Personal Group

Interim Results

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Personal Group Holdings PLC
17 September 2019

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PERSONAL GROUP HOLDINGS PLC
("Personal Group", "Company" or "Group")

Interim Results for the six months ended 30 June 2019

Solid progress in line with management's expectations.

Personal Group Holdings Plc, a leading provider of employee services in the UK, announces its interim results for the six months ended 30 June 2019. The Company has continued to make solid progress, performing in line with management's expectations at the half year.

Highlights

Financial

- Group revenue rose 42.4% to £30.0m (2018: £21.1m), including a £6.3m increase in transactional spend and commission on Hapi to £7.4m (2018: £1.1m)
- Adjusted EBITDA* down 5.0% to £4.5m (2018: £4.8m)
- Profit before tax increased 5.6% to £4.1m (2018: £3.9m)
- Basic EPS of 11.4p (2018: 10.5p), an increase of 8.6%
- Balance sheet remains strong with cash and deposits of £19.2m and no debt
- Dividends per share paid in the period up 1.3% to 11.65p (2018: 11.50p), maintaining progressive dividend policy

Operational

- Solid start to the year, with trading in line with management's expectations at the half year
- Core insurance business continued to perform well, although new client acquisition has been slower than expected
- Substantial increase in SaaS revenue, growing 341% to £8.8m (2018: £2.0m) demonstrating increased utilisation of Hapi and volumes generated through reloadable cards and e-vouchers
- Strong PG Let's Connect performance generated revenue of £5.8m (2018: £3.3m)
- Successful acquisition of Innecto in February 2019 already benefitting the Group - cross-selling opportunities and 53% growth in new business wins

** Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based expense payments, corporate acquisition costs, restructuring costs and the release of tax provisions. This definition applies to all references to Adjusted EBITDA within these interim results. A reconciliation from PBT to this Adjusted EBITDA has been included in Note 3.*

Deborah Frost, Chief Executive of Personal Group, commented:

"Personal Group has performed in line with management's expectations during the first half of the year. Recent market testing of our proposition, following my appointment as Chief Executive, has confirmed that our comprehensive offering strongly resonates with our target customers. This, combined with the Company's solid foundation and the evolution of our strategy, assures me of the opportunity for the future growth of the business. The Board remains confident in the long-term outlook and, whilst EBITDA is expected to be reduced as a result of the delayed timing of the launch of the next iteration of Sage Employee Benefits, revenue and reported profit before tax remain in line with market forecasts for the full year."

- ENDS -

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Notes to Editors:

Personal Group Holdings Plc (AIM: PGH) is a technology enabled employee services business, working with employers to drive productivity though better employee engagement and a more motivated workforce. With over 30 years' experience, the Company provides employee benefits and services to a large number of employees across the UK.

Personal Group's offer comprises in-house services, including employee insurance products (hospital, convalescence plans and death benefit), the provision of home technology via salary sacrifice (iPads, computers, laptops, smart phones and smart TVs), the provision of e-payslips, and pay and reward consulting via Innecto, the leading independent UK consultancy acquired in 2019. Third party services include retail discounts, employee assistance programmes, wellbeing programmes and salary sacrifice cars and bikes.

The product offer is provided via the Company's proprietary technology platform, Hapi. The platform is intuitive, designed primarily for app deployment and also accessible via web and tablet, driving better engagement, communication and value recognition. Hapi is flexible and can quickly integrate additional services, such as existing employee services and partner platforms. Hapi is a digital SaaS product.

Through technology and select acquisitions, the Company has grown its addressable market to the majority of the working population in the UK; including 15.6m SME employees targeted via its partnership with Sage, the UK's largest software company.

Personal Group's innovative approach to using technology to deliver its programmes, in combination with its face-to-face method of communicating with employees, delivers a compelling offer to blue-chip clients across the UK as a way of attracting, retaining and motivating employees. The acquisition of Innecto in February 2019 allows Personal Group to engage with clients earlier in their thinking around Pay and Reward, and to interact with a new base of blue-chip and fast growth clients typically at HR Director and CEO level.

Personal Group has a strong client base across a range of sectors including passenger transport, healthcare, logistics and food manufacturing. Clients include: Stagecoach, Four Seasons Health Care, DHL, and 2 Sisters Food Group.

For further information, please see www.personalgroup.com

Interim Results Statement

Introduction

The Group has made a solid start to the year with trading during the six-month period in line with management's expectations and with pre-tax profit up 5.6% on last year. The Company's core insurance business continued to perform well, although new sales have been slower than expected. There was strong performance from both PG Let's Connect, our salary sacrifice business, and Innecto. Revenue from SaaS saw a further strong increase as utilisation of Hapi by customers increased and from the impact of bringing the provisioning of reloadable cards and e-vouchers in house.

The Company continues to deliver on its strategy and has evolved this strategy following the appointment of Deborah Frost as its new Chief Executive. Following the Innecto acquisition, the Company has further breadth and experience from which to draw but will continue to have a focus on further profitable growth across all divisions.

Financial Performance

Group revenue for the six months to 30 June 2019 increased 42.4% to £30.0m (2018: £21.1m). This increase was driven by a strong performance in the SaaS business, including Innecto, and PG Let's Connect, alongside a slightly weaker performance from the insurance business.

During the period, EBITDA from continuing operations decreased by 5.0% to £4.5m (2018: £4.8m). This was predominantly driven by increased costs, including in sales and marketing activities.

Profit before tax was up 5.6% to £4.1m (2018: £3.9m), whilst earnings per share increased 8.6% to 11.4p (2018: 10.5p). During the period the Company maintained its progressive dividend policy, with dividends per share paid up 1.3% to 11.65p (2018: 11.50p). As previously announced, the Company's third dividend for 2019 of 5.825p per share will be paid on 20 September 2019 to members on the register on 9 August 2019.

The Company's balance sheet remained strong with total cash and deposits increasing to £19.2m and no debt at the period end.

Business Review

The core insurance division again produced a solid PBT performance with revenue slightly below last year. The slowing down of new business wins over the last 12 months will impact revenue further in the latter part of this year and into 2020. We have invested in front line sales and marketing to address this and recent market testing and benchmarking of our products confirmed that our proposition still strongly resonates.

PG Let's Connect, the Company's salary sacrifice business, had a very encouraging start to the year, with trading significantly ahead of this time last year and in line with management's expectations. The business continues to benefit from Royal Mail's decision to run its salary sacrifice offer to its employees on a continuous basis.

PG Let's Connect remains a Q4 weighted business due to the natural heightened interest in its offer in the run up to Christmas but at this stage we remain positive for the full year. A new proposition for the NHS has been developed and tested with positive feedback, which is encouraging and presents a sizeable market opportunity for the future.

The Company's SaaS business saw a strong first half, with revenues increasing by 341% over the corresponding period last year. This was driven primarily by revenues generated from the users of Hapi spending more through Hapi and the fact that the provision of products such as reloadable cards, e-vouchers and cinema tickets are now serviced largely in house but does also represent a £0.5m (53%) increase in paid for subscriptions and consultancy income predominantly as a result of the acquisition of Innecto which has experienced 53% growth in new business wins and 45% increase in pipeline from the comparable period last year.

The relationship with Sage is progressing and the latest campaign to cross-sell into part of their existing client base went live on 2 September, supported by extensive marketing and sales activity. A further launch to potential Sage customers is planned to follow shortly.

Innecto Acquisition

The acquisition of Innecto has been particularly pleasing, not only in delivering its own significant revenue growth but also introducing several new opportunities with cross-selling potential. Innecto has now been well integrated into the wider Group and the Company expects to continue generating growth opportunities that will further strengthen the Group's position as one of the leading comprehensive providers of Employee Services in the UK.

Market

As we progress through 2019, the market for employee benefits remains strong. Looking ahead as a UK centric business we believe that the increased pressure to retain and hire labour and associated costs created by Brexit will reinforce the value of our proposition.

Strategy

Following Deborah's appointment earlier this year, the Company has undergone a review of its strategy and has identified new market areas and opportunities to evolve the existing strategy. As a result, the aspirations of the business are to double EBITDA by 2025 with 1 million users of our Hapi platform.

We intend to grow the insurance business by widening our accessible market to include the 'gig' economy for current and new clients, improving attractiveness of our offer to employers and policyholders and retaining more policyholders for longer.

This is expected to be delivered by disrupting core markets and driving profitable growth by growing the lower cost of acquisition segments with new products and cross-selling across the Group. We intend to increase client / customer penetration and retention across all markets.

We will seek to build a more balanced and broader portfolio that focusses on long-term profit and dividend growth, with less reliance on existing core markets.

Outlook

Personal Group's trading was solid during the first half of the year and in line with management's expectations. Following the recent review of strategy, there will be an increased focus on restoring the insurance business to growth and investment in developing sales opportunities across all areas of business.

Personal Group remains well placed to benefit from the continued growth and development of the employee services market, with the strength of its proprietary technology platform, Hapi, offering a flexible means of distributing owned and third-party products and services to an established, sizeable and growing client base and their employees.

The Board has confidence that whilst EBITDA is anticipated to be reduced, the Group's revenue and reported profit before tax continue to trade in line with expectations for the full year.

Mark Winlow
Non-Executive Chairman

Deborah Frost
Chief Executive

17 September 2019

Consolidated Income Statement

	Note	**6 months ended 30 June 2019 Unaudited £'000**	**6 months ended 30 June 2018 Unaudited £'000**
Gross premiums written		15,311	15,795
Outward reinsurance premiums		(100)	(117)
Change in unearned premiums		(45)	(59)
Change in reinsurers' share of unearned premiums		(10)	(8)
Earned premiums net of reinsurance		15,156	15,611
Other insurance related income		100	120
IT salary sacrifice income		5,830	3,264
SaaS income		8,834	2,004
Other non-insurance income		51	58
Investment income		59	32
Revenue		30,030	21,089
Claims incurred		(3,397)	(3,730)
Insurance operating expenses		(8,290)	(7,665)
Other insurance related expenses		(60)	(106)
IT salary sacrifice expenses		(5,637)	(3,570)

SaaS costs		(8,547)	(1,602)
Other non-insurance expenses		(177)	-
Share-based payment expenses		(9)	(76)
Charitable donations		(50)	(50)
Amortisation of intangible assets		(252)	(336)
Expenses		(26,242)	(17,135)
Operating profit		3,611	3,954
Finance costs		(68)	(72)
Release of Provision	12	542	-
Share of profit/(loss) of equity-accounted investee net of tax		7	(8)
Profit before tax		4,092	3,874
Tax	4	(547)	(646)
Profit for the period after tax		3,545	3,228
Total comprehensive income for the period		3,545	3,228
Earnings per share		Pence	Pence
Basic		11.4	10.5
Diluted		11.4	10.3

The total comprehensive income for the period is attributable to equity holders of Personal Group Holdings Plc.

Consolidated Balance Sheet

		At 30 June 2019 Unaudited	**At 31 Dec 2018 Audited**
	Note	**£'000**	**£'000**
ASSETS			
Non-current assets			
Goodwill	6	12,616	10,575
Intangible assets	7	1,233	500
Property, plant and equipment	8	6,190	6,040
Investment property		130	130
Deferred tax asset		14	-
		20,183	17,245
Current assets			
Financial assets	9	2,792	2,530
Trade and other receivables		9,996	16,532
Equity-accounted investee	11	58	50
Reinsurance assets		138	187

Inventories	902	643
Cash and cash equivalents	16,399	15,148
	30,285	35,090
Total assets	50,468	52,335

Consolidated Balance Sheet

	Note	**At 30 June 2019 Unaudited £'000**	**At 31 Dec 2018 Audited £'000**
EQUITY			
Equity attributable to equity holders of Personal Group Holdings plc			
Share capital		1,561	1,544
Share premium		1,134	-
Capital redemption reserve		24	24
Other reserve		(225)	(210)
Profit and loss reserve		33,888	33,937
Total equity		36,382	35,295
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		-	102
Trade and other payables		403	356
Current liabilities			
Provisions	12	717	1,259
Trade and other payables		10,148	12,233
Insurance contract liabilities		2,180	2,376
Current tax liabilities		638	714
		13,683	16,582
Total liabilities		14,086	17,040
Total equity and liabilities		50,468	52,335

Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2019	1,544	-	24	(210)	33,937	35,295
Dividends	-	-	-	-	(3,613)	(3,613)
Employee share-based compensation	-	-	-	-	9	9
Proceeds of SIP* share sales	-	-	-	-	38	38
Cost of SIP shares sold	-	-	-	28	(28)	-
Cost of SIP shares purchased	-	-	-	(43)	-	(43)
Purchase of new shares	17	1,134	-	-	-	1,151
Transactions with owners	17	1,134	-	(15)	(3,594)	(2,458)
Profit for the period	-	-	-	-	3,545	3,545
Total comprehensive income for the period	-	-	-	-	3,545	3,545
Balance as at 30 June 2019	1,561	1,134	24	(225)	33,888	36,382

* PG Share Ownership Plan (SIP)

Consolidated Statement of Changes in Equity for the six months ended 30 June 2018

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2018	1,540	24	85	(310)	32,417	33,756
Adjustment on initial adoption of IFRS 9	-	-	(85)	-	85	-
Restated balance as at 1 January 2018	1,540	24	-	(310)	32,502	33,756
Dividends	-	-	-	-	(3,541)	(3,541)
Employee share-based	-	-	-	-	53	53

compensation						
Proceeds of SIP* share sales	-	-	-	-	32	32
Cost of SIP shares sold	-	-	-	40	(40)	-
Cost of SIP shares purchased	-	-	-	(25)	-	(25)
Nominal value of LTIP** shares issued	4	-	-	-	(4)	-
Transactions with owners	4	-	-	15	(3,500)	(3,481)
Profit for the year	-	-	-	-	3,228	3,228
Balance as at 30 June 2018	1,544	24	-	(295)	32,230	33,503

* PG Share Ownership Plan (SIP)
** Long Term Incentive Plan (LTIP)

Consolidated Statement of Cash Flows

	6 months ended 30 June 2019 Unaudited £'000	**6 months ended 30 June 2018 Unaudited £'000**
Net cash from operating activities (see opposite)	7,301	5,009
Investing activities		
Additions to property, plant and equipment	(420)	(90)
Additions to intangible assets	(56)	(46)
Proceeds from disposal of property, plant and equipment	45	67
Purchase of financial assets	(262)	(874)
Proceeds from disposal of financial assets	-	994
Interest received	43	30
Dividends received	-	8
Payment on acquisition of Innecto, net of cash acquired	(2,714)	-
Net cash from investing activities	(3,364)	89
Financing activities		
Purchase of own shares by the SIP	(10)	(25)
Proceeds from disposal of own shares by the SIP	15	32
Payment of lease liabilities	(229)	(182)
Dividends paid	(3,613)	(3,541)
Share issue	1,151	-
Net cash used in financing activities	(2,686)	(3,716)
Net change in cash and cash equivalents	1,251	1,382
Cash and cash equivalents, beginning of period	15,148	12,641

Cash and cash equivalents, end of period	16,399	14,023

Consolidated Statement of Cash Flows

	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited £'000
Operating activities		
Profit after tax	3,545	3,228
Adjustment for:		
Depreciation	460	396
Amortisation of intangible assets	252	336
Loss on disposal of property, plant and equipment	57	-
Realised and unrealised net investment losses / (profits)	-	21
Interest received	(43)	(30)
Dividends received	-	(8)
Interest charge	68	72
Share of (profit)/loss of equity-accounted investee, net of tax	(7)	8
Share-based payment expenses	9	53
Taxation expense recognised in income statement	547	646
Changes in working capital:		
Trade and other receivables	7,033	5,746
Trade and other payables	(3,108)	(4,957)
Provisions	(542)	-
Inventories	(259)	184
Taxes paid	(711)	(686)
Net cash from operating activities	**7,301**	**5,009**

Notes to the Consolidated Financial Statements

1 General information

The principal activities of Personal Group Holdings Plc ('the Company') and subsidiaries (together 'the Group') include transacting short-term accident and health insurance and providing employee services in the UK.

The Company is a limited liability company incorporated and domiciled in England. The address of its registered office is John Ormond House, 899 Silbury Boulevard, Milton Keynes, MK9 3XL.

The Company is listed on the Alternative Investment Market of the London Stock Exchange.

The condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The financial information for the year ended 31 December 2018 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2018 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements are unaudited and have not been reviewed by the auditors under International Standard on Review Engagements (UK and Ireland) 2410.

These consolidated interim financial statements have been approved for issue by the board of directors on 16 September 2019.

2 Accounting policies

These June 2019 interim consolidated financial statements of Personal Group Holdings Plc are for the six months ended 30 June 2019. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 30 June 2019.

The principal accounting policies remain unchanged from the year ended 31 December 2018. No new standards have become applicable for accounting periods commencing on or after 1 January 2019.

Notes to the Consolidated Financial Statements

3 Segment analysis

The segments used by management to review the operations of the business are disclosed below.

1) Core Insurance

Personal Assurance Plc (PA), a subsidiary within the Group, is a PRA regulated general insurance company and is authorised to transact accident and sickness insurance. It was established in 1984 and has been underwriting business since 1985. In 1997 Personal Group Holdings Plc (PGH) was created and became the ultimate parent undertaking of the Group.

Personal Assurance (Guernsey) Limited (PAGL), a subsidiary within the Group, is regulated by the Guernsey Financial Services Commission and has been underwriting death benefit policies since March 2015.

This operating segment derives the majority of its revenue from the underwriting by PA and PAGL of insurance policies that have been bought by employees of host companies via bespoke benefit programmes.

2) IT Salary Sacrifice

IT salary sacrifice refers to the trade of PG Let's Connect, a salary-sacrifice technology company purchased in 2014.

3) SaaS

Revenue in this segment relates to the annual subscription income and other related income arising from the licensing of Hapi, the Group's employee benefit platform. This includes sales to both the large corporate and SME sectors. Also included in this segment, from 1 March 2019, is consultancy and license income derived from selling Innecto digital platform subscriptions.

4) Other

The other operating segment consists of revenue generated by Berkeley Morgan Group (BMG) and its subsidiary undertakings along with any investment and rental income obtained by the Group.

During the period, the allocation of costs within the operating segments has been amended in order to offer a clearer and more representative view of the performance of the relevant areas of the business.

Notes to the Consolidated Financial Statements

The revenue and net result generated by each of the Group's operating segments are summarised as follows,

Operating segments	**Core Insurance £'000**	**IT Salary Sacrifice £'000**	**SaaS £'000**	**Other £'000**	**Total £'000**
6 months to June 2019					
Earned premiums net of reinsurance	15,151	-	5	-	15,156
Other insurance related income	1	-	-	99	100
Non-insurance related income - IT Salary Sacrifice	-	5,830	-	-	5,830
Non-insurance related income - Platform	-	-	1,425	-	1,425
Non-insurance related income - Transactional and commission	-	-	7,409	-	7,409
Non-insurance related income - Other	-	-	-	51	51
Investment income	-	-	-	59	59
Total revenue	**15,152**	**5,830**	**8,839**	**209**	**30,030**
Net result for period before tax	3,378	101	152	461	4,092
PG Let's Connect - amortisation of intangibles	-	53	-	-	53
Interest	48	14	6	-	68
Share-based payment expenses	-	-	-	9	9
Provision release	-	-	-	(542)	(542)
Acquisition costs	-	-	-	177	177
Depreciation	394	57	4	5	460
Amortisation (other)	39	27	133	-	199
Adjusted EBITDA	**3,859**	**252**	**295**	**110**	**4,516**
Segment assets	**26,282**	**6,672**	**2,971**	**14,543**	**50,468**
Segment liabilities	**7,630**	**3,400**	**2,853**	**203**	**14,086**
Depreciation and amortisation	**433**	**137**	**137**	**5**	**712**

Of the above, £8,000 of SaaS income has been generated from customers based in the EU. All other income is derived from customers that are based in the UK.

Notes to the Consolidated Financial Statements

Operating segments	**Core Insurance £'000**	**IT Salary Sacrifice £'000**	**SaaS £'000**	**Other £'000**	**Total £'000**
6 months to June 2018					
Earned premiums net of reinsurance	15,607	-	4	-	15,611
Other insurance related income	(2)	-	-	122	120
Non-insurance related income - IT Salary Sacrifice	-	3,264	-	-	3,264
Non-insurance related income - Platform	-	-	932	-	932
Non-insurance related income - Transactional and commission	-	-	1,072	-	1,072
Non-insurance related income - Other	-	-	-	58	58
Investment income	-	-	-	32	32
Total revenue	**15,605**	**3,264**	**2,008**	**212**	**21,089**
Net result for period before tax	4,160	(515)	257	(28)	3,874
PG Let's Connect - amortisation of intangibles	-	165	-	-	165
Interest	54	14	4	-	72
Share-based payment expenses	-	-	-	76	76
Depreciation	337	51	4	4	396
Amortisation (other)	72	29	71	-	172
Adjusted EBITDA	4,623	(256)	336	52	4,755
Segment assets	**25,197**	**6,051**	**1,269**	**12,730**	**45,247**
Segment liabilities	**6,668**	**3,710**	**1,188**	**178**	**11,744**
Depreciation and amortisation	**409**	**245**	**75**	**4**	**733**

All income is derived from customers that are based in the UK.

Notes to the Consolidated Financial Statements

4 Taxation

The tax expense recognised is based on the weighted average annual tax rate expected for the full financial year multiplied by management's best estimate of the taxable profit of the interim reporting period.

The Group's consolidated effective tax rate in respect of continuing operations for the six-month period ended 30 June 2019 was 13.4% (six-month period ended 30 June 2018: 16.7%).

5 Earnings per share and dividends

The weighted average numbers of outstanding shares used for basic and diluted earnings per share are as follows:

	6 months ended 30 June 2019	EPS Pence	6 months ended 30 June 2018	EPS Pence
Basic	31,064,583	11.4	30,785,383	10.5
Diluted	31,064,583	11.4	31,205,704	10.3

During the first six months of 2019 Personal Group Holdings Plc paid dividends of £3,613,000 to its equity shareholders (2018: £3,541,000). This represents a payment of 11.65p per share (2018: 11.50p).

	6 months ended 30 June 2019 £'000	6 months ended 30 June 2018 £'000
Dividends paid or provided for during the period	3,613	3,541

6 Goodwill

	PG Let's Connect £'000	Innecto* £'000	Total £'000
Cost			
At 1 January 2019	10,575	-	10,575
Additions in the year	-	2,041	2,041
At 30 June 2019	10,575	2,041	12,616
Amortisation and impairment			
At 1 January 2019	-	-	-
Impairment charge for year	-	-	-
At 30 June 2019	-	-	-
Net book value at 30 June 2019	**10,575**	**2,041**	**12,616**
Net book value at 31 December 2018	10,575	-	10,575

* See Note 13 for further details

Notes to the Consolidated Financial Statements

7 Intangible assets

	Customer Value £'000	Computer software and development £'000	Other Innecto Intangibles £'000	Internally Generated Computer Software £'000	Total £'000

Cost					
At 1 January 2019	1,648	855	-	506	3,009
Acquisition	471	-	458	-	929
Additions	-	56	-	-	56
Disposals	-	(25)	-	-	(25)
At 30 June 2019	2,119	886	458	506	3,969
Amortisation					
At 1 January 2019	1,595	602	-	312	2,509
Acquisition	-	-	-	-	-
Provided in the period	84	53	31	84	252
Disposals in the period	-	(25)	-	-	(25)
At 30 June 2019	1,679	630	31	396	2,736
Net book amount at 30 June 2019	**440**	**256**	**427**	**110**	**1,233**
Net book amount at 31 December 2018	53	253	-	194	500

8 Property, plant and equipment

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Leasehold improve-ments £'000	Right of use Assets £'000	WIP Assets £'000	Total £'000
Cost								
At 1 January 2019	5,478	213	716	1,022	38	1,088	844	9,399
Acquisition	-	-	13	-	-	-	-	13
Additions	-	-	44	14	-	285	362	705
Disposals	-	(110)	(13)	-	-	(81)	-	(204)
Transfers	44	-	(37)	1,199	-	-	(1,206)	-
At 30 June 2019	5,522	103	723	2,235	38	1,292	-	9,913
Depreciation								
At 1 January 2019	1,694	115	536	640	22	352	-	3,359
Acquisition	-	-	5	-	-	-	-	5
Provided in the period	47	12	65	121	3	212	-	460
Disposals	-	(59)	(6)	-	-	(36)	-	(101)
At 30 June 2019	1,741	68	600	761	25	528	-	3,723
Net book amount at 30 June 2019	**3,781**	**35**	**123**	**1,474**	**13**	**764**	**-**	**6,190**
Net book amount at 31 December 2018	3,784	98	180	382	16	736	844	6,040

Notes to the Consolidated Financial Statements

9 Financial Investments

	At 30 June 2019 Unaudited £'000	At 31 December 2018 Audited £'000
Bank deposits	2,792	2,530
	2,792	2,530

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

Bank deposits, held at amortised cost, are due within 6 months and the amortised cost is a reasonable approximation of the fair value. These would be included within Level 2 of the fair value hierarchy.

10 Long Term Incentive Plan (LTIP)

LTIP2

LTIP2 is designed to reward Directors and certain other senior employees in a way that aligns the interests of LTIP participants with the interests of shareholders, as well as with the Group's long-term strategic plan. LTIP2 is based on Market Capitalisation and becomes reward bearing as Company Market Capitalisation exceeds £183.7m. It also has a yearly EPS performance criterion through its life which can be adjusted by the Remuneration Committee.

No awards have been made under this scheme to date.

Under the LTIP2 incentive arrangements 36,000 employee shareholder status shares in Personal Group Limited were awarded during 2015 (ESS Shares). Participants had immediate PAYE and NIC charges on the associated UK tax-market value of the ESS Shares. A further 4,000 shares are available for allocation.

The ESS Shares are split equally into four classes, namely A, B, C and D shares, each of which carry a put option which allows the participants to exchange their ESS Shares for Personal Group Holdings Plc ordinary shares in tranches on reaching or exceeding the hurdles of market capitalisation and Annual EPS. Awards can be made annually starting in March 2017 (A shares) through to March 2020 (D shares) based on market capitalisation growth of the Company up to a market capitalisation of £350m and upon achieving the Annual EPS growth targets. The awards will be paid out as 20%, 40%, 70% and 100% cumulatively of the eligible share of growth in market capitalisation for A, B, C and D shares respectively.

An amount of £9,000 (2018: £54,500) has been charged to the profit and loss account in the six months ended 30 June 2019 for this scheme, based on the fair values determined by using a Log-normal Monte-Carlo stochastic model. Significant inputs to the model include the closing share price at grant date, a risk-free rate of return of 1.32%, a dividend yield of 4.49% and a share price volatility of 15.78%. 10,000 iterations of the model were run to accurately represent the log-normal nature of returns to equity investments. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share-based payment.

In addition to the charges above any related employer's national insurance charge has been classified as share-based payment expenses on the face of the profit and loss account.

Notes to the Consolidated Financial Statements

11 Equity-accounted investment

During 2004 the Company entered into a joint venture agreement with Abbeygate Developments Limited to construct a freehold joint office and residential property development on land adjacent to John Ormond House. A joint venture company called Abbeygate Developments (Marlborough Gate 2) Limited was established to construct the property.

This Company is owned equally by Personal Group Holdings Plc and Abbeygate Developments Limited.

During 2018, the property was sold to a third party. The joint venture no longer has any principal trade and is due to be liquidated in 2019. Following the sale of the joint venture, dividends of £750,000 were paid to both owners and further dividends are expected in the second half of 2019 prior to the liquidation of the Company.

The profit and loss account and balance sheet for this joint venture company are as follows:

Profit and loss account	**6 months ended 30 June 2019 Unaudited £'000**	**6 months ended 30 June 2018 Unaudited £'000**	**12 months ended 31 Dec 2018 Audited £'000**
Profit on disposal of property	-	-	418
Rent receivable	-	30	44
Administration expenses	15	(46)	(57)
Profit / (Loss) on ordinary activities before taxation	15	(16)	405
Tax on profit/loss on ordinary activities	-	-	(77)
Profit / (Loss) for the financial period retained	15	(16)	328
Personal Group Holdings share of profit / (loss)	7	(8)	164

Balance sheet	**At 30 June 2019 Unaudited £'000**	**At 30 June 2018 Unaudited £'000**	**At 31 Dec 2018 Audited £'000**
Current assets			
Inventories	-	1,078	-
Debtors	194	239	188
	194	1,317	188
Creditors: amounts falling due within one year	(79)	(61)	(88)
Net current assets	115	1,256	100
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	115	1,256	100
Shareholders' funds	115	1,256	100
Personal Group Holdings' share of net assets	58	628	50

Notes to the Consolidated Financial Statements

12 Provisions

As at 30 June 2019, the PG Let's Connect PAYE tax provision has been reduced to £717,000, which represents the directors' best estimate of the potential amount payable to HMRC. The movement in the period has been summarised below;

2019	PG Let's Connect PAYE
	£'000
At 1 January 2019	1,259
Movement in provisions credited to income statement	(542)
Utilised during the year	-
At 31 June 2019	**717**

2018	PG Let's Connect PAYE
	£'000
At 1 January 2018	1,905
Movement in provisions credited to income statement	(646)
Utilised during the year	-
At 31 December 2018	1,259

The previous directors of PG Let's Connect have provided assurance that, should any liability arise, they will honour any amounts due, however, as no legal agreement is in place for this, the directors have held the provision on the balance sheet. No payments have been made to HMRC during 2019 in respect of these schemes (2018: £nil), however, the Company is aware that these schemes are currently in the final settlement stages and the final position on them is expected to be known by the year end.

13 Acquisition of Innecto

Summary of acquisition

On 28 February 2019, the Group acquired 100% of the issued share capital of Innecto People Consulting Limited, a leading UK independent pay and reward consultancy. The acquisition has increased the Group's offering in the employee benefits market and complements the Group's existing SaaS division.

Subject to audit and external review, details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	2019 £'000
Purchase consideration	
Cash paid	**3,189**
	--
Total purchase consideration	**3,189**

Notes to the Consolidated Financial Statements

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value £'000
Intangible assets - Customer relationships	471
Intangible assets - Technology platforms	232
Intangible assets - Innecto trade name	160
Intangible assets - Technology trademarks	42
Intangible assets - Innecto website	24
Tangible fixed assets	8
Cash	475
Trade debtors	420
Other debtors	11

Trade creditors	(29)
Other creditors and accruals	(508)
Deferred income	(185)
Deferred tax	27
Net identifiable assets acquired	1,148
Goodwill	2,041
Net assets acquired	3,189

The goodwill is attributable to the workforce, the high profitability of the acquired business and the future synergies expected within the wider SaaS business of the Group. It will not be deductible for tax purposes.

There were no acquisitions in the year ending 31 December 2018.

Acquired Receivables

The fair value of acquired trade receivables is £420,000. The gross contractual amount for trade receivables due is £431,000, of which £11,000 is expected to be uncollectible.

Revenue and Profit Contribution

The acquired business contributed revenues of £581,000 and net profit of £111,000 to the Group for the period from 1 March to 30 June 2019. If the acquisition had occurred on 1 January 2019, the Group's consolidated pro-forma revenue and profit for the 6 months ended 30 June 2019 would have been £30,353,000 and £3,657,000 respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

Notes to the Consolidated Financial Statements

Purchase Consideration - Cash Outflow

	2019 £'000	**2018 £'000**
Cash consideration paid	3,189	-
Less: Cash balances acquired	(475)	-
Net outflow of cash - investing activities	**2,714**	-

Acquisition-related costs

In the period, acquisition-related costs of £177,000 that were not directly attributable to the issue of shares are included as acquisition costs in segmental analysis and in operating cash flows in the statement of cash flows.

14 Financial calendar for the year ending 31 December 2019

The Company announces the following dates in its financial calendar for the year ending 31 December 2019:

- Preliminary results for the year ending 31 December 2019 - March 2020
- Publication of Report and Accounts for 2019 - March 2020
- AGM - April 2020

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