deferred tax	34	2,227	2,137
Net assets		227,972	220,229
Equity			
Called up share capital	35	182,953	182,678
Reserves	36	4,623	4,083
Retained profits	37	22,968	16,182
Equity attributable to the owners of Pinnacle FRS 102 Limited		210,544	202,943
Non-controlling interest	38	17,428	17,286
Total equity		227,972	220,229

Daniel Example
Director

Elizabeth Example
Director

28 April 2018

The above balance sheet should be read in conjunction with the accompanying notes

11

Pinnacle FRS 102 Limited
Statement of changes in equity
For the year ended 31 December 2017

Consolidated	**Issued capital £'000**	**Reserves £'000**	**Retained profits £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Balance at 1 January 2016	104,922	2,946	8,639	16,897	133,404
Adjustment for change in accounting policy	-	(55)	703	-	648
Balance at 1 January 2016 - restated	104,922	2,891	9,342	16,897	134,052
Profit after income tax expense for the year	-	-	24,399	229	24,628
Other comprehensive income for the year, net of tax	-	1,192	57	160	1,409
Total comprehensive income for the year	-	1,192	24,456	389	26,037
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 35)	77,756	-	-	-	77,756
Dividends paid (note 39)	-	-	(17,616)	-	(17,616)
Balance at 31 December 2016	182,678	4,083	16,182	17,286	220,229

Consolidated	**Issued capital £'000**	**Reserves £'000**	**Retained profits £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Balance at 1 January 2017	182,678	4,083	16,182	17,286	220,229
Profit after income tax expense for the year	-	-	36,050	142	36,192
Other comprehensive income for the year, net of tax	-	540	119	-	659
Total comprehensive income for the year	-	540	36,169	142	36,851
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 35)	25	-	-	-	25
Share-based payments (note 53)	250	-	-	-	250
Dividends paid (note 39)	-	-	(29,383)	-	(29,383)
Balance at 31 December 2017	182,953	4,623	22,968	17,428	227,972

The above statement of changes in equity should be read in conjunction with the accompanying notes

Pinnacle FRS 102 Limited
Statement of cash flows
For the year ended 31 December 2017

	Note	Consolidated 2017 £'000	Consolidated 2016 £'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		507,999	474,832
Payments to suppliers and employees (inclusive of VAT)		(442,678)	(428,469)
		65,321	46,363
Interest received		1,084	540
Other revenue		3,964	3,358
Interest and other finance costs paid		(2,154)	(3,451)
Income taxes paid		(4,665)	(5,641)
Net cash from operating activities		63,550	41,169
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	48	(8,072)	(155)
Payments for investments		(510)	-
Payments for property, plant and equipment		(6,215)	(3,048)
Proceeds from sale of subsidiary		41	-
Proceeds from sale of investments		80	-
Proceeds from sale of property, plant and equipment		1,511	250
Proceeds from release of security deposits		155	-
Net cash used in investing activities		(13,010)	(2,953)
Cash flows from financing activities			
Proceeds from issue of shares		25	78,750
Proceeds from borrowings		12,000	-
Share issue transaction costs		-	(1,420)
Dividends paid	39	(29,383)	(17,616)
Repayment of borrowings		(6,837)	(95,601)
Net cash used in financing activities		(24,195)	(35,887)
Net increase in cash and cash equivalents		26,345	2,329
Cash and cash equivalents at the beginning of the financial year		4,251	1,914
Effects of exchange rate changes on cash and cash equivalents		12	8
Cash and cash equivalents at the end of the financial year	24	30,608	4,251

The above statement of cash flows should be read in conjunction with the accompanying notes

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These financial statements were prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The company has not taken advantage of any of the disclosure exemptions available to it.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of tangible assets and derivative financial instruments.

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

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pinnacle FRS 102 Limited ('company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. Pinnacle FRS 102 Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, balance sheet and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Pound sterling, which is Pinnacle FRS 102 Limited's functional and presentation currency.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Pound sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Pound sterling using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Pound sterling using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent
Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash at bank and in hand
Cash at bank and in hand includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the balance sheet.

Debtors
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Stocks
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased stock are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

17

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Investment properties
Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to tangible assets are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to tangible assets are used as deemed cost for the subsequent accounting. The existing carrying amount of tangible assets is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Note 1. Significant accounting policies (continued)

Tangible assets
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of tangible assets (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of tangible assets is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Creditors
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined benefit pension liability
All employees of the consolidated entity are entitled to benefits from the consolidated entity's pension plan on retirement, disability or death. The consolidated entity has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit pension plans is recognised in the balance sheet, and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the pension fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, in the period in which they occur, in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension fund are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Called up share capital
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Value-Added Tax ('VAT') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand pounds, or in certain cases, the nearest pound.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

IFRS 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of IFRS 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

IFRS 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the balance sheet, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of stocks
The provision for impairment of stocks assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of stocks and other factors that affect stock obsolescence.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its tangible assets and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the balance sheet by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision
In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Revenue

	Consolidated	
	2017	**2016**
	£'000	**£'000**
From continuing operations		
Turnover		
Sale of goods	434,782	404,699
Rendering of services	3,378	3,574
	438,160	408,273
Other revenue		
Other revenue	71	48
Revenue from continuing operations	438,231	408,321

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 3. Revenue (continued)

Analysis of turnover by geography

	Consolidated	
	2017	**2016**
	£'000	**£'000**
United Kingdom	270,487	255,968
Europe	102,959	94,458
North America	42,912	38,315
Asia Pacific	16,539	15,314
Rest of the World	5,263	4,218
	438,160	408,273

Note 4. Other income

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Net fair value gain on other financial assets	50	-
Net gain on disposal of property, plant and equipment	422	192
Insurance recoveries	270	-
Other income	742	192

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 5. Expenses

	Consolidated 2017 £'000	Consolidated 2016 £'000
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	284,451	277,984
Depreciation		
Leasehold improvements	5,000	5,405
Plant and equipment	12,167	13,379
Plant and equipment under lease	1,017	853
Total depreciation	18,184	19,637
Amortisation		
Development	321	321
Patents and trademarks	32	32
Customer contracts	229	-
Software	22	22
Total amortisation	604	375
Total depreciation and amortisation	18,788	20,012
Impairment		
Goodwill	500	-
Net foreign exchange loss		
Net foreign exchange loss	13	6
Cash flow hedge ineffectiveness		
Cash flow hedge ineffectiveness	4	2
Rental expense relating to operating leases		
Minimum lease payments	36,798	34,874
Research costs		
Research costs	124	107
Write off of assets		
Stocks	538	112

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 6. Average number of employees and employee benefits expense

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

	Consolidated 2017	Consolidated 2016
Manufacturing	1,064	1,018
Retailing	1,408	1,417
Distribution	52	28
Administration	50	48
Average number of employees	2,574	2,511

The employee benefits expense during the year was as follows:

	Consolidated 2017 £'000	Consolidated 2016 £'000
Wages and salaries	192,724	188,289
Social security costs	19,253	18,867
Other pension costs	14,942	14,568
Share-based payments	250	-
Total employee benefits expense	227,169	221,724

Note 7. Directors' remuneration

Details of directors' remuneration is set out below:

	Consolidated 2017	Consolidated 2016
Number of directors who exercised share options	2	1
Number of directors who received shares under long-term incentive schemes in respect of qualifying services	2	2
Number of directors accruing benefits under pension schemes in respect of qualifying services	3	3
Number of directors accruing benefits under money purchase schemes in respect of qualifying services	1	1

	Consolidated 2017 £'000	Consolidated 2016 £'000
Aggregate remuneration in respect of qualifying services	1,149	892
Aggregate gains made by directors on the exercise of share options	61	32
Aggregate amounts received or receivable under long-term incentive schemes in respect of qualifying services	185	76
Aggregate amounts of contributions to pension schemes in respect of qualifying services	65	61
Aggregate amounts of contributions to money purchase schemes in respect of qualifying services	50	42
Highest paid director - aggregate remuneration	641	491
Highest paid director - accrued pension at the end of the year	43	39
Highest paid director - accrued lump sum at the end of the year	195	152

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 8. Net rent from investment properties

	Consolidated 2017 £'000	Consolidated 2016 £'000
Rent from investment properties	3,623	3,310
Direct operating expenses from property that generated rental income	(61)	(59)
Direct operating expenses from property that did not generate rental income	(8)	(3)
Net rent from investment properties	3,554	3,248

Note 9. Share of profits of associates accounted for using the equity method

	Consolidated 2017 £'000	Consolidated 2016 £'000
Share of profit - associates	3,211	2,661

Note 10. Net finance costs

	Consolidated 2017 £'000	Consolidated 2016 £'000
Interest received	(1,057)	(531)
Interest and finance charges paid/payable	2,154	3,389
Unwinding of the discount on provisions	85	62
Net finance costs	1,182	2,920

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 11. Income tax expense

	Consolidated 2017 £'000	Consolidated 2016 £'000
Income tax expense		
Current tax	9,073	5,410
Deferred tax - origination and reversal of temporary differences	(418)	166
Adjustment recognised for prior periods	(69)	-
Aggregate income tax expense	8,586	5,576
Income tax expense is attributable to:		
Profit from continuing operations	8,079	5,201
Profit from discontinued operations	507	375
Aggregate income tax expense	8,586	5,576
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 18)	(248)	(142)
Increase/(decrease) in deferred tax liabilities (note 34)	(170)	308
Deferred tax - origination and reversal of temporary differences	(418)	166
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	42,879	28,327
Profit before income tax expense from discontinued operations	1,899	1,877
	44,778	30,204
Tax at the statutory tax rate of 20%	8,956	6,041
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	21	27
Impairment of goodwill	100	-
Share-based payments	50	-
Share of profits - associates	(642)	(532)
Loss on disposal of subsidiary	127	-
Sundry items	43	40
	8,655	5,576
Adjustment recognised for prior periods	(69)	-
Income tax expense	8,586	5,576

	Consolidated 2017 £'000	Consolidated 2016 £'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 18)	26	(277)
Deferred tax liabilities (note 34)	10	400
	36	123

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 12. Discontinued operations

Description
On [date] the consolidated entity sold Pinnacle Sales Limited (incorporated in Ireland), a subsidiary of Pinnacle FRS 102 Limited, for consideration of £270,000 resulting in a loss on disposal before income tax of £637,000. Whilst Pinnacle Sales Limited was sufficiently profitable up to the date of sale, future losses were projected due to new retail regulations being introduced into Ireland. Also, its geographical isolation meant that it was difficult to incorporate into the consolidated entity's long term strategy and the directors decided to dispose of it.

Financial performance information

	Consolidated	
	2017 £'000	2016 £'000
Sale of goods	24,621	23,487
Interest received	30	12
Total revenue	24,651	23,499
Changes in inventories	(144)	(76)
Raw materials and consumables used	(11,365)	(11,133)
Employee benefits expense	(7,916)	(8,035)
Depreciation and amortisation expense	(313)	(351)
Other expenses	(2,377)	(2,027)
Total expenses	(22,115)	(21,622)
Profit before income tax expense	2,536	1,877
Income tax expense	(507)	(375)
Profit after income tax expense	2,029	1,502
Loss on disposal before income tax	(637)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(637)	-
Profit after income tax expense from discontinued operations	1,392	1,502

Cash flow information

	Consolidated	
	2017 £'000	2016 £'000
Net cash from operating activities	1,847	1,642
Net cash used in investing activities	(1,836)	(1,604)
Net increase in cash and cash equivalents from discontinued operations	11	38

33

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 12. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 2017 £'000	Consolidated 2016 £'000
Cash at bank and in hand	189	-
Debtors	387	-
Stocks	833	-
Other current assets	28	-
Tangible assets	441	-
Other fixed assets	46	-
Total assets	1,924	-
Creditors	1,150	-
Provisions	676	-
Total liabilities	1,826	-
Net assets	98	-

Details of the disposal

	Consolidated 2017 £'000	Consolidated 2016 £'000
Total sale consideration	270	-
Carrying amount of net assets disposed	(98)	-
Derecognition of foreign currency reserve	(769)	-
Disposal costs	(40)	-
Loss on disposal before income tax	(637)	-
Loss on disposal after income tax	(637)	-

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 13. Fixed assets - intangible assets

	Consolidated 2017 £'000	Consolidated 2016 £'000
Goodwill	9,908	9,500
Less: Impairment	(500)	-
	9,408	9,500
Development - at cost	3,208	3,208
Less: Accumulated amortisation	(1,605)	(1,284)
	1,603	1,924
Patents and trademarks - at cost	320	320
Less: Accumulated amortisation	(224)	(192)
	96	128
Customer contracts - at cost	1,250	-
Less: Accumulated amortisation	(229)	-
	1,021	-
Software - at cost	108	108
Less: Accumulated amortisation	(66)	(44)
	42	64
	12,170	11,616

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill £'000	Development £'000	Patents and trademarks £'000	Customer contracts £'000	Software £'000	Total £'000
Balance at 1 January 2016	9,500	2,245	160	-	86	11,991
Amortisation expense	-	(321)	(32)	-	(22)	(375)
Balance at 31 December 2016	9,500	1,924	128	-	64	11,616
Additions through business combinations (note 48)	408	-	-	1,250	-	1,658
Impairment of assets	(500)	-	-	-	-	(500)
Amortisation expense	-	(321)	(32)	(229)	(22)	(604)
Balance at 31 December 2017	9,408	1,603	96	1,021	42	12,170

Impairment testing
Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated 2017 £'000	Consolidated 2016 £'000
Computer retailing	8,700	9,200
Computer distribution	708	300
	9,408	9,500

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 13. Fixed assets - intangible assets (continued)

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the computer retailing division:
(a) 18% (2016: 18%) pre-tax discount rate;
(b) 2% (2016: 5%) per annum projected revenue growth rate;
(c) 5% (2016: 8%) per annum increase in operating costs and overheads.

The discount rate of 18% pre-tax reflects management’s estimate of the time value of money and the consolidated entity’s weighted average cost of capital adjusted for the computer retailing division, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 2% revenue growth rate is prudent and justified, based on the general slowing in the market.

Compared to prior years, management have reduced their estimation of the increase in operating costs and overheads, due to the lower inflation rate and also an effort by the consolidated entity to contain costs.

There were no other key assumptions for the computer retailing division.

Based on the above, an impairment charge of £500,000 has been applied as the carrying amount of goodwill exceeded its recoverable amount for the computer retailing division.

The following key assumptions were used in the discounted cash flow model for the computer distribution division:
(a) 17% (2016: 18%) pre-tax discount rate;
(b) 5% (2016: 5%) per annum projected revenue growth rate.

The discount rate of 17% pre-tax reflects management’s estimate of the time value of money and the consolidated entity’s weighted average cost of capital adjusted for the computer distribution division, the risk free rate and the volatility of the share price relative to market movements.

Management have estimated a 5% growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

There were no other key assumptions for the computer distribution division.

Based on the above, the recoverable amount of the computer distribution division exceeded the carrying amount by £1,250,000.

Sensitivity
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:
(a) Revenue would need to decrease by more than 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.
(b) The discount rate would be required to increase by 1% for the computer distribution division before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of computer distribution division's goodwill is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the computer retailing division's goodwill.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 14. Fixed assets - tangible assets

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Land and buildings - at independent valuation	58,500	58,500
Leasehold improvements - at cost	32,260	27,185
Less: Accumulated depreciation	(17,473)	(13,120)
	14,787	14,065
Plant and equipment - at cost	105,512	100,362
Less: Accumulated depreciation	(56,101)	(44,044)
	49,411	56,318
Plant and equipment under lease	6,184	6,184
Less: Accumulated depreciation	(2,070)	(1,053)
	4,114	5,131
	126,812	134,014

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings £'000	Leasehold improvements £'000	Plant and equipment £'000	Plant under lease £'000	Total £'000
Balance at 1 January 2016	56,500	17,478	69,050	3,650	146,678
Additions	-	2,308	740	2,334	5,382
Disposals	-	-	(58)	-	(58)
Revaluation increments	2,000	-	-	-	2,000
Depreciation expense	-	(5,721)	(13,414)	(853)	(19,988)
Balance at 31 December 2016	58,500	14,065	56,318	5,131	134,014
Additions	-	6,400	365	-	6,765
Additions through business combinations (note 48)	-	-	6,060	-	6,060
Disposals	-	(396)	(1,134)	-	(1,530)
Depreciation expense	-	(5,282)	(12,198)	(1,017)	(18,497)
Balance at 31 December 2017	58,500	14,787	49,411	4,114	126,812

Valuations of land and buildings
The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The land and buildings were last revalued on 31 December 2016 based on independent assessments by a member of the Royal Institution of Chartered Surveyors. The directors do not believe that there has been a material movement in fair value since the revaluation date.

Refer to note 41 for further information on fair value measurement.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 14. Fixed assets - tangible assets (continued)

Land and buildings stated under the historical cost convention
If land and buildings were stated under the historical cost convention, the amounts would be as follows:

	Consolidated	
	2017	2016
	£'000	£'000
Land and buildings - at cost	52,000	52,000
Less: Accumulated depreciation	(1,059)	(1,007)
	50,941	50,993

Tangible assets secured under finance leases
Refer to note 46 for further information on tangible assets secured under finance leases.

Note 15. Fixed assets - investments accounted for using the equity method

	Consolidated	
	2017	2016
	£'000	£'000
Investment in associate	34,192	30,981

Refer to note 50 for further information on interests in associates.

Note 16. Fixed assets - available-for-sale financial assets

	Consolidated	
	2017	2016
	£'000	£'000
Unlisted ordinary shares	170	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	200	-
Disposals	(80)	-
Revaluation increments	50	-
Closing fair value	170	-

Refer to note 41 for further information on fair value measurement.

38

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 17. Fixed assets - investment properties

	Consolidated 2017 £'000	Consolidated 2016 £'000
Investment properties - at independent valuation	46,900	47,500

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2017 £'000	2016 £'000
Opening fair value	47,500	46,000
Revaluation increments	-	1,500
Revaluation decrements	(600)	-
Closing fair value	46,900	47,500

Valuations of investment properties
The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. The investment properties are revalued annually based on independent assessments by a member of the Royal Institution of Chartered Surveyors.

Refer to note 41 for further information on fair value measurement.

Lessor commitments

	Consolidated 2017 £'000	Consolidated 2016 £'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	3,580	3,442
One to five years	15,810	15,202
More than five years	4,356	8,544
	23,746	27,188

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 18. Fixed assets - deferred tax

	Consolidated 2017 £'000	2016 £'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tangible assets	274	-
Employee benefits	3,781	3,799
Defined benefit pension liability	217	247
Finance leases	137	191
Provision for legal claims	12	-
Provision for lease make good	335	214
Provision for warranties	641	567
Accrued expenses	650	415
Revenue received in advance	159	199
	6,206	5,632
Amounts recognised in equity:		
Transaction costs on share issue	180	237
Derivative financial instruments	25	21
	205	258
Deferred tax asset	6,411	5,890
Movements:		
Opening balance	5,890	5,471
Credited to profit or loss (note 11)	248	142
Credited/(charged) to equity (note 11)	(26)	277
Additions through business combinations (note 48)	299	-
Closing balance	6,411	5,890

Note 19. Fixed assets - other

	Consolidated 2017 £'000	2016 £'000
Security deposits	1,214	1,445

Note 20. Current assets - stocks

	Consolidated 2017 £'000	2016 £'000
Raw materials	6,817	6,081
Work in progress	16,040	17,434
Finished goods	15,631	19,346
Stock in transit	204	187
	38,692	43,048

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 21. Current assets - debtors - amounts falling due within one year

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Trade receivables	13,998	13,181
Less: Provision for impairment of receivables	(75)	(50)
	13,923	13,131
Other receivables	205	188
Interest receivable	7	4
	14,135	13,323

Impairment of receivables
The consolidated entity has recognised a loss of £327,000 (2016: £217,000) in profit or loss in respect of impairment of receivables for the year ended 31 December 2017.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
0 to 3 months overdue	24	13
3 to 6 months overdue	19	14
Over 6 months overdue	32	23
	75	50

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Opening balance	50	50
Additional provisions recognised	327	217
Receivables written off during the year as uncollectable	(286)	(209)
Unused amounts reversed	(16)	(8)
Closing balance	75	50

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to £192,000 as at 31 December 2017 (£158,000 as at 31 December 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 21. Current assets - debtors - amounts falling due within one year (continued)

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2017 £'000	2016 £'000
0 to 3 months overdue	73	97
3 to 6 months overdue	114	54
Over 6 months overdue	5	7
	192	158

Note 22. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	2017 £'000	2016 £'000
Listed ordinary shares - designated at fair value through profit or loss	82	-
Listed ordinary shares - held for trading	278	-
	360	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	310	-
Revaluation increments	50	-
Closing fair value	360	-

Refer to note 41 for further information on fair value measurement.

Note 23. Current assets - other

	Consolidated	
	2017 £'000	2016 £'000
Accrued revenue	2,005	1,850
Prepayments	984	756
Deferred expenses	103	147
Security deposits	60	35
	3,152	2,788

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 24. Current assets - cash at bank and in hand

	Consolidated 2017 £'000	2016 £'000
Cash on hand	104	107
Cash at bank	18,604	5,017
Cash on deposit	11,900	400
	30,608	5,524

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	30,608	5,524
Bank overdraft (note 26)	-	(1,273)
Balance as per statement of cash flows	30,608	4,251

Note 25. Current liabilities - creditors - amounts falling due within one year

	Consolidated 2017 £'000	2016 £'000
Trade payables	16,993	15,711
Other payables	1,883	1,628
	18,876	17,339

Refer to note 40 for further information on financial instruments.

Note 26. Current liabilities - borrowings

	Consolidated 2017 £'000	2016 £'000
Bank overdraft	-	1,273
Bank loans	4,500	2,000
Lease liability	1,614	1,337
	6,114	4,610

Refer to note 31 for further information on assets pledged as security and financing arrangements.

Refer to note 40 for further information on financial instruments.

43

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 27. Current liabilities - derivative financial instruments

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Forward foreign exchange contracts - cash flow hedges	122	107

Refer to note 40 for further information on financial instruments.

Refer to note 41 for further information on fair value measurement.

Note 28. Current liabilities - income tax

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Provision for income tax	6,413	2,103

Note 29. Current liabilities - provisions

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Employee benefits	8,084	8,143
Lease make good	230	-
Legal claims	60	-
Warranties	3,204	2,837
	11,578	10,980

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Legal claims
The provision represents a claim by a customer of the computer retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice.

Warranties
The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 29. Current liabilities - provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2017	Lease make good £'000	Legal claims £'000	Warranties £'000
Carrying amount at the start of the year	-	-	2,837
Additional provisions recognised	-	60	503
Amounts transferred from non-current	230	-	-
Amounts used	-	-	(91)
Unused amounts reversed	-	-	(45)
Carrying amount at the end of the year	230	60	3,204

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2017 £'000	**2016 £'000**
Employee benefits obligation expected to be settled after 12 months	1,603	1,292

Note 30. Current liabilities - other

	Consolidated	
	2017 £'000	**2016 £'000**
Accrued expenses	2,572	2,065
Revenue received in advance	793	997
	3,365	3,062

Note 31. Non-current liabilities - borrowings

	Consolidated	
	2017 £'000	**2016 £'000**
Bank loans	20,000	16,000
Convertible notes payable	2,978	2,967
Lease liability	1,823	3,437
	24,801	22,404

Refer to note 40 for further information on financial instruments.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 31. Non-current liabilities - borrowings (continued)

On [date] the consolidated entity issued 30,000 7.5% convertible notes, with a face value of £100 each, for total proceeds of £3,000,000. Interest is paid quarterly in arrears at a rate of 7.5% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on [date]. The conversion rate is 45 ordinary shares for each note held, which is based on the market price per share at the date of the issue of the notes (£2.21), but subject to adjustments for reconstructions of equity.

Total transactions costs were £55,000 at the date of issue and unamortised transaction costs of £22,000 (2016: £33,000) have been offset against the convertible notes payable liability.

The convertible notes are unsecured.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Bank overdraft	-	1,273
Bank loans	24,500	18,000
Lease liability	3,437	4,774
	27,937	24,047

Assets pledged as security
The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the balance sheet, revert to the lessor in the event of default.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Total facilities		
Bank overdraft	5,000	5,000
Bank loans	40,000	25,000
	45,000	30,000
Used at the reporting date		
Bank overdraft	-	1,273
Bank loans	24,500	18,000
	24,500	19,273
Unused at the reporting date		
Bank overdraft	5,000	3,727
Bank loans	15,500	7,000
	20,500	10,727

46

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 32. Non-current liabilities - provisions

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Employee benefits	10,818	10,854
Lease make good	1,445	1,070
	12,263	11,924

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2017	Lease make good £'000
Carrying amount at the start of the year	1,040
Additional provisions recognised	550
Amounts transferred to current	(230)
Unwinding of discount	85
Carrying amount at the end of the year	1,445

Note 33. Non-current liabilities - defined benefit pension liability

Pension plan
All employees of the consolidated entity are entitled to benefits from the consolidated entity's pension plan on retirement, disability or death. The consolidated entity has one plan with a defined benefit section and a defined contribution section. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from entities in the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 5.

Balance sheet amounts
The amounts recognised in the balance sheet are determined as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Present value of the defined benefit obligation	60,622	53,358
Fair value of defined benefit plan assets	(59,537)	(52,124)
Net liability in the balance sheet	1,085	1,234

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 33. Non-current liabilities - defined benefit pension liability (continued)

Categories of plan assets
The major categories of plan assets are as follows:

	Consolidated	
	2017	2016
	£'000	£'000
Cash at bank and in hand	9,022	6,784
Equity instruments	16,085	13,897
Debt instruments	9,470	10,138
Property	24,742	21,079
Other assets	218	226
	59,537	52,124

Reconciliations

	Consolidated	
	2017	2016
	£'000	£'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	53,358	46,476
Current service cost	5,132	5,057
Interest cost	3,027	2,702
Actuarial gains	(404)	(420)
Benefits paid	(491)	(457)
Balance at the end of the year	60,622	53,358
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	52,124	45,170
Return on plan assets	3,753	3,162
Actuarial losses	(255)	(348)
Contributions by entities in the consolidated entity	4,406	4,597
Benefits paid	(491)	(457)
Balance at the end of the year	59,537	52,124

Amounts recognised in the statement of profit or loss and other comprehensive income
The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	Consolidated	
	2017	2016
	£'000	£'000
Current service cost	5,132	5,057
Interest cost	3,027	2,702
Past service cost	(3,753)	(3,182)
Total amount recognised in profit or loss	4,406	4,577
Actuarial gains	149	72
Total amount recognised in other comprehensive income	149	72

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 33. Non-current liabilities - defined benefit pension liability (continued)

Significant actuarial assumptions
The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated	
	2017	**2016**
	%	**%**
Discount rate	5.7%	5.9%
Return on plan assets	7.2%	7.0%
Future salary increases	4.0%	4.0%

The retirement benefit obligation would increase/decrease by £100,000 if one of the following variables changed with all other assumptions remaining constant: the discount rate changed by 3.7%; return on plan assets changed by 0.2%; or future salary increases changed by 2.3%.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

Risk exposure
The plan is exposed to a variety of risks including foreign currency risk on its overseas investments, interest rate risk on its cash and debt instruments and price risk on its equity instruments. Its diversified portfolio does mitigate any one particular risk, including concentration risks.

The plan has an asset-liability matching strategy to manage risk. Its target is to maintain equity instruments of 25% and property of 40% of plan assets. Sufficient cash reserves are maintained to ensure liquidity, including having the ability to pay benefits and have the flexibility to invest in opportunities as they arise.

Employer contributions
Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary and the current agreed contribution rate is 12% of salaries. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 31 December 2016.

The weighted average duration of the defined benefit obligation is 5 years (2016: 6 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Within one year	219	219
One to five years	866	876
More than five years	-	139
	1,085	1,234

The consolidated entity has no legal obligation to settle the defined benefit liability with an immediate contribution or additional one-off contributions.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 34. Non-current liabilities - deferred tax

	Consolidated 2017 £'000	Consolidated 2016 £'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Financial assets at fair value through profit or loss	10	-
Prepayments	202	152
Development costs	321	385
Customer contracts	204	-
Net fair value gain on investment properties	180	300
	917	837
Amounts recognised in equity:		
Revaluation of tangible assets	1,300	1,300
Revaluation of available-for-sale financial assets	10	-
	1,310	1,300
Deferred tax liability	2,227	2,137
Movements:		
Opening balance	2,137	1,429
Charged/(credited) to profit or loss (note 11)	(170)	308
Charged to equity (note 11)	10	400
Additions through business combinations (note 48)	250	-
Closing balance	2,227	2,137

Note 35. Equity - called up share capital

	Consolidated 2017 Shares	2016 Shares	2017 £'000	2016 £'000
Ordinary shares - fully paid	146,910,000	146,800,000	182,953	182,678

Movements in ordinary share capital

Details	Date	No of shares	Issue price	£'000
Balance	1 January 2016	111,800,000		104,922
Issue of shares	[date]	35,000,000	£2.25	78,750
Share issue transaction costs, net of tax	[date]	-	£0.00	(994)
Balance	31 December 2016	146,800,000		182,678
Issue of shares on the exercise of options	[date]	10,000	£2.50	25
Issue of shares to key management personnel	[date]	100,000	£2.50	250
Balance	31 December 2017	146,910,000		182,953

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 35. Equity - called up share capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the balance sheet, plus net debt. Net debt is calculated as total borrowings less cash at bank and in hand.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 December 2016 Annual Report.

Note 36. Equity - reserves

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Revaluation surplus reserve	4,680	4,680
Available-for-sale reserve	40	-
Foreign currency reserve	-	(512)
Hedging reserve - cash flow hedges	(97)	(85)
	4,623	4,083

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Pound sterling. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 36. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Revaluation surplus £'000	Available-for-sale £'000	Foreign currency £'000	Hedging £'000	Total £'000
Balance at 1 January 2016	3,240	-	(294)	(55)	2,891
Revaluation - gross	1,800	-	-	(38)	1,762
Deferred tax	(360)	-	-	8	(352)
Foreign currency translation	-	-	(218)	-	(218)
Balance at 31 December 2016	4,680	-	(512)	(85)	4,083
Revaluation - gross	-	50	-	(15)	35
Deferred tax	-	(10)	-	3	(7)
Foreign currency translation	-	-	(257)	-	(257)
Derecognition of reserve	-	-	769	-	769
Balance at 31 December 2017	4,680	40	-	(97)	4,623

Note 37. Equity - retained profits

	Consolidated 2017 £'000	Consolidated 2016 £'000
Retained profits at the beginning of the financial year	16,182	9,342
Profit after income tax expense for the year	36,050	24,399
Dividends paid (note 39)	(29,383)	(17,616)
Actuarial gain on defined benefit plans, net of tax	119	57
Retained profits at the end of the financial year	22,968	16,182

Note 38. Equity - non-controlling interest

	Consolidated 2017 £'000	Consolidated 2016 £'000
Issued capital	16,000	16,000
Reserves	520	520
Retained profits	908	766
	17,428	17,286

The non-controlling interest has a 10% (2016: 10%) equity holding in Pinnacle Manufacturing Limited.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 39. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Final dividend for the year ended 31 December 2016 (2016: 31 December 2015) of 15 pence (2016: 8 pence) per ordinary share	22,037	11,744
Interim dividend for the year ended 31 December 2017 (2016: 31 December 2016) of 5 pence (2016: 4 pence) per ordinary share	7,346	5,872
	29,383	17,616

On [date] the directors declared a final dividend for the year ended 31 December 2017 of 17 pence per ordinary share to be paid on [date], a total estimated distribution of £24,975,000 based on the number of ordinary shares on issue as at [date].

Note 40. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 80% of anticipated foreign currency transactions for the subsequent 4 months.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 40. Financial instruments (continued)

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Pound sterling		Average exchange rates	
	2017	2016	2017	2016
	£'000	£'000		
Buy US dollars				
Maturity:				
0 - 3 months	121	89	1.2724	1.4751
3 - 6 months	34	23	1.2963	1.4558
Buy Euros				
Maturity:				
0 - 3 months	274	207	1.1407	1.3858
3 - 6 months	86	49	1.1521	1.3644
Buy Chinese yuan				
Maturity:				
0 - 3 months	182	163	8.5273	9.8685
3 - 6 months	107	71	8.7448	9.8489

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
Consolidated	£'000	£'000	£'000	£'000
US dollars	35	18	64	69
Euros	7	21	82	74
Chinese yuan	45	32	61	52
	87	71	207	195

The consolidated entity had net liabilities denominated in foreign currencies of £120,000 (assets of £87,000 less liabilities of £207,000) as at 31 December 2017 (2016: £124,000 (assets of £71,000 less liabilities of £195,000)). Based on this exposure, had the Pound sterling weakened by 10%/strengthened by 5% (2016: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been £12,000 lower/£6,000 higher (2016: £6,000 lower/£6,000 higher) and equity would have been £8,000 lower/£4,000 higher (2016: £4,000 lower/£4,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management’s assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 31 December 2017 was £13,000 (2016: loss of £6,000).

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk. The policy is to maintain approximately 60% of borrowings at fixed rates using interest rate swaps to achieve this when necessary.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 40. Financial instruments (continued)

The consolidated entity's bank loans outstanding, totalling £24,500,000 (2016: £18,000,000), are principal and interest payment loans. Monthly cash outlays of approximately £170,000 (2016: £120,000) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2016: 100) basis points would have an adverse/favourable effect on profit before tax of £245,000 (2016: £180,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of £8,500,000 (2016: £2,000,000) are due during the year ending 31 December 2018 (2016: 31 December 2017).

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has a credit risk exposure with United Tech PLC (a major United Kingdom retailer), which as at 31 December 2017 owed the consolidated entity £10,680,000 (76% of trade receivables) (2016: £9,510,000 (74% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 31 December 2017. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash at bank and in hand) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2017	2016
	£'000	£'000
Bank overdraft	5,000	3,727
Bank loans	15,500	7,000
	20,500	10,727

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 3 years (2016: 4 years).

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 40. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet.

Consolidated - 2017	Weighted average interest rate %	1 year or less £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Remaining contractual maturities £'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	16,993	-	-	-	16,993
Other payables	-	1,883	-	-	-	1,883
Interest-bearing - fixed rate						
Bank loans	8.20%	10,161	9,464	7,808	-	27,433
Convertible notes payable	7.50%	225	3,004	-	-	3,229
Lease liability	8.65%	1,841	1,902	-	-	3,743
Total non-derivatives		31,103	14,370	7,808	-	53,281
Derivatives						
Forward foreign exchange contracts net settled	-	122	-	-	-	122
Total derivatives		122	-	-	-	122

Consolidated - 2016	Weighted average interest rate %	1 year or less £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Remaining contractual maturities £'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	15,711	-	-	-	15,711
Other payables	-	1,628	-	-	-	1,628
Interest-bearing - variable						
Bank overdraft	12.80%	1,355	-	-	-	1,355
Interest-bearing - fixed rate						
Bank loans	8.20%	3,394	9,464	7,972	-	20,830
Convertible notes payable	7.50%	225	225	3,004	-	3,454
Lease liability	8.65%	1,692	1,841	1,902	-	5,435
Total non-derivatives		24,005	11,530	12,878	-	48,413
Derivatives						
Forward foreign exchange contracts net settled	-	107	-	-	-	107
Total derivatives		107	-	-	-	107

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 41. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Ordinary shares at fair value through profit or loss	360	-	-	360
Ordinary shares available-for-sale	-	-	170	170
Investment properties	-	-	46,900	46,900
Land and buildings	-	-	58,500	58,500
Total assets	360	-	105,570	105,930
Liabilities				
Forward foreign exchange contracts	-	122	-	122
Total liabilities	-	122	-	122

Consolidated - 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Investment properties	-	-	47,500	47,500
Land and buildings	-	-	58,500	58,500
Total assets	-	-	106,000	106,000
Liabilities				
Forward foreign exchange contracts	-	107	-	107
Total liabilities	-	107	-	107

There were no transfers between levels during the financial year.

The carrying amounts of debtors and creditors are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Unquoted investments have been valued using a discounted cash flow model.

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on [DATE] based on independent assessments by a member of the [NAME] having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 41. Fair value measurement (continued)

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Available-for-sale £'000	Investment properties £'000	Land and buildings £'000	Total £'000
Balance at 1 January 2016	-	46,000	56,500	102,500
Gains recognised in profit or loss	-	1,500	-	1,500
Gains recognised in other comprehensive income	-	-	2,000	2,000
Balance at 31 December 2016	-	47,500	58,500	106,000
Losses recognised in profit or loss	-	(600)	-	(600)
Gains recognised in other comprehensive income	50	-	-	50
Additions	200	-	-	200
Disposals	(80)	-	-	(80)
Balance at 31 December 2017	170	46,900	58,500	105,570

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Available-for sale	Growth rate	2.5% to 3.5% (3.0%)	0.25% change would increase/decrease fair value by £5,000
	Discount rate	8.0% to 11.0% (9.5%)	1.00% change would increase/decrease fair value by £14,000
Investment properties	Rental yield	7.5% to 9.0% (8.5%)	0.75% change would increase/decrease fair value by £352,000
	Rental growth	1.25% to 2.0% (1.75%)	0.25% change would increase/decrease fair value by £117,000
	Long-term vacancy rate	5.0% to 9.0% (7.5%)	0.75% change would increase/decrease fair value by £276,000
	Discount rate	4.0% to 6.0% (5.25%)	0.5% change would increase/decrease fair value by £57,000
Land and buildings	Rental yield	6.0% to 8.0% (7.5%)	0.75% change would increase/decrease fair value by £440,000
	Discount rate	5.0% to 7.0% (6.25%)	0.5% change would increase/decrease fair value by £61,000

Note 42. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017 £'000	**2016 £'000**
Aggregate compensation	2,011	1,643

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 43. Auditor remuneration

During the financial year the following fees were paid or payable for services provided by Accounting Firm 123, the auditor of the company, and its associates:

	Consolidated	
	2017 £'000	2016 £'000
Audit services		
Audit of the financial statements	243	230
Other services		
Preparation of the tax return	13	12
	256	242

Note 44. Contingent assets

Pinnacle Manufacturing Limited, a subsidiary, will be paid a success premium of up to £3,000,000 by Compdesign Partnership, in which it holds a 35% interest, if the rights to a computer manufacturing process are sold to a Korean based company. The likelihood of this proceeding is highly probable. No asset has been recognised within these financial statements.

Pinnacle Manufacturing Limited, a subsidiary, has an outstanding insurance claim with respect to stock that was damaged in the London floods that occurred during the financial year. An assessment is currently being undertaken by the insurer as to whether it was the cause of a flood or rising waters, which will affect the payout. Because the insurance proceeds are not virtually certain, no asset has been recognised within these financial statements. The stock of approximately £400,000 has been written off during the current financial year.

Note 45. Contingent liabilities

During the financial year there was a work related accident involving a member of staff. Although the investigation is still in progress, the directors are of the opinion, based on independent legal advice, that the consolidated entity will not be found to be at fault and any compensation will be covered by the consolidated entity's insurance policy. Accordingly, no provision has been provided within these financial statements.

The consolidated entity has given bank guarantees as at 31 December 2017 of £3,105,000 (2016: £2,844,000) to various landlords.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 46. Commitments

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Investment properties	170	170
Tangible assets	1,165	1,145
Intangible assets	160	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	38,103	35,162
One to five years	168,275	155,287
More than five years	269,683	314,258
	476,061	504,707
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,841	1,692
One to five years	1,902	3,743
Total commitment	3,743	5,435
Less: Future finance charges	(306)	(661)
Net commitment recognised as liabilities	3,437	4,774
Representing:		
Lease liability - current (note 26)	1,614	1,337
Lease liability - non-current (note 31)	1,823	3,437
	3,437	4,774

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of £4,114,000 (2016: £5,131,000) secured under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 47. Related party transactions

Parent entity
Pinnacle FRS 102 Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 49.

Associates
Interests in associates are set out in note 50.

Key management personnel
Disclosures relating to key management personnel are set out in note 42.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 47. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Payment for goods and services:		
Payment for services from associate	3,397	3,235
Payment for marketing services from BE Promotions Limited (director-related entity of Brad Example)	81	68

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2017	**2016**
	£'000	**£'000**
Current payables:		
Trade payables to associate	361	346
Trade payables to BE Promotions Limited (director-related entity of Brad Example)	7	6

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 48. Business combinations

On [date] Pinnacle Logistics Limited, a subsidiary of Pinnacle FRS 102 Limited, acquired 100% of the ordinary shares of Pinnacle Carrier Limited (formerly known as Computer Carrier Limited) for the total consideration transferred of £8,230,000. This is a freight business and operates in the computer distribution division of the consolidated entity. It was acquired to better utilise the existing computer distribution division administrative function. The goodwill of £408,000 represents the expected synergies from merging this business with the computer distribution division and eliminating third party freight costs. The acquired business contributed revenues of £5,428,000 and profit after tax of £670,000 to the consolidated entity for the period from [date] to 31 December 2017. If the acquisition occurred on 1 January 2017, the full year contributions would have been revenues of £5,901,000 and profit after tax of £729,000. The values identified in relation to the acquisition of Pinnacle Carrier Limited are final as at 31 December 2017.

Details of the acquisition are as follows:

	Fair value £'000
Cash at bank and in hand	3
Trade receivables	847
Prepayments	106
Plant and equipment	6,060
Customer contracts	1,250
Deferred tax asset	299
Trade payables	(364)
Deferred tax liability	(250)
Employee benefits	(129)
Net assets acquired	7,822
Goodwill	408
Acquisition-date fair value of the total consideration transferred	8,230
Representing:	
Cash paid or payable to vendor	8,230
Acquisition costs expensed to profit or loss	182
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	8,230
Less: cash at bank and in hand	(3)
Less: payments made in prior periods	(155)
Net cash used	8,072

Note 49. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries held by the company in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Holding	Proportion held %
Pinnacle Retailing Limited	United Kingdom	Ordinary shares	100.00%
Pinnacle Logistics Limited	United Kingdom	Ordinary shares	100.00%
Pinnacle Carrier Limited	United Kingdom	Ordinary shares	100.00%
Pinnacle Manufacturing Limited	United Kingdom	Ordinary shares	90.00%

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 49. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	Pinnacle Manufacturing Limited	
	2017	**2016**
	£'000	**£'000**
Summarised balance sheet		
Current assets	48,800	50,443
Fixed assets	163,318	162,342
Total assets	212,118	212,785
Current liabilities	25,735	22,452
Non-current liabilities	18,183	23,047
Total liabilities	43,918	45,499
Net assets	168,200	167,286
Summarised statement of profit or loss and other comprehensive income		
Revenue	231,564	219,870
Expenses	(229,506)	(216,649)
Profit before income tax expense	2,058	3,221
Income tax expense	(644)	(935)
Profit after income tax expense	1,414	2,286
Other comprehensive income	-	1,400
Total comprehensive income	1,414	3,686
Statement of cash flows		
Net cash from operating activities	9,262	12,284
Net cash used in investing activities	(7,962)	(11,212)
Net cash used in financing activities	(2,500)	(500)
Net increase/(decrease) in cash and cash equivalents	(1,200)	572
Other financial information		
Profit attributable to non-controlling interests	142	229
Accumulated non-controlling interests at the end of reporting period	17,363	17,221

Significant restrictions
Pinnacle Manufacturing Limited cannot move its manufacturing location without the prior consent of the non-controlling interests.

63

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 50. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Compdesign Partnership	Computer hardware design	35.00%	35.00%

Summarised financial information

	Compdesign Partnership 2017 £'000	Compdesign Partnership 2016 £'000
Summarised balance sheet		
Current assets	28,994	26,806
Fixed assets	205,203	198,240
Total assets	234,197	225,046
Current liabilities	19,440	16,486
Non-current liabilities	117,066	120,043
Total liabilities	136,506	136,529
Net assets	97,691	88,517
Summarised statement of profit or loss and other comprehensive income		
Revenue	109,706	97,951
Expenses	(96,601)	(87,089)
Profit before income tax	13,105	10,862
Income tax expense	(3,931)	(3,259)
Profit after income tax	9,174	7,603
Other comprehensive income	-	-
Total comprehensive income	9,174	7,603
Reconciliation of the consolidated entity's carrying amount		
Opening carrying amount	30,981	28,320
Share of profit after income tax	3,211	2,661
Closing carrying amount	34,192	30,981

Contingent liabilities

	Consolidated 2017 £'000	Consolidated 2016 £'000
Share of bank guarantees	276	266

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 50. Interests in associates (continued)

Commitments

	Consolidated	
	2017 £'000	2016 £'000
Committed at the reporting date but not recognised as liabilities, payable:		
Share of capital commitments	175	74

Significant restrictions
Compdesign Partnership must reduce its bank loans to under £50,000,000 and achieve pre-determined profit targets before any cash dividends can be distributed.

Note 51. Events after the reporting period

Apart from the dividend declared as disclosed in note 39, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 52. Non-cash investing and financing activities

	Consolidated	
	2017 £'000	2016 £'000
Acquisition of plant and equipment by means of finance leases	-	2,334
Leasehold improvements - lease make good	550	-
Shares issued under employee share plan	250	-
	800	2,334

Note 53. Share-based payments

On [date], 100,000 shares were issued to key management personnel at an issue price of £2.50 per share and a total transactional value of £250,000 as identified in key management personnel disclosures (note 46) and the remuneration report in the directors' report.

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted under the plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/04/2015	31/03/2017	£2.50	10,000	-	(10,000)	-	-
01/04/2017	31/03/2021	£3.00	-	17,500	-	-	17,500
			10,000	17,500	(10,000)	-	17,500
Weighted average exercise price			£2.50	£3.00	£2.50	£0.00	£3.00

Pinnacle FRS 102 Limited
Notes to the financial statements
31 December 2017

Note 53. Share-based payments (continued)

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/04/2015	31/03/2017	£2.50	10,000	-	-	-	10,000
			10,000	-	-	-	10,000
Weighted average exercise price			£2.50	£0.00	£0.00	£0.00	£2.50

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2017 Number	2016 Number
01/04/2015	31/03/2017	-	10,000
		-	10,000

The weighted average share price during the financial year was £2.66 (2016: £2.34).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.25 years (2016: 0.25 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/04/2017	31/03/2021	£2.61	£3.00	18.00%	4.75%	5.93%	£0.489

accurri
statutory financial reporting software

To find out more about Accurri you can:

- Visit our website:
  accurri.com

- View an online demonstration:
  accurri.com/demo

- Email:
  enquiries@accurri.com

- Pricing:
  available at accurri.com/software

Statutory financial reporting *made easier!*