personal group
for your benefit

Unlocking the benefits of an engaged workforce

Personal Group Holdings plc
Annual Report and Financial Statements
2015

Personal Group has over 30 years of experience providing employee benefits.

We grow by developing fresh ideas, innovation and delivering positive change.

We use great technology and years of experience to motivate every member of our clients' employees.

We make work happy.

Strategic Report

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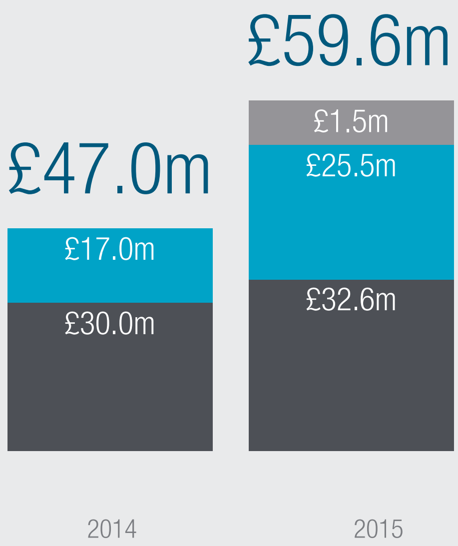
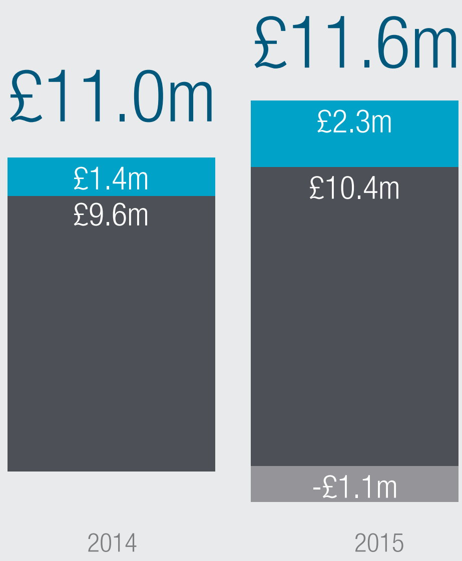
Financial Highlights 2015

Another strong year for Personal Group with a record EBITDA* of £11.6m.

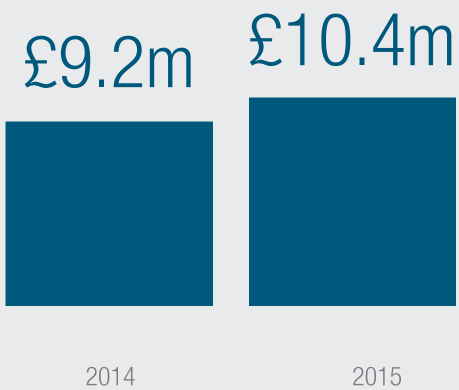


Revenue +27%

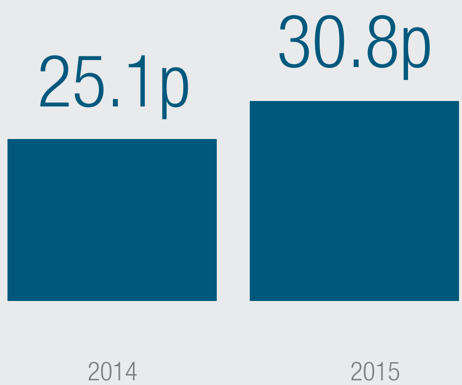


EBITDA* +5%

* EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based payment expenses, acquisition costs, reorganisation costs, write-back of contingent consideration and release of tax provision. This definition applies to all references to EBITDA within these report and accounts. A reconciliation from PBT to this adjusted EBITDA has been included on p24.



Profit Before Tax +14%



Earnings Per Share +23%

Total
Lets Connect
Core business
PG Mobile

personal group
for your benefit

Personal Group has been part of the employee benefits landscape for over 30 years. We have grown through fresh ideas and embracing positive change. Our entrepreneurial spirit has helped get us where we are today.

Some of the largest organisations in the UK rely on us to provide benefit solutions that help attract, retain and reward employees.

Our belief

We make people happier at work by offering them easy access to communications, insurance, benefits and rewards from their employer.

For further Investor information:
www.personal-group.com/Investors

About Us

Our business

We provide a comprehensive range of employee benefits, simple insurance products and an employee engagement platform that brings everything together.

Employee benefits

We provide an extensive range of employee benefits, from retail discounts to salary sacrifice schemes, including cycle to work, childcare vouchers and home technology.

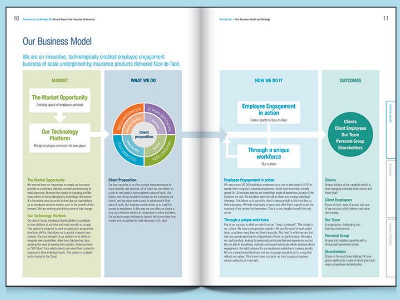
Insurance

We provide a range of in-house insurance products, including Hospital Cash Plan, Death Benefit and Convalescence Cover.

Communication

Our unique face-to-face approach helps clients maximise the potential of their programmes and increase employee engagement.

page 10–11 for more information



Our technology

Hapi is our simple and easy-to-use platform, created and built in-house. It helps our clients bring their employee benefits together in one place. It is designed to work as easily as an engagement app on a mobile device, as it does on a desktop.

page 12–13 for more information

Our growth plan

Our growth plan is based on three key elements: organic growth, technology and acquisition.

Organic growth

We have increased the volume of new clients and new policyholders consistently over the past three years as a result of a sector-based business development strategy. We continue to improve our effectiveness and efficiency in how we operate.

Technology

Our in-house employee engagement platform, Hapi, is bringing greater opportunities to increase client subscription revenues, in addition to broadening the appeal of our proposition into other currently under-utilised markets, including small and medium enterprises.

Acquisition

We constantly scan the employee engagement and insurance sectors for opportunities to acquire exciting and dynamic businesses, to complement our current client and customer proposition.

page 14–15 for more information

Our Investor Proposition

WHY CHOOSE PERSONAL GROUP?

Growth strategy

The business continues to perform consistently well, with continued growth in new sales, top-line revenue and bottom-line profit.

Innovative technology offering (platform)

We launched our new software platform 'Hapi', on which all of our propositions will reside, in 2015.

Resilient operating model

The Company celebrated its 30th birthday in 2014 and has a very loyal and long-serving insurance customer base.

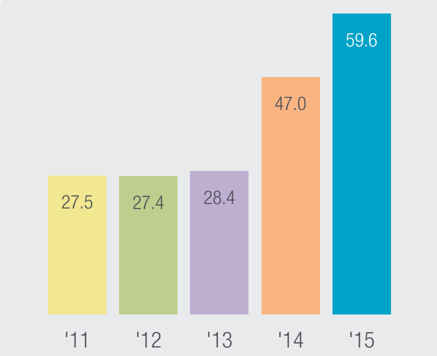
KEY 2015 HIGHLIGHTS

- Revenue up 26.7%.
- Record new insurance sales.
- Lets Connect up 49.4% revenue and 61.5% EBITDA.
- EBITDA up 5.3%, excluding PG Mobile 15.5%.
- We generate sufficient capital to support planned growth and business development, without compromising our progressive dividend policy.

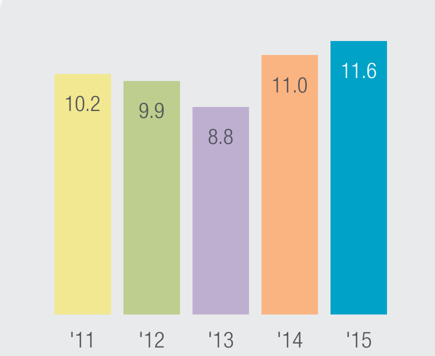
- Simple and easy-to-use employee engagement platform, built in-house.
- Adaptable as an engagement app on a mobile device or on a desktop.
- Has the potential to make the platform available to SME clients.

- Strong market position in an evolving market.
- Insurance customers tend to remain with Personal Group for more than five years resulting in significant recurring revenues.
- Unique product proposition including face-to-face for insurance sales.
- Strong cash flow.

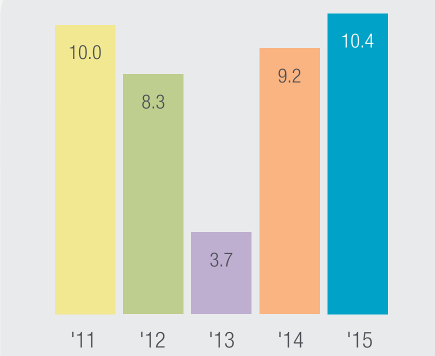
OUR BENCHMARK FOR SUCCESS



Revenue £m



EBITDA £m



Profit before tax £m

Experienced and successful Board and management team

Personal Group's strong, experienced and successful Board and management team have a track record of implementing strategy and achieving results.

- Our senior teams and Board are highly skilled and experienced.
- The Board strengthened with the appointment of two new non execs in the last two years.
- The senior management team has a wealth of experience in multiple sectors and sizes of company.
- The long-term incentives align with shareholder objectives.

Shareholder returns

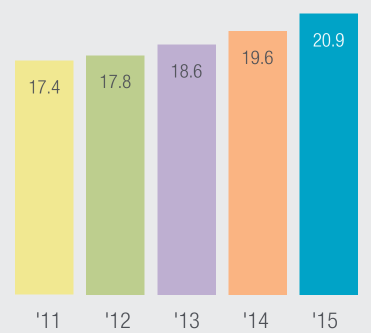
The Company has a progressive dividend policy with quarterly dividends paid per share, increasing annually.

- 20.9p dividend per share in 2015 up 6.6%.
- Significant share price growth.

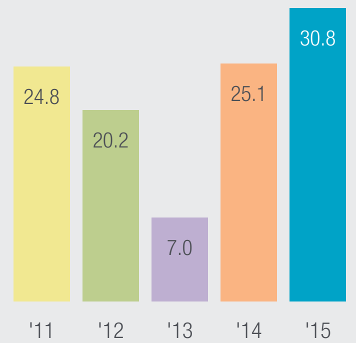
Strong balance sheet

The Company has a strong balance sheet, no debt and significant surplus capital over its Group Capital Resources requirement.

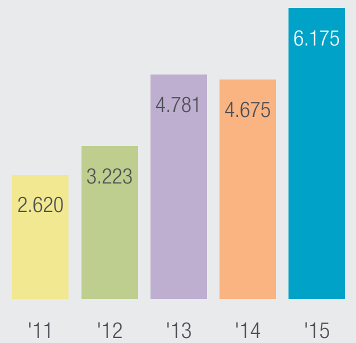
- No debt.
- Surplus of £5.5m over its Group Capital resources.
- 25% of the Group's total assets held in cash or cash equivalents.



Dividend paid (pence)



EPS (pence)



Share price (£)

Chairman's Statement

A year of significant delivery across all aspects of the business.

Introduction

The Group's performance in 2015 reflects sound organic growth in our main employee benefits and insurance business, major growth in our Lets Connect business, and material investment both in our technology platform and in the broadening of our product offering.

Total Group revenue increased by 27% to £59.6m (2014: £47.0m), with significant growth in the Lets Connect salary sacrifice business we acquired in 2014, and also included £1.5m revenue from PG Mobile, the mobile virtual network operator (MVNO) business we acquired in April 2015. As mentioned in our statement at the time of acquisition, we invested materially in this business in 2015. Even with this expenditure, and our continuing investment in our technology platform, overall EBITDA has increased by 5%, to £11.6m (2014: £11.0m), and profit before tax has increased by 14%, to £10.4m (2014: £9.2m). Earnings per share were up 23%, at 30.8p (2014: 25.1p).

In 2015 Group EBITDA has increased by 5%, to £11.6m (2014: £11.0m).

Dividend

The Group has adopted a progressive dividend policy in recent years, and the Board has proposed we maintain this, along with the payment of dividends quarterly.

The Board therefore recommends a 5% increase in the dividend payable in 2016, to 22.0p (2015: 20.9p) per share. We made the first of these quarterly dividend payments, of 5.5p per share, on 24 March 2016.

Business review

Our main insurance business has again performed strongly in 2015. It was another record year for generating new business, and EBITDA from these activities was up 11% at £9.5m (2014: £8.6m).

We introduced our new technology platform, 'Hapi', the product of our Zeus programme, to 26 of our clients during 2015. It has been extremely well received, and is proving to be an exceptionally valuable component in our sales presentations to prospective new clients. Hapi is a state-of-the-art platform which is very customer-friendly, being easy to navigate and use. Through its wide functionality, it provides a strong digital connection with our individual employee customers. Hapi's versatility makes it attractive to businesses of all sizes, which opens up the SME market to us in a way which was not feasible before.

We have been very pleased with the performance of Lets Connect. In 2015, its first full year under our ownership, its revenue and EBITDA increased by 49% and 62% respectively, to £25.5m (2014: £17.0m) and £2.3m (2014: £1.4m).

In April 2015, we announced the acquisition of the trade and certain assets of an MVNO business which we have rebranded as PG Mobile. The announcement referred to the impact the investment would have on our 2015 outcome due to restructuring, relaunch and other costs. PG Mobile enables us to offer airtime tax efficiently, both as part of our smartphone Lets Connect package and as a stand-alone part of our employee benefits offering.

Governance

Although as an AIM-traded Group we are not required to comply with all the provisions of the Combined Code, we do try to comply with it in most areas, particularly in our Board structure, in the operation of our Board and wider governance areas, and in our disclosures.

Our business would be nothing without its employees. Personal Group has always had an employee-oriented ethos, and our success over the years is significantly attributable to the genuinely distinctive commitment and enthusiasm of our employees – for which I thank them most sincerely on behalf of the Board.

Over the past two years, we have involved our employees in a long-term charitable project, supported financially from the Personal Assurance Charitable Trust (PACT), to build a school in Kenya. In 2015, 19 of our employees visited the project in Kenya, some to help with building work and others to work with the children. Employees have universally found this a richly rewarding, and in many cases, a life-changing experience.

Prospects

Opportunities to increase our shareholder value continue to develop as the Group broadens the range of its products and services to clients, and to the employees of these companies. We have recently invested, and will in 2016 continue to invest, in PG Mobile and the Hapi platform. The Board considers the potential of both areas of our business to be considerable, in their own right and in the way they complement and strengthen our Lets Connect and our employee benefits and insurance areas. The Group is therefore very well placed to continue its excellent progress in its mission to be an innovative, technologically enabled employee engagement business of scale, providing consistently good returns to its shareholders.

I have informed the Board that I will be standing down as Group Chairman at the AGM on 5 May 2016, after more than six years in the role and a further seven years before then as a Non Executive Director. It has been an immense privilege to have played a role in this fine business, which has developed so significantly over the years whilst retaining a compelling culture both in its employee ethos and in its customer focus. I am delighted that Mark Winlow, who has exceptionally wide experience across the insurance industry and has been a Non Executive Director of Personal Group for the past two and a half years, will succeed me as Chairman. I wish him, the Board, and all those others who contribute to the success of the Group, well for the future.

Chris Curling
Non Executive Chairman
29 March 2016

Maximising employee engagement in partnership with OCS Group

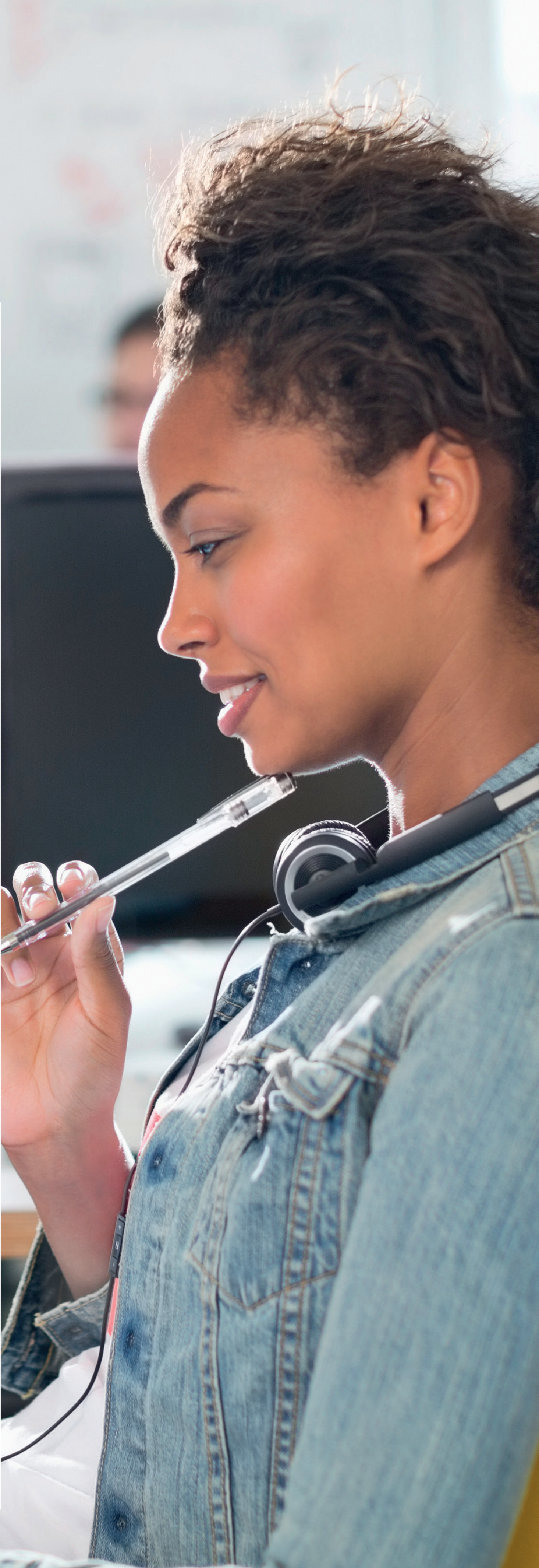
Face-to-face communication, combined with the Hapi technology platform, is helping OCS increase the value of their investment with Personal Group.

OCS is an international business focusing on sustainable solutions for complex facilities management issues. Personal Group has been working with them since 2011, when a bespoke employee benefits website was first introduced for their employees across the UK. Since then, OCS staff have been offered an increasing number of benefits, including an Employee Assistance Programme in 2014. OCS has also used Personal Group to provide a significant volume of shopping vouchers for their in-house reward and recognition scheme.

In 2015, Personal Group upgraded the OCS benefits programme to the new Hapi platform, and at the same time used the platform to change the way they issued payslips to their employees. Instead of the traditional approach of a paper and postal based system of sending out payslips, OCS are using the technology within the Hapi platform to issue electronic payslips to over 20,000 of their UK employees. This approach has increased employee satisfaction, with the "real-time access" to see their payslip whenever and wherever they are.

"The development of the Hapi platform has allowed OCS to gain more value from the partnership with Personal Group. This is resulting not only in real cost savings for our business, but a happier and more engaged workforce."

Ian O'Sullivan, Head of Reward, OCS Group UK



Our Strategy

Technology has been a major enabler of improved customer service with up-to-the-minute information available to our own employees and most importantly to our clients.

Our strategy is "to be an innovative, technologically enabled employee engagement business of scale underpinned by insurance products delivered face-to-face".

We set our strategy in 2012 and it continues to serve us well. Over the past four years we have continually innovated in regard to the service products we have taken to our customers, including retail discounts, employee assistance programmes and more recently payslip delivery. We have also significantly improved the digital delivery of our service on tablet computer when presenting to customers as well as easier fulfilment of services through our digital connection with them. Technology has been a major enabler of improved customer service with up-to-the-minute information available to our own employees and most importantly to our clients.

It is becoming increasingly clear that having a happy and contented workforce leads to better employee engagement leading in turn to improved business performance. Creating an environment where people want to give their best and make available their discretionary effort comes from providing a conducive work environment. Employers can demonstrate they care for their employees by providing benefit and communication programmes which help drive their business performance. Insurance plays a key role in providing peace of mind for employees and all of our offerings, including our forthcoming SME products, have this at their core.

The key differentiator between us and anyone else in our market is our ability to deliver our programmes face-to-face. We create the opportunity for each and every one of our clients employees to meet one of our team where we can explain their programme on an individual basis. This makes it personal and allows that person to get the most out of what we have to offer.

Our strategy is unique, well tested, well established and accepted by our customers. We are constantly looking to improve our service, and quality lies at the centre of everything we do.

Our Business Model

We are an innovative, technologically enabled employee engagement business of scale underpinned by insurance products delivered face-to-face.

MARKET

The Market Opportunity

Evolving space of employee services

Our Technology Platform

Brings employee services into one place

WHAT WE DO

The Market Opportunity

We evolved from our beginnings as simply an insurance provider to a voluntary benefits provider predominantly in retail discounts. However the market is changing and like many others is being disrupted by technology. We believe it is becoming more accurate to describe our marketplace as an employee services market, such is the breadth of the demand. We are evolving and driving some of this change.

Our Technology Platform

Our own in-house developed digital platform is available on any platform at any time and most recently as an app. This system is designed to work on application programme interfaces (APIs), that allows us to quickly integrate new content. The core strength of our platform is its ability to integrate new capabilities, often from third parties, thus avoiding the need to develop from scratch. In fact we have an "API Store" from which clients can select their content in response to their individual needs. This system is scalable and is hosted in the Cloud.

Client Proposition

Our key capability is to offer a single integration point for many benefits and services, all of which we can deliver on a one-to-one basis in the employee's place of work. Our history and strong reputation means we are trusted by our clients, and we enjoy wide access to employees in their place of work. Our business model allows us to fund this access to employees. In this way we can offer our clients a very cost effective solution in comparison to other providers. Our product range continues to expand with everything from reward and recognition to retail discounts to flu jabs!

HOW WE DO IT

Employee Engagement in action

Deliver platform face-to-face

Through a unique workforce

Our culture

OUTCOMES

Clients
Client Employees
Our Team
Personal Group
Shareholders

Employee Engagement in action

We saw around 95,000 individual employees on a one-to-one basis in 2015 to explain their company's bespoke programme. Aside from those who actually spend 20–30 minutes with us we create high levels of awareness at each of the locations we visit. We advertise when we will be there and arrange individual meetings. This allows us to carry the client's message right to the front line, to their employees. We help employees to log on and offer them support to get the most out of the system for themselves. This is a very tangible benefit that only we do.

Through a unique workforce

Key to our success is what we refer to as our "magic accelerant". This simply is our culture. We have a very positive outlook in life and the world of work which helps us achieve more than we think is possible. The 'way' in which we are and how we operate significantly and positively affects our performance. We select our staff carefully, looking for personality attributes first and experience second. We are able to incentivise, motivate and reward individuals which we know drives engagement, the right outcome for our customers and delivers business results. We are a values based business and we encourage people to act in a way that reflects our values. This is ever more crucial in our core insurance business where conduct is all important.

Clients

Unique delivery of our capability which is ever changing and helps them attract and retain staff.

Client Employees

Peace of mind, ease of access and use of our services which delivers real value and savings.

Our Team

A progressive, challenging and learning environment.

Personal Group

Unique and scalable capability with a strong cash generation model.

Shareholders

Shares in Personal Group Holdings Plc have grown significantly in value in recent years and enjoy a progressive dividend policy.

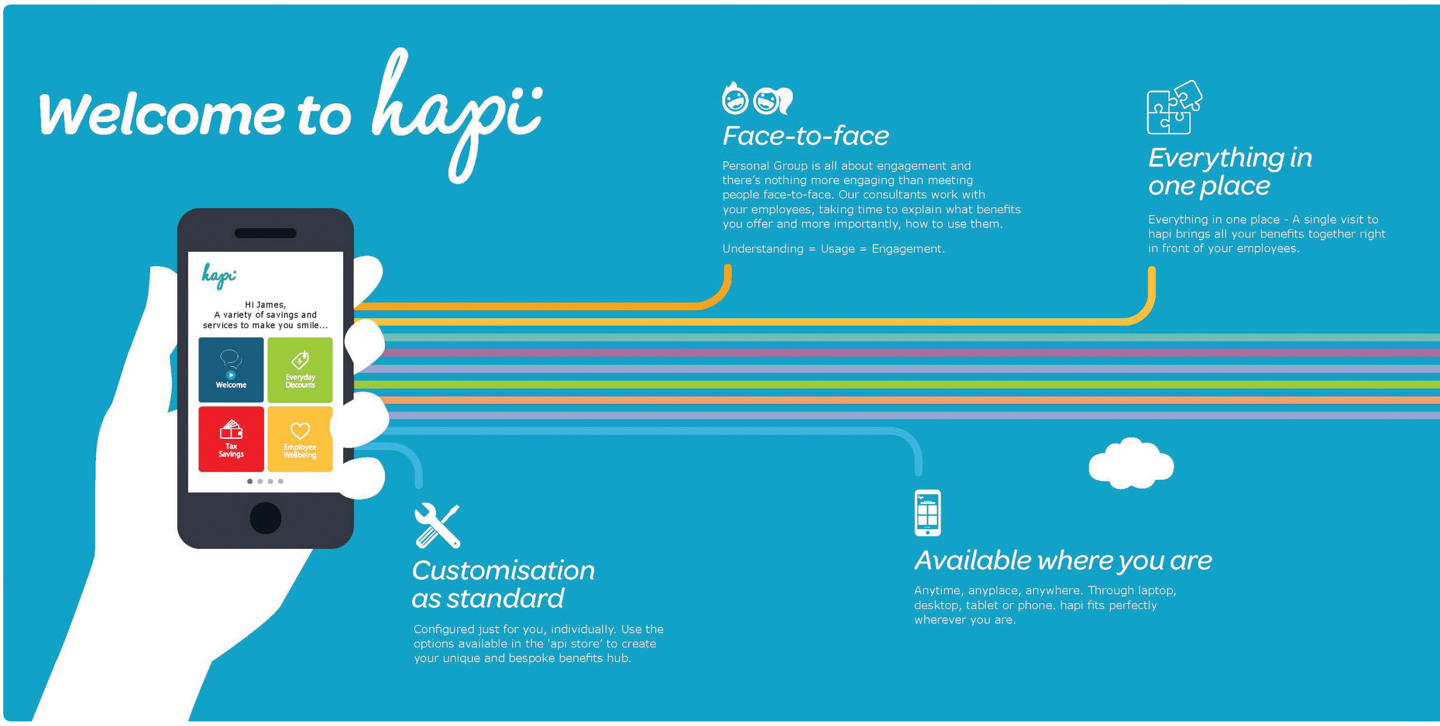
Our Technology

Technology has transformed how Employee Engagement is now provided, as employees want access to their programmes at any time of day, wherever they are.

Developing the Hapi platform has been a major strategic objective for the Group over the past 18 months. Our first clients started using the Hapi platform in 2015, and we now have 30 clients operational on it.

Making the workplace happy

Hapi is our engagement platform, and at the heart of our business. We are continuing to invest in it further, and have now released apps to our clients, which mirror their Hapi configurations. As the rate of technological change continues to increase, we believe we are well placed to capture the opportunity it presents.



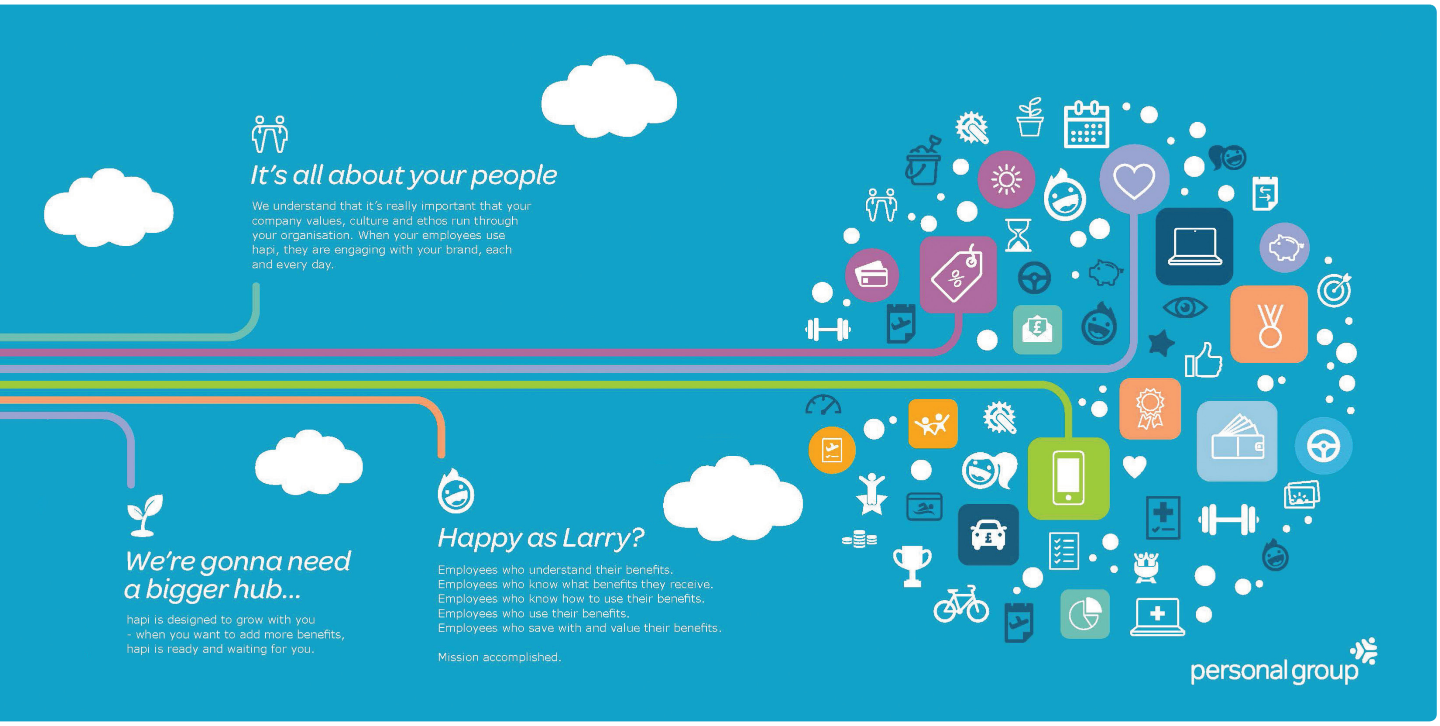
The development of Hapi started over 18 months ago, with the vision of creating a platform to support the provision of employee benefits. Following a review of available technology, Personal Group worked with a global software organisation with over seven million users of its platform globally. Their software allows for the fastest and most comprehensive way to create and deploy the Hapi platform. We have already been able to build existing processes into the new platform architecture, and, we also expect to be able to launch a new ordering platform for our salary sacrifice home technology and smartphone provider, Lets Connect, during the second quarter of 2016. We believe this will enhance the employee experience, as well as increase take-up rates and customer service levels.

Our face-to-face presentation was originally paper based, and was first presented on a tablet in early 2013. In 2015, we released our fourth version of the presentation, which has improved operating cost efficiency.

We are also looking to relaunch our corporate website in 2016, as part of a more fundamental review of the external brand and image of the Group. We will design it with search engine optimisation (SEO) as a priority.

We will advance our app capability. Already we are deploying Hapi on both mobile and desktop devices, with the mobile version supported by an app. This allows clients to increase the reach and specification of Hapi to include push communications and real-time holiday booking, among other areas.

As the rate of technological change continues to increase, we believe we are well placed to capture the opportunity it presents.



Most importantly, our technological focus is allowing us to push the boundaries of employee benefits, and focus more on engagement, particularly in 'consumerising' the employee experience. We believe Hapi allows us to increase engagement by making our platform as easy and enjoyable to use as one designed exclusively for consumer use.

Each version of Hapi we deploy has an in-built capability to grow with our clients' needs, as it is flexible and easy to configure to new requirements.

PCI DSS (Payment Card Industry Data Security Standard) is the global standard for businesses who process card payments. Subscribing to the PCI DSS means that Hapi can process payments as securely as possible and reduce the possibility of card fraud by ensuring that storage, transmission and processing of cardholder data is within guidelines of the PCI standard.

The power of technology is transforming our marketplace. By creating the ability for Hapi to offer customisation, aggregation and ease of upgrade as standard, we believe it will become the benchmark for employee engagement solutions within our marketplace.

Our Growth Plan

Strategic approach to growth

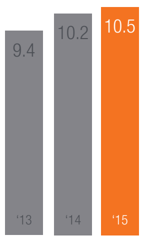
Our business has grown significantly over the past four years, with well executed plans at the heart of our strategy. We have identified three critical elements to our growth plan and we believe they provide the blueprint for further sustainable quality growth for the coming years.

	Progress in 2015	Focus in 2016
	Organic growth We continue to expand our presence in the market by winning more new clients, increasing our footprint in our traditional sectors and exploiting the opportunity to add more value to our client relationships. The percentage of insurance business written from employees of new clients continues to increase as a proportion of the overall new business written. In 2015, 28% of all new business originated from new clients, a figure which has increased steadily over the past three years.	We expect to maintain the level of business from new clients in 2016, using the new Hapi platform and our rebranding as a solid platform to increase our reach to new clients and sectors. We will also look to enter other sectors, positioning our unique approach of blending face-to-face communications with leading technology, as a way for clients to maximise their employee engagement plans.
	Technology The launch of the Hapi platform in 2015 has provided the springboard for the next generation of employee engagement. The flexibility and easily upgradable capability of the Hapi platform has allowed clients to create more engaging and dynamic programmes for their employees. By increasing the value of the programmes we offer, and therefore the likelihood they will be used more by employees, we are creating the opportunity to improve subscription prices from clients. We have already seen 30 clients move to the Hapi platform.	The Hapi platform will become the default solution for all our new clients in 2016, whether they are full employee engagement clients or simply taking one of Lets Connect's salary sacrifice schemes. We have started to introduce additional products and services which command incremental charges including a reward and recognition module, fully integrated salary sacrifice options and the electronic delivery, through the Hapi platform, of employee payslips. The potential to cross-sell additional and incremental services to existing clients is an obvious focus, as is the broadening of the initial client configuration for new organisations. Since the launch of the digital sales presentation in 2013, we have continued to develop our interactive delivery of our programmes and in 2015 we delivered around 95,000 presentations in this way.
	Acquisition With a strong balance sheet and a record of market capitalisation growth, we are well placed to identify and integrate organisations which add significant value. Lets Connect gave the Group the opportunity to not only grow its client base, but to identify cross-selling opportunities. In 2015, a number of existing Group clients took the option of Lets Connect to add to their programme. Overall we have seen a 62% increase in EBITDA and 117% increase in PBT from Lets Connect in 2015. To augment the mobile phone offering Lets Connect provides to its clients, we wanted to add an airtime capability for employees and smartphones as part of their programmes. In 2015, the Group acquired the trade and certain assets of shebang Technologies out of administration and we plan to relaunch the salary sacrifice smartphone with airtime proposition in 2016.	The Lets Connect business has a strong and retained client base, and together with the enhanced smartphone programme, is expected to continue its growth in 2016. A new ordering platform based on Hapi will make the customer experience much simpler and easier and is scheduled to launch in the second quarter of 2016. We believe this will increase participation rates for all Lets Connect programmes. We have increased the business development team and the marketing budget, which we expect will help accelerate this part of our business.

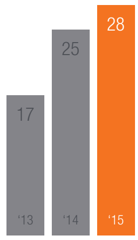
Risk | **KPIs** | **Case studies**

- A lack of interest from clients in the combined face-to-face and technology proposition.
- Lower accessibility to clients.
- Cost pressures due to National Living Wage salary increases reduces the propensity of clients to fund employee schemes.
- Entry of lower-cost options from alternative providers restricts the opportunity to grow our base.

Annualised new business insurance premiums over the last 3 years (£m)



% of new business insurance premiums in respect of new clients over last 3 years (%)



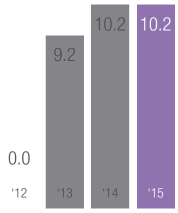
Maximising employee engagement in partnership with OCS

Case Study
OCS 08

- Clients want to simply take an employee benefit platform rather than increasing their investment in an engagement approach.
- The impact of increasing employee-related costs reduces the potential to cross-sell.
- Clients will continue to procure and deploy disparate platforms for the suite of services we offer, rather than aggregate and gain the efficiency savings.
- Lower-cost competitors eliminate the margin by offering products and services at a significantly reduced rate.

Number of clients migrated to Hapi – in 2015 only

Amount of new business premiums issued on the iPad over last 4 years (£m)



Driving growth through technology

Case Study
Barchester Healthcare 22

- Targets with suitable criteria unable to be identified.
- Reduced availability of capital to fund acquisitions.
- Capital difficult to obtain through external fund raising.
- Lower-cost competitors adversely affecting the growth potential of both Lets Connect and PG Mobile.
- PG Mobile does not perform to expectations.

Turnover of Lets Connect since acquisition (£m)

EBITDA of Lets Connect since acquisition (£m)

Maximising the potential of acquisition

Case Study
Lets Connect 27

Our Markets

The employee benefits market continues to evolve with increasing sophistication in regard to the breadth of services as well as the mechanisms of delivery.

The employee benefits market continues to evolve with increasing sophistication in regard to the breadth of services as well as the mechanisms of delivery. At our inception in 1984 we had a short list of simple insurance products. These were provided on a stand-alone basis and sold in a person's place of work. In the early 1990s our main product, the Hospital Cash Plan, became known as a voluntary benefit. It was not funded by the employer but rather chosen and paid for by their employee. As we progressed to the end of that decade, we began to embellish our offering with other benefits. Principal among these were retail discounts, from grocery to DIY and we evolved to include travel and holidays too. More recently we have added services like Employee Assistance Programmes (EAP) to our product offer. Over the past ten years we have seen new entrants with online digital propositions drive awareness of benefits schemes more widely. It has also opened up the SME market which previously didn't have affordable access to the market.

The main reason customers deploy our services is for the purposes of attraction and retention of employees. Offering new recruits a good level of benefits is becoming more and more of a hygiene factor, rather than a differentiator, so innovation to create difference is a real imperative. Once an employee is in post, retention becomes the most important issue and a key enabler in this regard is Employee Engagement. A happy workforce is an engaged workforce. This drives productivity, as motivated employees give their discretionary effort to improve the performance of the Company. Our bespoke programmes allow employers to demonstrate that they are doing the best for their employees. Whether saving money on a grocery shop or receiving legal advice through an EAP, it all drives retention. We have focussed on the more highly used discounts as the advent of Groupon and Wowcher has caused a change in the way our customers use savings. Some customers have said to us that 'this new benefits programme is like a 5% pay rise'. Using our systems fully can save the average worker (as defined by ONS), over £1,000 per annum.

The mechanism by which services are provided is also becoming very important as ease of use drives interaction and satisfaction levels for both employer and the end user. Over time, we moved from paper booklets to websites, and more recently to developing apps. Transforming the way services are delivered is driving higher awareness of what's on offer and allowing easier access to the services by the user. For a number of our clients we provide payslip information directly to an employee's smartphone which automatically drives usage of our app. Having an app installed on a person's mobile phone enables push notifications to be sent to employees in a way that previously wasn't possible by traditional methods like email or text.

There is also a convergence of Flex Benefits and Voluntary Benefits as companies struggle to continue to offer Flex Benefits (which tend to be offered to higher paid employees). As a result they are increasingly turning to benefit programmes like ours. This has seen an increase in the uptake of services like salary sacrifice schemes for anything from income protection insurance to home technology. The bigger Flex Benefits schemes are also struggling to satisfy the pace of change experienced in our sector today. Most of our service provisioning through our new platform 'Hapi' is done through the integration of Application Program Interfaces (APIs) into a single system, where we are aggregating our own services with those of third parties. Our market sector is evolving once more into what might be better described as an 'Employee Services' marketplace. We provide insurance services, retail discounts, payslips, EAP, salary sacrifice cars, bikes, phones, health and wellbeing solutions and even flu jabs through sophisticated mobile technology. We significantly help employers to engage with and get the best out of their employees. Technology is also allowing affordable access to our products to the very smallest businesses in the country, supporting those businesses who encounter the same challenges as their larger counterparts.

We have moved from paper booklets to websites, and more recently to developing and adding apps.

As exciting as the deployment of technology and new services is in our market, it is our experience that delivery of these systems face-to-face has the potential for the greatest impact. Because of our unique business model, underpinned by insurance, we can afford a peripatetic workforce that can roll out our programmes across the country. This capability drives superior uptake and usage and stems from our history. In contrast to competitors, this method of operation has persisted for us and looks sustainable well into the future.

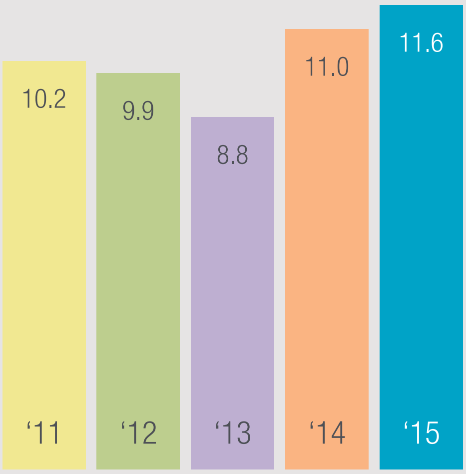
Looking to other jurisdictions like the United States, where personal workplace selling is well accepted as part of normal working life, we see the emergence of businesses like Zenefits, which is a good example of what could happen in other countries.

The market for our products extends beyond just the UK and we can see other developed world markets where our capability would be applicable. Though we don't have any imminent plans, this remains an emerging market opportunity.

Key Performance Indicators

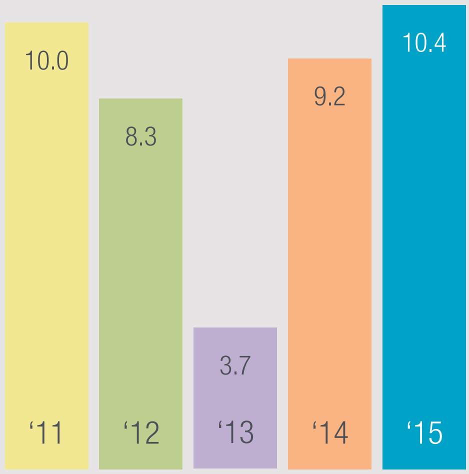
EBITDA (£m)

+5%



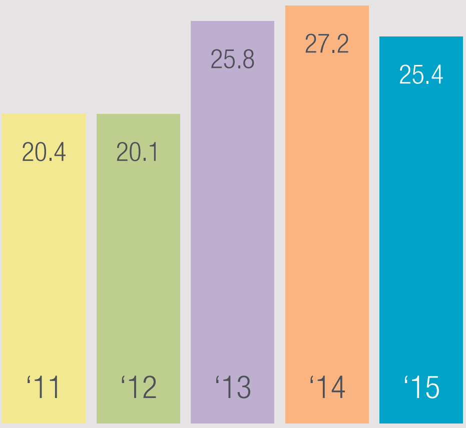
PBT (£m)

+14%



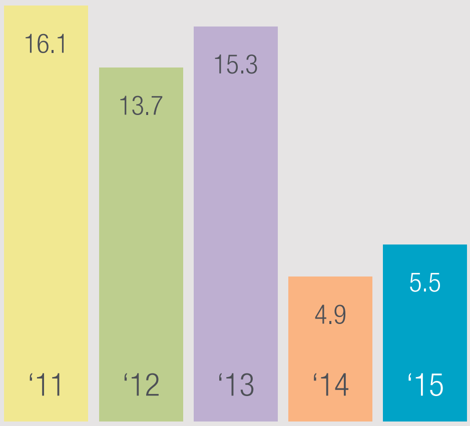
Claims ratio (%)

2% point reduction



Surplus over Group capital resource requirement (£m)

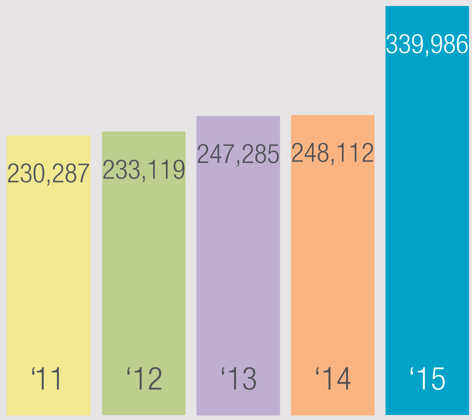
+12%



Number of policies in force

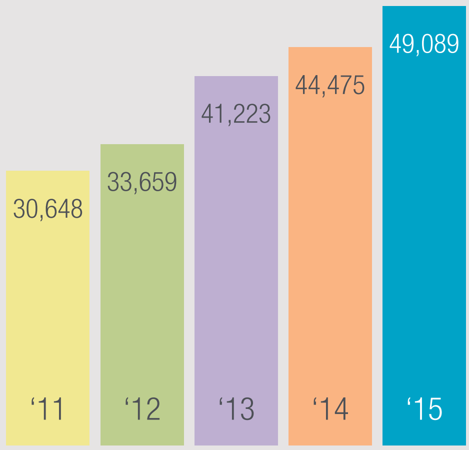
2015 policy numbers reflect the fact that death benefit policies are now underwritten by the Group.

+37%



Number of claims handled

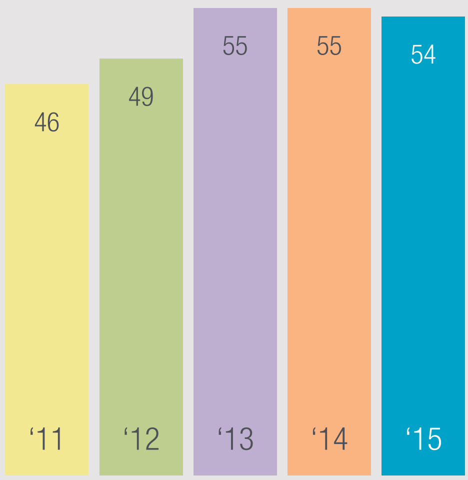
+10%



Enrolled to presented (%)

The % of people who decide to take out one of our insurance policies following a face-to-face presentation.

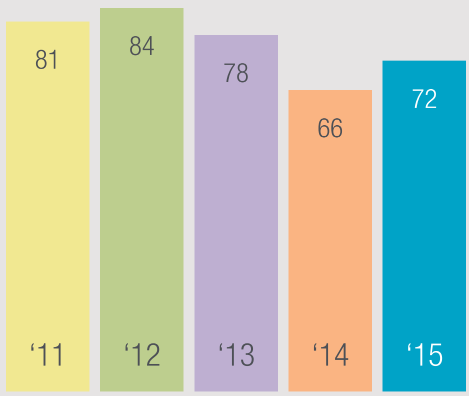
1% point reduction



Acquisition cost per £1 of Annual Premium written (pence)

The upfront sales costs associated with writing each £1 of Annual premium.

+9%



Chief Executive's Statement

In 2015, overall Profit Before Tax grew by 14% to £10.4m.

2015 was a very progressive year for the Company in many ways. Our revenue grew again, by 27% to £59.6m (2014: £47.0m). Our insurance business continued to grow, as did Lets Connect. We have now fully integrated the Lets Connect business, while taking the opportunity to make another bolt-on acquisition, with the establishment of PG Mobile. Our new digital platform, Hapi, is increasing client engagement with our business and we continue to attract and retain new clients. We introduced over 50 new clients across the Group in 2015.

The main insurance business grew its revenue 9% to £30.5m (2014: £28.0m), and grew EBITDA 11% to £9.5m (2014: £8.6m). Our quality remains high, creating a high level of customer satisfaction.

Remarkably through a period of great change in 2015 we saw our employee engagement rating increase.

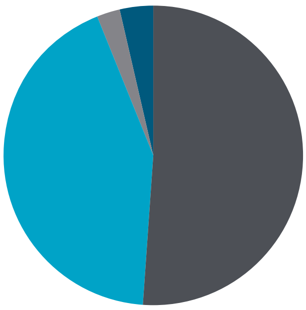
Our existing clients are reacting very positively to our new digital capability, which is also attracting new clients.

Our technology salary sacrifice business, Lets Connect, grew revenue by 49% to £25.5m (2014: £17.0m), and EBITDA by 62%, to £2.3m (2014: £1.4m). We have begun to cross-sell to our existing client base, as well as opening up new third-party channels such as AON and Sodexo. We have broadened our product range to improve the attractiveness of our offering. Most importantly, this business now operates as an integral part of the Group. Its founders withdrew from daily operation in December 2015, though they will remain in an advisory capacity throughout 2016.

Overall profit before tax grew by 14% to £10.4m (2014: £9.2m).

Acquisition remains a key part of our growth strategy, and we took the opportunity to add airtime to our salary sacrifice offerings. Smartphones and airtime are an attractive product for employers, as they don't attract any benefit-in-kind tax. As such, people can save up to 47% of the cost of their phone and airtime. We would not consider operating airtime schemes unless we can control the customer experience, and this is best achieved by operating as a Mobile Virtual Network Operator (MVNO). In April we acquired the trade and certain assets of shebang Technologies Group Ltd to establish our MVNO, PG Mobile. We relocated the business from Daventry to our main office in Milton Keynes, and we are now investing in the business so it is capable of performing to its full potential. The strategic relationship with Hutchinson 3G, the infrastructure provider, gives us a very solid basis from which to progress. In 2015 we saw a revenue level of £1.5m, with a EBITDA loss of £1.1m, in the nine months of ownership. We will continue to invest in this business as planned, to realise the potential we see in it.

2015 Group Revenue



- Insurance (£30.5m)
- Lets Connect (£25.5m)
- PG Mobile (£1.5m)
- Other (£2.1m)

There have been a number of challenges to overcome, none of which in isolation are an impediment, but collectively have delayed us, resulting in the business taking longer than anticipated to get a full trading position.

Our most significant achievement of 2015 was the completion of our Zeus programme, which saw the release, for the first time, of our own digital platform. This platform is named Hapi and is a comprehensive system through which we can provide all manner of services. This capability will revolutionise our position in the marketplace and thereby our business. Though only launched in the third quarter, we already have more than 50,000 users across 30 clients, and the system is proving of interest to potential new clients. We are now able to offer functionality previously not available in a single system: digital payslips, push notifications, salary sacrifice products and retail discounts, to name but a few services. All of this is available anywhere, on any device and, if required, through a bespoke smartphone app, which is in increasing demand from our clients. Providing this functionality through an app allows our clients to deliver right into the 'pocket' of their employees, avoiding potentially huge infrastructure costs while at the same time offering convenience. We can even provide the telephone handset with or without airtime, if a client wishes. All of this puts us in a strong position to take advantage of what looks like a fast emerging market opportunity and we will continue to invest in our technology accordingly.

Our Hapi system was designed to work with an employee count of just one. Therefore it allows us to target the SME market.

Strategy

We outline our strategy on page 9. The strategy we laid out in 2012 is serving us well and we continue to review this regularly at Board level.

People

We continue to be able to attract, motivate and develop talent in our business. Remarkably through a period of great change in 2015 we saw our employee engagement rating increase. The willingness of our staff to work hard is a credit to the team, and for that I thank each and every one of our employees.

Strategic report

The contents of the Strategic Report covered in pages 1 to 31 have been agreed and approved by the Board as at 29 March 2016.

Mark Scanlon
Chief Executive
29 March 2016

hapi
your
engagement
platform

BARCHESTER
Celebrating life

Driving growth through technology

Roll-out of Hapi platform opening up new market opportunities.

Barchester Healthcare is one of the biggest independent care providers in the UK. A key aspect of their approach to caring for their residents is to continuously invest in their staff. Since launching their benefits platform in 2013, Barchester have continued to look for new ways to support their staff. In 2016, they will launch two exciting enhancements through their own Hapi platform. One is a Reward and Recognition programme, to acknowledge and reward staff for their contribution, the other is their own Hapi "Barchester Celebrating Life App", designed by Personal Group. This will allow staff to access their benefit and engagement platform wherever they are, whenever they want.

"I believe that through continued investment in staff, and working closely with Personal Group, we will offer a market leading employee experience for people wanting to work in the care sector."

Steve Offord, Transformation Director, Barchester Healthcare

Chief Financial Officer's Statement

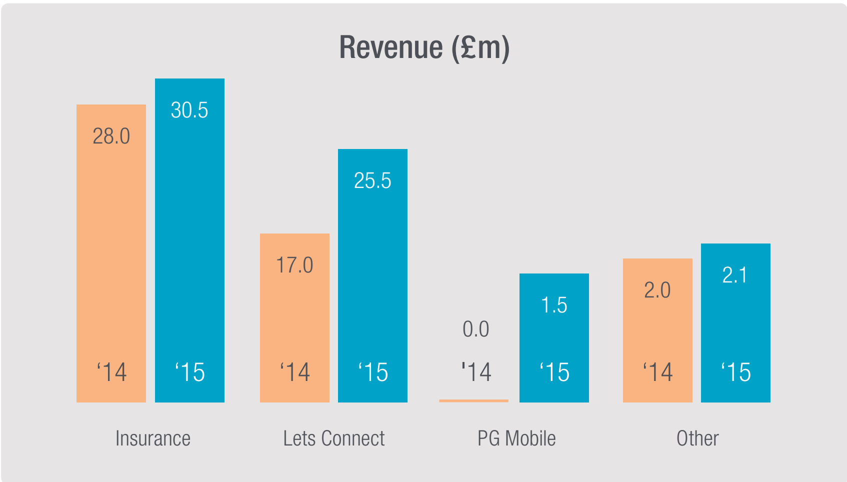
A strong set of results with growth in all our key financial metrics.

Group results	2015 £'000	2014 £'000
Revenue	59,559	47,034
EBITDA*	11,556	10,975
Profit before tax	10,449	9,197
Tax	1,148	1,628
Profit for the year	9,301	7,569
Dividends per share paid in year	20.9	19.6

* EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based payment expenses, acquisition costs, reorganisation costs, write back of contingent consideration and release of tax provision. This definition applies to all references to EBITDA within these report and accounts. A reconciliation from PBT to this adjusted EBITDA has been included on p24.

Revenue

Revenue for the Group of £59.6m in the year ended 31 December 2015, was 26.7% ahead of 2014 (£47.0m) largely due to good organic growth in our insurance business, an increase of £8.5m (49.4%) from the revenue from Lets Connect, acquired in 2014, and £1.5m from PG Mobile, set up in 2015 following the acquisition of the trade and certain assets of shebang Technologies Group Limited out of administration.



Strong organic revenue growth in Insurance and Lets Connect.

Chief Financial Officer's Statement continued

EBITDA increased by £0.6m (5.3%) to £11.6m (2014: £11.0m).

EBITDA

EBITDA increased by £0.6m (5.3%) to £11.6m (2014: £11.0m), reflecting our strategy of focusing on increasing our sales capacity, improving our technology offering to clients and policyholders, and the impact of the acquisition of Lets Connect (LC). Setting up our own Mobile Virtual Network Operator (MVNO), PG Mobile, had a negative impact of £1.1m on EBITDA, without which the underlying business grew 15.5%.

	2015 £'000	2014 £'000
Profit for the year	10,449	9,197
PG Mobile – Reorganisation costs	856	–
PG Mobile – Acquisition costs	341	–
PG Mobile – Intangible amortisation	369	–
PG Mobile – Intangible asset write-down	986	–
LC – Consideration write-down	(2,684)	–
LC – Tax provision	(825)	–
LC – Acquistion cost	–	321
LC – Amortisation of intangible assets	330	275
Share-based payments	1,289	797
Depreciation	348	368
Amortisation (other)	97	17
EBITDA	11,556	10,975

Profit before tax

Profit before tax for the year was a record £10.4m (2014: £9.2m), an increase of 13.6%. This is a result of the improved performance of the existing insurance business, coupled with that of Lets Connect.

The period for determining the final price we paid for Lets Connect finished on 31 December 2015. This resulted in a further payment of £0.3m, bringing the total cost to £6.3m. Given the post-acquisition EBITDA of £3.7m, this is a pleasing return to date, with much more to come. As a consequence of this, we have released £2.7m of the £3.0m previously held as deferred consideration. In addition, we have reduced the provision to cover potential tax liabilities arising from compensation schemes for the Directors prior to acquisition by £0.8m to £2.2m. See note 24 for details.

During the year, we invested in PG Mobile following the acquisition of certain assets of shebang Technologies Group Ltd, out of administration. We are currently investing in this business so it is capable of performing to its full potential. It made a loss of £3.7m in the year, having incurred restructuring and acquisition costs of £1.2m and goodwill and intangible impairment totalling £1m. The business has so far not managed to meet the revenue stream targets originally envisaged. Given the future uncertainty and relative immaturity of this business, we did not feel it was appropriate to hold any goodwill or intangible asset on the balance sheet. See note 35 for details.

The movement in the PBT, year-on-year, was also affected by the share-based payments of £1.3m (2014: £0.8m), which is mainly the LTIP charge for the two schemes in operation. The charge is predominantly caused by the rise in the share price during 2015 (up 32%) together with management's expectation for the future, and market capitalisation over the duration of the five year schemes. See the Remuneration Report on page 36 for details of the executive scheme.

Profit after tax

The tax charge for the year was £1.1m (2014: £1.6m). The resulting profit after tax for the year was £9.3m (2014: £7.6m), an increase of £1.7m on 2014.

Dividend

The final dividend paid in 2015, of 5.225p, brings the full year dividend to 20.9p per share (2014: 19.6p) paid in the year, an increase of 6.6%. Our first quarterly dividend for 2016, of 5.5p, has already been announced and was paid on 24 March. If business continues as anticipated we expect to pay further dividends of the same amount in June, September and December 2016.

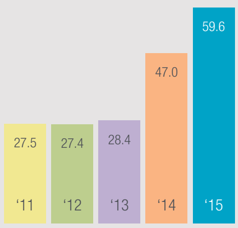
Balance sheet

At 31 December 2015, the Group had a surplus of £5.5m over its Group Capital Resources requirement of £5.0m. The Group balance sheet remains strong, with no debt. 25% of the Group's total assets are held in cash or cash equivalents. The balance sheet of our underwriting subsidiary, Personal Assurance Plc (PA), had a surplus over capital resource requirements of £6.6m at 31 December 2015. This provides a margin of solvency which allows PA to write further significant increases in premium income without the requirement for new capital. We made significant progress in our Solvency II preparation during 2015, and are prepared to meet all of the new regulatory requirements in 2016.

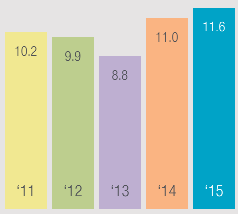
EPS

Basic EPS was up 22.7% to 30.8p (2014: 25.1p). The calculation is detailed in note 13.

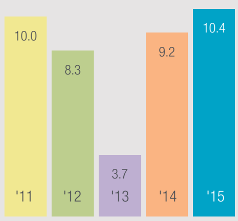
Total Group Revenue



EBITDA



Profit Before Tax



Segmental results

Total Revenue	2015 £'000	2014 £'000
Insurance	30,505	27,994
LC	25,460	17,045
PG Mobile	1,524	–
Other	2,070	1,995
Total	59,559	47,034
EBITDA		
Insurance	9,479	8,555
LC	2,334	1,447
PG Mobile	(1,075)	–
Other	818	973
Total	11,556	10,975

As a result of our acquisitions over the last two years we have amended the segmental result from the prior year to better reflect how the business is now managed.

The Group operates three trading operating segments, namely Insurance, Lets Connect and PG Mobile. Other includes investment income, benefit programme income and financial services offered by BMG and its subsidiary undertakings, which is in decline having ceased to accept new investment business in 2012.

Chief Financial Officer's Statement continued

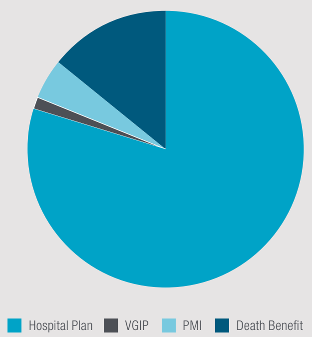
Total revenue up 26.7%.

Insurance

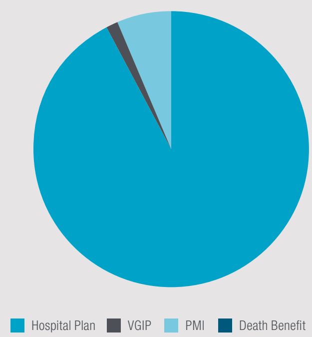
Total revenue increased by 9.0% to £30.5m (2013: £28.0m), largely through a 34.2% increase in death benefit revenue, coupled with a 5.4% growth in our main hospital and convalescence plan. During the year, we set up Personal Assurance (Guernsey) Limited, a wholly owned subsidiary in Guernsey, to underwrite death benefit policies. Prior to this, we simply received a commission and profit share. All of our death benefit insurance book transferred to Guernsey on 1 April 2015. We have been pleased with the success of this operation, which is managed by ARM, Europe's largest independent insurance manager.

The Group handled 49,051 hospital and convalescence plans and income protection claims (2014: 44,475), the vast majority of which were settled within 48 hours. The claims-loss ratio decreased to 25.4% (2014: 27.2%), reflecting an increase in our hospital and convalescence business from 22.8% to 23.7%, and with PMI business reducing to 57.0% (2014: 68.4%) on a book whose revenue has declined 11.0%. Death benefit business, with a loss ratio of 16.8%, has also contributed to the overall reduction in loss ratio %.

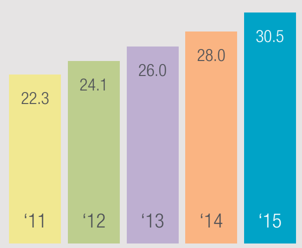
Earned Premium 2015



Earned Premium 2014



Insurance revenue (£m)



EBITDA growth of 10.8% is particularly pleasing and reflects a continued strong performance from our insurance business.

Lets Connect

Revenue from Lets Connect, our salary sacrifice technology business, grew 49% during the year, with a 62% increase in EBITDA. We are particularly pleased with this acquisition, made in 2014, and are now benefiting from cross-selling to our existing customers.

PG Mobile

Revenue from PG Mobile was £1.5m, post-acquisition, and reflects the effort required to get the business operational having purchased the trade and certain assets from shebang Technologies out of administration. This resulted in an EBITDA loss of £1.1m reflecting that it is taking us longer than originally envisaged to get this business fully operational.

Other

The revenue of £2.1m is up 4% on 2014, reflecting an increase in income from benefit programmes, lower investment income and our financial services business, Berkeley Morgan Ltd, which is essentially in run off. EBITDA has fallen £0.2m to £0.8m, reflecting a reduction in margin on employee programmes while we have been developing our new platform, Hapi, and the previously mentioned investment income.

Mike Dugdale
Chief Financial Officer
29 March 2015

Maximising the potential of acquisition

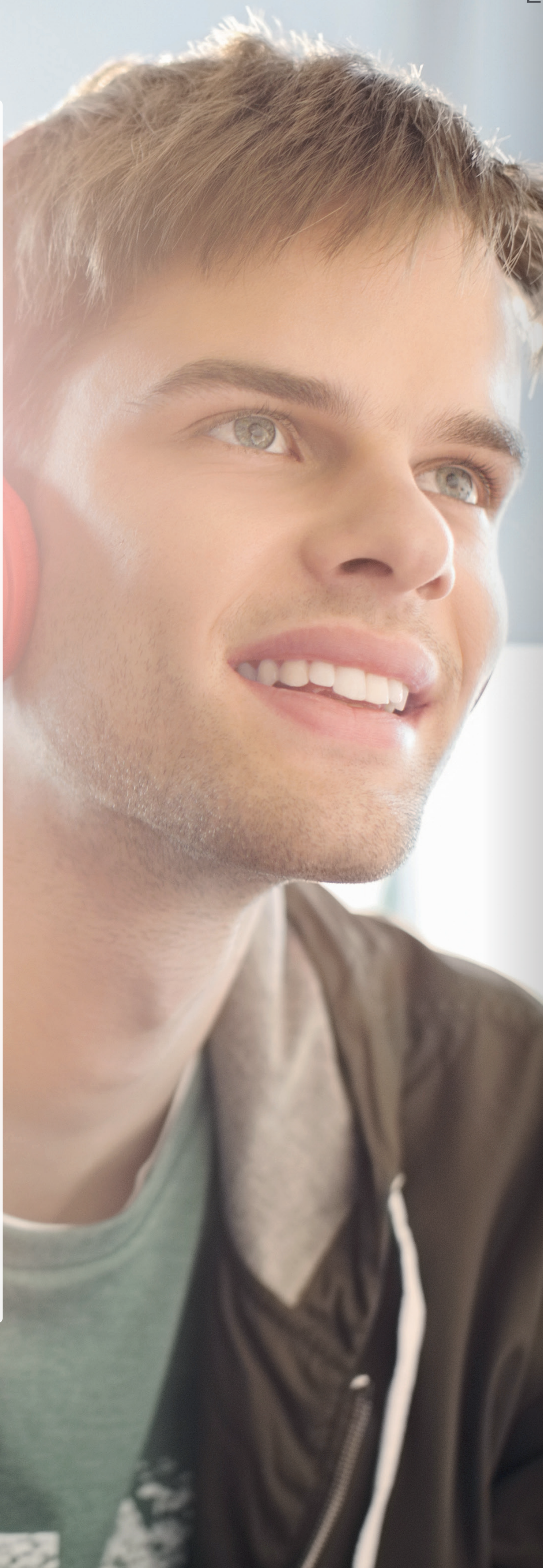
In 2014, Personal Group acquired the technology business, Lets Connect.

As the leading provider of Salary Sacrifice Home Technology programmes in the UK, Lets Connect met the criteria for acquisition, and in March 2014, became part of the Group. The objective of the acquisition was to grow the existing portfolio of clients, develop schemes for existing portfolio of clients, develop schemes for existing Personal Group clients and ensure an effective transition of ownership from the two owner-managers to the Group.

A successful year of trading in 2014 was followed in 2015 by the leadership of the organisation by David Walker, Chief Commercial Officer of Personal Group. This approach accelerated the integration of the business, reducing the risk of failure and the sharing of commercial opportunities. As a result a clearly defined operational, sales and marketing plan was developed and executed, resulting in an overall year-on-year increase in EBITDA of 62%, with many new schemes originating from Personal Group's existing client base. The increase in turnover and profit was delivered alongside an effective succession plan, which allowed for a planned and orderly handover of control from the founders of the business to Personal Group management.

"The way in which Personal Group were able to both drive the business forward, whilst integrating the operational and commercial aspects of the business into their own operations, was immaculately managed. We were so happy with the way the integration was delivered, that we will be staying with the business through 2016."

Dave Cullinane and Steve Manister, Founders of Lets Connect



Risk Management

The Board recognises that the effective management of risks and opportunities is fundamental to achieving the Group's strategic objectives. As a result, it is important there is a strong risk management culture throughout the Group, and that we identifiy, assess and appropriately mitigate the key risks to the Group achieving its objectives.

Risk vision and strategy

To achieve its objectives as well as sustainable profitability, the Group will pursue opportunities that give rise to risk. Therefore we have adopted an Enterprise Risk Management Framework as part of our decision-making and business management processes. As a result of this rigorous approach, the Group can maintain financial security, produce good outcomes and the fair treatment of customers, and meet the needs of other parties such as shareholders, employees, suppliers and regulators.

We review the risk management strategy regularly, particularly after any significant change to the risk environment and, each year, after the approval of the Group's strategy and business plans.

Enterprise Risk Management Framework

We define the risks the Group is exposed to in a number of key risk categories:

Credit risk

The risk of loss or of adverse change in the Group's financial situation, resulting from fluctuations in the credit standing of counterparties or debtors it is exposed to.

Market risk

The risk of loss or of adverse change in the Group's financial situation arising, directly or indirectly, from fluctuations in the level and volatility of market prices of assets or income from assets, and financial instruments such as interest rates and equity prices.

Insurance risk

The risk arising from fluctuations in the timing, frequency and severity of insured events or claims settlements, relative to expectations at the time of underwriting.

Liquidity risk

The risk that, though solvent, the Group has insufficient financial resources, or cannot realise investments and other assets, to meet its obligations as they fall due, or can do so only at excessive cost.

Operational risk (including regulatory risk)

The risk of loss arising from failed or inadequate internal processes, or from personnel and systems, or from external events.

The Board has defined risk appetite statements for each of these categories to describe the level of risk the Group is willing to take to meet the strategic objectives.

The Enterprise Risk Management Framework, shown below, comprises 'Three Lines of Defence' to manage risk across the Group:

First line – Risk ownership and risk management

Management of risk is delegated to business operations management, known as The First Line. They are responsible for identifying, establishing, maintaining and monitoring controls to manage the risks the Group faces.

Second line – Overseeing risk

The Risk Team, known as the Second Line, develops and maintains effective risk management within risk appetite, and reports risks to the Board.

Third line – Independent assurance

The Group Internal Audit function, fulfilled by RSM Group, provides an independent assessment to the Board as to whether all significant risks are identified, adequately controlled and appropriately reported by management to the Board, including the effectiveness of the risk management framework.

The Enterprise Risk Management Framework

Risk governance

To support the Board and provide risk governance, the Risk and Compliance Committee considers all risk-related matters for the Group. The Committee comprises four Non Executive Directors, the Chief Executive and the Chief Financial Officer with the Head of Risk in attendance.

The Head of Risk also compiles and circulates a formal report each month that is considered at every Board meeting, covering all areas of risk management.

Key risks and potential impact	Mitigation and movement
Solvency II This Directive harmonised European Union insurance regulation from 1 January 2016 and implemented new solvency requirements for insurers. To remain authorised by the Prudential Regulatory Authority, we have to demonstrate that the control framework in place meets regulatory requirements and protects policyholders from the impact of these risks.	During 2015, we continued to develop and use the Own Risks and Solvency Assessment process to better reflect the risks faced by the Group, and to give greater focus to how risk exposures are evaluated through the quality of the risk management and governance systems. We are now in a position to comply with the required Day 1 reporting later in the year.
Insurance Premium Tax (IPT) changes The standard rate of IPT was increased from 6% to 9.5% on 1 November 2015. This has required process revisions and we have also considered the impact on product pricing. In addition, the March 2016 budget announced a further 0.5% increase to 10% effective from 1 October 2016.	We have updated premium collection, financial management and financial reporting processes in place to ensure we calculate any additional tax accurately, collect and report it. However, we have absorbed the cost of the increase in IPT for existing customers.
Changes to salary sacrifice rules It is recognised that the UK government may change the rules regarding salary sacrifice arrangements, particularly as it has the potential to reduce the amount of NIC and income tax paid to the government. The popularity of salary sacrifice schemes is such that a number of providers are likely to be running their schemes with few controls. This has the potential for employee detriment and damage to the sector as a whole.	A number of our clients are launching "net pay" schemes, offering a different format of salary deduction, reducing the reliance of currently defined legislation, which has the potential to be changed. We are already making such "net pay" schemes available to our clients.
Concentration The Group's experience in a number of sectors means a number of larger clients are in the care home, logistics and food preparation sectors. Any change in the risk environment in these industries could have a disproportionate impact upon the Group.	In 2015, we took on 50 new clients, reducing the reliance on existing clients. Whenever the opportunity arises, we will look to cross-sell the offerings of Lets Connect and PG Mobile.
Information security The Group collects significant volumes of both personally identifiable and sensitive information about individuals to enable the products and services we offer to the employees of our customers. The risk profile of information security and cybercrime continues to increase with recent, very public breaches. What's clear is that no-one can be completely immune to the determined attacker and any breach could have a material impact on the Group, it's customers and their employees.	Information security is high on our agenda, we are constantly evolving our policies and procedures as well as taking practical steps to enhance our security and protect against threats. Over the past year we have become PCI compliant and as part of this a number of new disciplines and controls are in place within the Group, including more frequent penetration and vulnerability testing. One of the reasons we chose our software provider as a development toolset for our Hapi platform is that it has a number of in-built defensive strategies for known security attack methods, in addition we also ensure all personally identifiable data is encrypted at rest within Hapi to recognised, best practice standards.

Partnering with Memusi Foundation

2015 has been an incredible year for Personal Group and the Memusi Foundation. Three volunteer trips resulted in the creation of three medical camps that support 1,500 people with free medical care. Group staff also helped build teachers' accommodation and classrooms for our school in Shampole, which opened in 2016. Due to high demand for education in the area, the initial plan to open a school for 350 children has now been extended to provide a double school for 700 children. In 2016, we will run a further two volunteer trips, and develop more new classrooms and accommodation for teachers.

"Thank you Memusi for letting us be part of this amazing experience. I am proud to say I have made a difference."

Rachel Etches, Account Manager

Corporate Social Responsibility

We support a range of voluntary sector and community activities.

We aim to ensure the way we conduct business has a positive impact on employees and on the communities where we operate. Our activity includes a charitable fund to which Personal Assurance plc contributes approximately half of 1% of premium income. We support a range of voluntary sector and community activities, primarily where our employees or employees of client companies are involved.

Since 2010 we have donated £120k to sponsor the St John Ambulance National Schools First Aid Competition.

Events carried out for our Charities of the Year 2015:

Pancake/Wear Red Day
in aid of Comic Relief

Easter Egg Hunt
in aid of Milton Keynes Food Bank

Hot Dog Sale
in aid of Help for Heroes

Christmas Party raffle
in aid of Henry Allen Trust

TOTAL RAISED:
£2,483

£62k
donated to Milton Keynes Christmas Party for the Elderly since 2001

£250k
pledged to complete a school in Kipase, Kenya over the next seven years in partnership with the Memusi Foundation

£2.1m
donated to charities worldwide since 1993

STRATEGIC REPORT
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Board of Directors

Chris J Curling ❶
Non Executive Chairman

Chris Curling is a lawyer and businessman. As corporate finance lawyer, and for 15 years as either Chief Executive or Executive Chairman, he led the development of Osborne Clarke from a provincial firm to a national and international law practice. For the past ten years he has sat on the boards of a number of listed and private companies. He is now a Non-Executive Director of Bristol Water Plc. He was appointed to the Personal Group Board in September 2002 and became Non-Executive Chairman in 2009.

Mark Winlow ❹
Non Executive Director
Chair of the Audit and Risk Committees

Other roles include Chairman of insurer Ageas and broker RFIB, as well as audit and risk chair at reinsurer TransRe, life insurer AIG Life and Starling Bank. Mark Winlow has over 30 years of experience in financial services in the UK and internationally, including time at Zurich Financial Services where he was Managing Director of Zurich's UK consumer business. Mark has also been a partner in audit and advisory firms KPMG and EY.

Sarah Mace ❻
Company Secretary

Sarah joined Personal Group in January 2014 as Group Financial Controller and Company Secretary. Having gained a degree in mathematics from Oxford University, she qualified as a certified accountant in 1992. The early part of Sarah's career was spent in life assurance and pensions, followed by various roles in Cable & Wireless Communications. Prior to joining Personal Group, Sarah was head of finance for private-equity-backed Chicago Leisure Limited.

Mark W Scanlon ❷
Chief Executive

Appointed Group Chief Executive in December 2011, Mark has spent most of his career in growing businesses. Having gained a degree in electronics from the University of Limerick in 1990, he spent time working for Schlumberger Industries, Viasystems, BAE Systems and Dyson, where he established and then led their Commercial Division. For four years prior to joining Personal Group, he was Managing Director and latterly Chief Executive at FMG Support, an outsourced service provider to the fleet industry.

Ken W Rooney ❺
Deputy Chairman

Ken Rooney held the role of Group Chief Executive between 2003 and 2008, and returned to the role temporarily during 2011. He retired from his executive position in the Company last year, but remains within the Group as a Non Executive Director, and is the Group's deputy chairman. He joined the Group in 1999, and his 40 years' experience in financial services includes running his own company until 1998.

Mike I Dugdale ❼
Chief Financial Officer

Mike was appointed to the Board on 30 January 2013. He started his career at Ernst & Whinney in 1983 before moving to Arthur Young in 1987. He subsequently spent eight years with Reebok in the UK and Canada in a variety of roles, before being appointed international Finance Director for the business outside of North America. In 1996 he joined Guardian Royal Exchange as Group Financial Controller and in 2001 joined BUPA, staying for over eight years, initially as Group Financial Controller and subsequently as Finance Director of BUPA Membership, its UK insurance business.

Deborah Rees ❸
Non Executive Director
Chair of Remuneration Committee

Deborah joined the Board of Personal Group as a Non Executive Director in September 2015. She is CEO of Innecto Reward Consulting, a specialist pay-and-reward consultancy firm, where she specialises in working with high growth businesses. Deborah started her career with Marks and Spencer, worked with Nationwide Building Society as Head of Reward and then spent a couple of years as a Senior Consultant with Towers Perrin, before establishing Innecto 14 years ago. Deborah uses her specialist knowledge to chair the Remuneration Committee, and her detailed background in pay and benefits provides commercial insight into our key customer offering.

Audit Committee
Remuneration Committee
Risk and Compliance Committee

Senior Management Team

Mark Scanlon 1
Chief Executive
See biography left.

Ashley Doody 2
Chief Information Officer
Ashley joined Personal Group in May 2013 as Chief Information Officer. He brings considerable experience, having started his career with Hoskyns Group in 1992. He went on to spend 17 years at Thomson Reuters, most recently as Chief Technology Officer of the UK Legal Information business unit there. In this role, Ashley implemented a SAP solution and led the creation and development of a number of online technology platforms and products for the legal industry. He spent two years at Motability Operations as Head of Development, where he was responsible for running the technology development teams and developing the Company's online presence.

Rebekah Tapping 3
HR Director
Rebekah was appointed as Group HR Director in January 2015. She started her career in operational management before progressing through various HR roles in the retail and public sectors. Her first HR Director role was in B2B telecoms for Daisy Group, a highly acquisitive, rapidly growing business. From there she moved on to Huntingdon Life Sciences to develop their HR function following an acquisition that had doubled them in size and made them a global business.

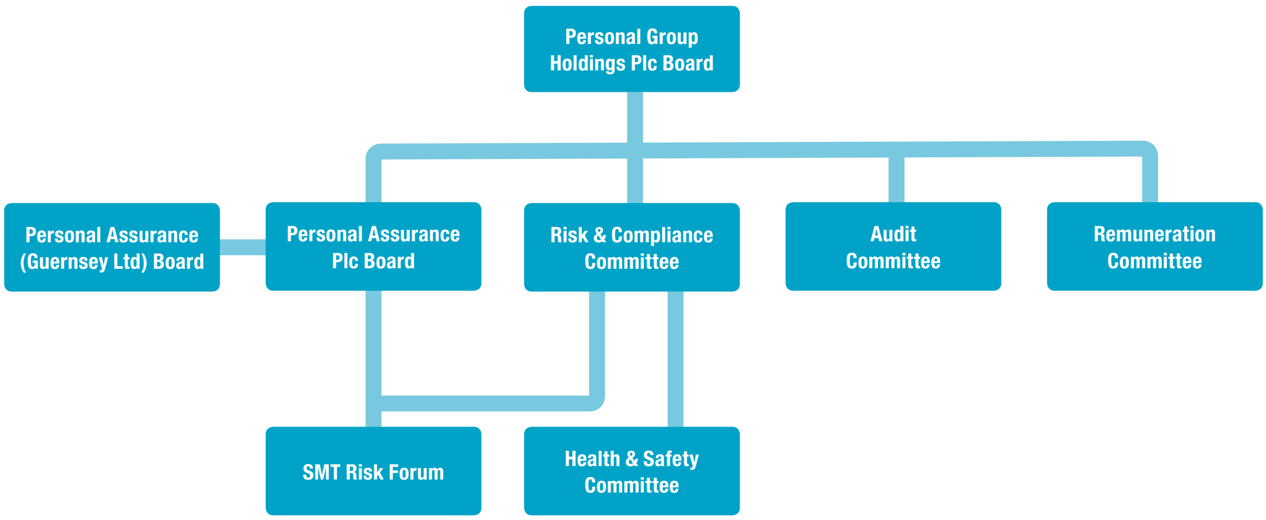
Mike Dugdale 4
Chief Financial Officer
See biography left.

David Walker 5
Chief Commercial Officer / Managing Director Lets Connect
David oversees all client development, marketing, supply chain, business development, and product design and structure activity for the Group. Prior to joining Personal Group in July 2012, David held roles within Corporate Banking at Barclays, Head of Commercial Sales at BSkyB and, most recently, Managing Director of Dyson's B2B operation in the USA. In January 2015, David assumed the role of Managing Director, Lets Connect in addition to his Group remit.

Andrew Lothian 6
Managing Director PGB Sales
Andy joined Personal Group in 1998 as a Group Account Executive and steadily progressed through the Company. He stepped up to the Development Manager role in 2001 and then to Regional Manager, overseeing two record-breaking years for Personal Group sales. He was promoted further in 2004 to National Sales Manager and enjoyed a further period of record new business growth. In 2010, Andy became Personal Group Benefits Managing Director and has continued to manage the sales growth strategy.

Corporate Governance

Our governance structure



General principles

The Board of Personal Group Holdings Plc supports the principles of, and is committed to, achieving high standards of corporate governance. As an AIM-listed company, Personal Group does not need to comply with the UK Corporate Governance Code 2014 (the Code) but nevertheless looks to do so. Personal Group Holdings is subject to the UK City Code on Takeovers and Mergers.

Board of Directors

The Board consists of two Executive and four Non Executive Directors. It meets regularly and is responsible for Group strategy and development, and the efficient management of its resources.

Before meetings, members are supplied in good time with information on financial, business and corporate matters, enabling them to fulfil their duties. All Directors have access to the advice and services of the Company secretary and are given appropriate training when required. There are also procedures in place for the Non Executive Directors to obtain independent legal or other professional advice at the Group's expense.

The Group has a formal schedule of matters reserved for decision by the Board. In addition, the Board has committees with written terms of reference, to fulfil specific functions as set out below. The matters reserved for the Board include the appointment of Directors and Senior Executives, meaning it does not consider a separate Nominations Committee necessary.

Audit Committee

The Audit Committee comprises four Non Executive Directors and is chaired by Mark Winlow. It meets at least twice a year, with the Chief Executive, the Chief Financial Officer and auditor usually in attendance. Its key responsibilities are to review accounting matters, financial reporting and internal controls (including the internal audit function), together with the interim and annual results announcements. It also agrees the scope of services provided by the internal audit function.

Remuneration Committee

The Remuneration Committee comprises four Non Executive Directors with the Chief Executive in attendance, and is chaired by Deborah Rees. It meets when required, but not less than once a year. Its key responsibilities are to review and make recommendations to the Board for the terms and conditions of employment of the Executive Directors (including performance-related bonuses, share options and incentive plans), and to set the framework for the remuneration of other Senior Executives.

The remuneration of the Non Executive Directors is fixed by the Board as a whole, but Non Executive Directors do not participate in discussions about their own remuneration.

It also reviews appropriate remuneration of front line sales in the insurance business.

Risk and Compliance Committee

The Risk and Compliance Committee (RCC) comprises four Non Executive Directors, the Chief Executive, and Chief Financial Officer with the Head of Risk normally in attendance. It is chaired by Mark Winlow. It meets as required, but not less than four times a year. It is responsible for overseeing the risk management and compliance function of the Group, and reports to the Board on a range of compliance and operational activities of the Group as a whole.

The Committee has also considered, challenged and reviewed the Own Risk and Solvency Assessment for the Group's general insurance underwriter.

Auditor independence

The Audit Committee reviews the nature and extent of non-audit services supplied by the external auditor to the Group, looking to balance objectivity and value for money. In determining the policy, the Audit Committee takes into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that:

- The external auditor audits its own firm's work.
- The external auditor makes management decisions for the Group.
- A mutuality of interests is created.
- The external auditor is put in the role of advocate for the Group.

Internal control

The Board of Directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system, however, is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Board has established a continuous process for identifying, evaluating and managing the Group's significant risks. This involves monitoring all controls including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from senior management and professional advisers to ensure that any significant weaknesses are promptly remedied.

More detail on these processes can be found on page 28. During the year, RSM (formerly known as Baker Tilly) continued to provide an internal audit function that is risk-based and focused on key areas agreed with the Board.

Relationship with shareholders

The Board attaches a high importance to maintaining good relationships with institutional shareholders and analysts, and aims to keep them updated fully on the Group's performance, strategy and management. In addition, the Board welcomes as many shareholders as possible to attend the Annual General Meeting, and encourages open discussions, both as part of the formal proceedings and afterwards.

Remuneration Report

The Directors present the remuneration report for the year ended 31 December 2015.

Composition of the remuneration committee

The remuneration committee comprises the four independent Non Executive Directors, with the Chief Executive in attendance, and is chaired by Deborah Rees. The Remuneration Committee operates within defined terms of reference. It met three times this year.

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key senior staff. The packages are designed to be competitive and geared towards performance achievement. We have considered comparators of senior employees of similar sized public companies in related sectors when establishing these levels. It is the Board's policy to align the interests of our business leaders with those of our shareholders by linking long-term performance of the business with long-term share-based incentive plans (LTIPs 1 and 2). We also offer an annual bonus based on the achievement of key performance metrics relating to the main operational focus of the year, including targets for revenue and profits.

The components of the Executive Directors' remuneration packages are currently a basic salary, annual bonus, Long Term Incentive Plan (LTIP), non-matching pension contributions and life cover.

The Board as a whole determines the remuneration of the Non Executive Directors after considering external market research. Non Executive Directors do not participate in the bonus schemes or the LTIPs.

Service contracts

The Executive Directors have service contracts that can be terminated on twelve months' notice. These provide for termination payments equivalent to twelve months basic salary and contractual benefits.

The Non Executive Directors have letters of appointment that can be terminated on six months notice.

Membership of Board and Directors' interests

The membership of the Board at the end of the year is set out below. All Directors served throughout the year with the exception of Deborah Rees who was appointed on 21 September 2015. Ken Rooney was an Executive Director until 30 June 2015, when he became a Non Executive Director.

The interests of the Directors and their families (including transactions committed to before the year end and shares held in the all employee share ownership plan) in the shares of the Company as at 1 January 2015 or date of appointment if later, and 31 December 2015, were as follows:

	Ordinary shares of 5p each in Personal Group Holdings Plc	
	At 31 December 2015	At 1 January 2015 or date of appointment if later
Chris Curling (Non Executive Chairman)	26,024	25,756
Mark Scanlon (Group Chief Executive)	27,799	152,599
Mike Dugdale (Chief Financial Officer)	16,864	811
Ken Rooney (Non Executive)	1,811	2,688
Mark Winlow (Non Executive)	–	–
Deborah Rees (Non Executive)	–	–

At 31 December 2015 the mid-market closing share price was 617.50p per share.

Directors' remuneration

The remuneration of the Directors listed by individual Director is as follows:

	Salary and fees 2015 £'000	Share-based payment expense 2015 £'000	Pension contributions 2015 £'000	Total 2015 £'000	Total 2014 £'000
Chris Curling*	71	–	4	75	71
Mark Scanlon	380	1,732	20	2,132	1,110
Mike Dugdale	253	45	–	298	254
Ken Rooney*	81	–	6	87	194
Mark Winlow*	37	–	–	37	33
Deborah Rees*	**10	–	–	10	–
John Barber	–	–	–	–	284
Harry Driver*	–	–	–	–	33
Total	832	1,777	30	2,639	1,979

*Non Executive Director fees (Ken Rooney's remuneration includes Executive fees from 1 January 2015 to 30 June 2015 and Non Executive fees from 1 July 2015).
** Appointed 21 September 2015.

Directors' share options

At 31 December 2015 options outstanding were as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
Ken Rooney	2,882	415.00	31 October 2016
Mark Scanlon	6,166	486.50	3 April 2017
Mike Dugdale	6,166	486.50	3 April 2017
Mark Scanlon*	305,793	0.00	25 November 2015

*Issued under LTIP1 (see below).

Long Term Incentive Plans

LTIP1

During 2012 the Company adopted a discretionary Long Term Incentive Plan (LTIP1) for the benefit of selected Directors and senior employees of Personal Group.

The Plan provided for the grant of awards, entitling participants to the payment of a bonus relating to the percentage increase in the market capitalisation of the Company over a specified period. The awards are satisfied in shares, or at the discretion of the remuneration committee wholly or partly in cash in accordance with the Plan rules. It is the Remuneration Committee's intention to settle these awards in shares.

A participant is entitled to a payment in respect of their award on each of the second, third, fourth and fifth anniversary of their commencement date in the plan or if there is an exit event such as a sale before the fifth anniversary date. Each participant was awarded a specified percentage of the value increase in the market capitalisation. If there is no increase in market capitalisation at the award dates then no payment is made. Where the market capitalisation has increased the level of payment is 10%, 30%, 60% and 100% cumulatively on the second, third, fourth and fifth anniversaries respectively of the relevant percentage entitlement. The number of shares awarded is determined by dividing the amount of the appropriate payment by the market value (as defined in the Plan rules) of the shares on the relevant anniversary date.

The maximum amount payable by the Company over five years was originally £10m with the only participating Board members being Mark Scanlon and Mike Dugdale who were entitled to a maximum of 5% (£5m) and 1% (£1m) respectively of the increase in market capitalisation. The start date for Mark Scanlon was 25 November 2011 and for Mike Dugdale was 2 January 2013 when the market capitalisation was £81.55m and £96.96m respectively.

Remuneration Report continued

As LTIP1 will start to mature at the end of 2016, in July 2015 a further scheme (LTIP2) was put in place to take effect from 30 July 2015 (see below). In conjunction with the introduction of this scheme LTIP1 was amended to:

- Include a maximum cap on market capitalisation of £183.7m. This had the effect of reducing the maximum amount payable by the Company over the five years to £8.3m and the maximum amounts payable to Mark Scanlon and Mike Dugdale to £5.0m and £0.9m respectively.
- Grant options rather than shares at each vesting date such that PAYE and NI liabilities will only arise at the date of the exercise of the option.

During 2015, 53,886 new shares were issued under LTIP1 of which 9.667 were awarded to Mike Dugdale, with the remainder issued to other senior employees. In addition, share options were issued in respect of 336,373 shares of which 305,793 related to Mark Scanlon, with the remainder in respect of other senior employees.

LTIP2

As with LTIP1, 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. As is the case with LTIP1, LTIP2 is Market Capitalisation based and becomes reward bearing above a Company Market Capitalisation of £183.7m. It also has a yearly EPS performance criterion through its life which can be adjusted by the Remuneration Committee.

Under the LTIP2 incentive arrangements the following 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.

	ESS Shares awarded
Mark Scanlon	20,000
Mike Dugdale	4,000
Other senior employees	12,000
Total	36,000

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. The maximum potential dilution assuming all the ESS Shares are converted into ordinary shares in the Company would be approximately 4.2%. of the enlarged issued share capital of the Company.

The maximum amount payable by the Company over five years is £15m with the only participating Board members being Mark Scanlon and Mike Dugdale who are entitled to a maximum of £8.3m and £1.7m respectively based on their ESS holdings above.

Group employee breakdown by gender as at 31 December 2015

	Male	Female
Directors	12	2
Managers	18	19
Employees	90	88
	120	109

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

Principal activities

The Group is principally engaged in transacting employee benefits related business, including short-term accident and health insurance and the provision of salary sacrifice technology products in the UK.

Results and dividends

A review of the year's results is given in the Chief Financial Officer's Statement (see pages 24 to 26).

The profit for the year is £10,449,000 (2014: £9,197,000) before taxation of £1,148,000 (Restated 2014: £1,628,000). During the year ordinary dividends of £6,325,000 (2014: £5,899,000) were paid.

Directors

The membership of the Board at the end of the year is set out in the remuneration report on page 36. The remuneration report also includes details of the Directors' remuneration and interests in the ordinary shares of the Company.

During the year all Directors and officers were covered by third party indemnity insurance.

Charitable donations

Donations to charitable organisations amounted to £100,000 (2014: £100,000).

Principal risks and uncertainties

The principal risks and uncertainties facing the Group, along with the risk management objectives and policies, are discussed in note 3 to the consolidated financial statements.

Capital requirements

See note 4 to the consolidated financial statements.

Corporate governance

The Board of Personal Group Holdings Plc supports the principles, and is committed to achieving high standards, of corporate governance. As an AIM listed company it is not required to comply with the UK Corporate Governance Code 2014 ("the Code") but notwithstanding this seeks to comply with those provisions which are most appropriate given the size of the Group and the nature of its operations. The Board's report on the Group's corporate governance procedures is set out on pages 34 and 35.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP have expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006 a resolution to reappoint KPMG LLP will be proposed at the Annual General Meeting to be held on Thursday 5 May 2016.

Report of the Directors continued

Statement of Directors' responsibilities in respect of the strategic report, Directors' report and the financial statements

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 Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

M I Dugdale
Director
29 March 2016

Report of the Independent Auditor

to the members of Personal Group Holdings Plc

We have audited the financial statements of Personal Group Holdings Plc for the year ended 31 December 2015 set out on pages 42 to 89. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jessica Katsouris
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor, Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

29 March 2016

Consolidated Income Statement

	Note	2015 £'000	2014 £'000
			*Restated
Gross premiums written		29,463	24,189
Outward reinsurance premiums		(259)	(359)
Change in unearned premiums		204	233
Change in reinsurers' share of unearned premiums		(38)	(9)
Earned premiums net of reinsurance	5	29,370	24,054
Other insurance related income	5	1,778	4,501
Non-insurance related income – IT Salary Sacrifice	5	25,460	17,050
Non-insurance related income – Mobile	5	1,524	–
Other Non-insurance related income	5	1,243	1,152
Investment property	5	63	67
Investment income	6	121	210
Revenue		59,559	47,034
Claims incurred	7	(7,451)	(6,551)
Insurance operating expenses	8	(10,834)	(10,525)
Other Insurance related expenses		(1,577)	(1,591)
Non-insurance related expenses – IT Salary Sacrifice	5	(23,142)	(15,608)
Non-insurance related expenses – Mobile	5	(3,817)	–
Other non-insurance related expenses	5	(2,682)	(2,565)
Share-based payment expenses	22	(1,289)	(797)
Charitable donations		(100)	(100)
Amortisation of intangible assets	15A	(796)	(292)
Impairment of non-financial assets	15/15A	(986)	–
Expenses		(52,674)	(38,029)
Results of operating activities		6,885	9,005
Contingent consideration write-back	35	2,684	–
Release of provision	24	825	–
Share of profit of equity-accounted investee net of tax		55	192
Profit before tax	10	10,449	9,197
Tax	11	(1,148)	(1,628)
Profit for the year	12	9,301	7,569

* See note 36

The profit for the year is attributable to equity holders of Personal Group Holdings Plc.

Earnings per share as arising from total and continuing operations		Pence	Pence
Basic	13	30.8	25.1
Diluted	13	28.5	24.4

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	2015 £'000	2014 £'000
		*Restated
Profit for the year	9,301	7,569
Items that may be reclassified subsequently to the income statement		
Available for sale financial assets:		
Change in fair value of assets classified as available for sale	62	(65)
Reclassification of (gains)/losses on available for sale financial assets on derecognition	(13)	(34)
Income tax on unrealised valuation changes taken to equity	(5)	14
Total comprehensive income for the year	9,345	7,484

* See note 36

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

Consolidated Balance Sheet
at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			*Restated
Non-current assets			
Goodwill	15	10,575	10,575
Intangible assets	15a	1,360	1,469
Property, plant and equipment	16	5,007	4,754
Investment property	17	1,070	1,070
Equity-accounted investee	33	646	591
Financial assets	18	9,182	11,610
Deferred tax asset	23	781	479
		28,621	30,548
Current assets			
Trade and other receivables	19	21,975	16,783
Reinsurance assets	20	307	351
Inventories		390	623
Cash and cash equivalents	21	5,591	4,433
		28,263	22,190
Total assets		56,884	52,738

*See note 36

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	2015 £'000	2014 £'000
EQUITY			*Restated
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	1,518	1,516
Capital redemption reserve		24	24
Amounts recognised directly into equity relating to non-current assets held for sale		20	(24)
Other reserve		(386)	(548)
Profit and loss reserve		30,687	26,814
Total equity		31,863	27,782
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	–	–
Current liabilities			
Provisions	24	2,190	3,023
Trade and other payables	25	19,408	18,313
Insurance contract liabilities	26	3,140	2,784
Current tax liabilities		283	836
		25,021	24,956
Total liabilities		25,021	24,956
Total equity and liabilities		56,884	52,738

*See note 36

The financial statements were approved by the Board on 29 March 2016.

M I Dugdale **M W Scanlon**

Company number: 3194991

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Balance Sheet
at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			*Restated
Non-current assets			
Investment in subsidiary undertakings	27	24,599	22,709
Investment property	17	130	130
Financial assets	18	100	100
		24,829	22,939
Current assets			
Trade and other receivables	19	5,419	3,764
Cash and cash equivalents	21	82	96
		5,501	3,860
Total assets		30,330	26,799
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	1,518	1,516
Capital redemption reserve		24	24
Other reserve		(386)	(548)
Profit and loss reserve		8,490	11,609
Total equity		9,646	12,601
LIABILITIES			
Current liabilities			
Trade and other payables	25	20,684	14,198
Total liabilities		20,684	14,198
Total equity and liabilities		30,330	26,799

*See note 36

The financial statements were approved by the Board on 29 March 2016.

M I Dugdale **M W Scanlon**

Company number: 3194991

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2015	1,516	24	(24)	(548)	26,814	27,782
Dividends	–	–	–	–	(6,325)	(6,325)
Employee share-based compensation	–	–	–	–	988	988
Proceeds of AESOP* share sales	–	–	–	–	195	195
Cost of AESOP shares sold	–	–	–	287	(287)	–
Cost of AESOP shares purchased	–	–	–	(125)	–	(125)
Nominal value of LTIP** shares issued	2	–	–	–	(2)	–
Transactions with owners	2	–	–	162	(5,431)	(5,267)
Profit for the year	–	–	–	–	9,301	9,301
Deferred tax reserve movement	–	–	–	–	3	3
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets classified as available for sale	–	–	62	–	–	62
Transfer to income statement	–	–	(13)	–	–	(13)
Current tax on unrealised valuation changes taken to equity	–	–	(5)	–	–	(5)
Total comprehensive income for the year	–	–	44	–	9,304	9,348
Balance as at 31 December 2015	1,518	24	20	(386)	30,687	31,863

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
					*Restated	*Restated
Balance as at 1 January 2014	1,507	24	61	(264)	24,495	25,823
Dividends	–	–	–	–	(5,899)	(5,899)
Employee share-based compensation	–	–	–	–	797	797
Proceeds of AESOP share sales	–	–	–	–	349	349
Cost of AESOP shares sold	–	–	–	537	(537)	–
Cost of AESOP shares purchased	–	–	–	(821)	–	(821)
Nominal value of LTIP shares issued	9	–	–	–	(9)	–
Transactions with owners	9	–	–	(284)	(5,299)	(5,574)
Profit for the year	–	–	–	–	7,569	7,569
Deferred tax reserve movement	–	–	–	–	49	49
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets classified as available for sale	–	–	(65)	–	–	(65)
Transfer to income statement	–	–	(34)	–	–	(34)
Current tax on unrealised valuation changes taken to equity	–	–	14	–	–	14
Total comprehensive income for the year	–	–	(85)	–	7,618	7,533
Balance as at 31 December 2014	1,516	24	(24)	(548)	26,814	27,782

*See note 36

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2015

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2015	1,516	24	(548)	11,609	12,601
Dividends paid	–	–	–	(6,325)	(6,325)
Employee share-based compensation	–	–	–	948	948
Proceeds of AESOP share sales	–	–	–	195	195
Cost of AESOP shares sold	–	–	287	(287)	–
Cost of AESOP shares purchased	–	–	(125)	–	(125)
Nominal value of LTIP shares issued	2	–	–	(2)	–
Transactions with owners	2	–	162	(5,471)	(5,307)
Profit for the year	–	–	–	2,352	2,352
Balance as at 31 December 2015	1,518	24	(386)	8,490	9,646

The accompanying accounting policies and notes form an integral part of these financial statements.

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
				*Restated	*Restated
Balance as at 1 January 2014	1,507	24	(264)	13,033	14,300
Dividends	–	–	–	(5,899)	(5,899)
Employee share-based compensation	–	–	–	771	771
Proceeds of AESOP share sales	–	–	–	349	349
Cost of AESOP shares sold	–	–	537	(537)	–
Cost of AESOP shares purchased	–	–	(821)	–	(821)
Nominal Value of LTIP shares issued	9	–	–	(9)	–
Transactions with owners	9	–	(284)	(5,325)	(5,600)
Profit for the year	–	–	–	3,901	3,901
Balance as at 31 December 2014	1,516	24	(548)	11,609	12,601

*See note 36

The accompanying accounting policies and notes form an integral part of these financial statements.

Company and Consolidated Cash Flow Statement

	Note	2015 £'000	2014 £'000
Net cash from operating activities (see opposite)		7,151	5,998
Investing activities			
Additions to property, plant and equipment	16	(669)	(363)
Additions to intangible assets (non acquisition)	15a	(318)	(49)
Proceeds from disposal of property plant and equipment		80	72
Purchase of financial assets		(97)	(246)
Proceeds from disposal of financial assets		2,540	3,655
Additions to investment property	17	–	(130)
Interest received	6	92	131
Dividends received	6	24	21
Net cash used in investing activities		1,652	3,091
Acquisition and disposal activities			
Payment to acquire PG Mobile	35	(1,390)	–
Payment to acquire Lets Connect	35	–	(6,000)
Net cash acquired with trading	35	–	724
Net cash from acquisition and disposal activities		(1,390)	(5,276)
Financing activities			
Purchase of own shares by the AESOP		(125)	(821)
Proceeds from disposal of own shares by the AESOP		195	349
Interest paid		–	–
Dividends paid	14	(6,325)	(5,899)
Net cash used in financing activities		(6,255)	(6,371)
Net change in cash and cash equivalents		1,158	(2,558)
Cash and cash equivalents, beginning of year	21	4,433	6,991
Cash and cash equivalents, end of year	21	5,591	4,433

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	2015 £'000	2014 £'000
Operating activities			*Restated
Profit after tax		9,301	7,569
Adjustments for			
Depreciation	16	349	368
Intangible impairment	15a	942	–
Goodwill impairment	15	45	–
Amortisation of intangible assets	15a	796	292
Profit on disposal of property, plant and equipment		(11)	(34)
Realised and unrealised net investment losses/(gains)	6	6	(31)
Interest received	6	(92)	(131)
Dividends received	6	(24)	(21)
Interest paid		–	–
Share of profit of equity-accounted investee, net of tax	33	(55)	(192)
Share-based payment expenses	22	1,289	797
Taxation expense recognised in income statement	11	1,148	1,628
Changes in working capital			
Trade and other receivables		(5,078)	(12,283)
Trade and other payables		220	10,366
Inventories		288	(472)
Taxes paid		(1,973)	(1,858)
Net cash from operating activities		7,151	5,998

*See note 36

The parent company has no cash or cash equivalents and there has been no movement in cash or cash equivalents in the current or the prior year. PGT, the employee based trust, has a cash balance which has decreased by £14,000 to £82,000 in the year to 31 December 2015 (by £255,000 to £96,000 in the year to 31 December 2014) as a result of the purchase and sale of AESOP shares.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the 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 benefits related business and financial 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.

These financial statements have been approved for issue by the Board of Directors on 29 March 2016.

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2015. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU. These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 31 December 2015.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Such knowledge has been used to determine the following:

- Establishing the value of claims outstanding (note 3);
- Presentation and carrying value of certain property as investment property (note 2.14 and note 17);
- Long Term Incentive Plan (note 22); and
- Intangible assets valuation (note 15a).

The impacts of these estimates and assumptions are given in the cross-referred notes above.

Going concern

The financial statements are prepared on a going concern basis. In considering going concern, the Directors have reviewed the Group's and Company's future cash requirements, earnings projections and capital projections for the period up to 31 March 2017. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The Directors have concluded that the Group and Company will be able to operate without requiring any external funding and therefore believe it is appropriate to prepare the financial statements of the Group and Company on a going concern basis. This is supported by the Group's and Company's liquidity position at the year end.

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements continued

2.3 Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 January 2006.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

2.4 Joint ventures

Abbeygate Developments (Marlborough Gate 2) Limited is the only jointly controlled entity within the Group and has been accounted for under IFRS 11 Joint Arrangements.

2.5 Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Intangible assets meeting the relevant recognition criteria are initially measured at cost and amortised on a systematic basis over their useful lives.

2.6 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT, IPT and trade discounts.

Premium earned

Premium income is recognised on a receivable basis over the life that the policy is in force. Where a proportion of premiums written in the current year relate to cover provided in the following year it is carried forward as a provision for unearned premiums, calculated on a daily pro rata basis.

Written premiums exclude insurance premium tax.

Other income

a) Insurance related

Commission on insurance product sales is recognised when the policy goes on risk (i.e., when confirmation has been received from the insurer that the policy has been unconditionally accepted and that cover is being provided for the policyholder); in the case of indemnity commission, provision is made for estimated future lapses.

b) Non-Insurance related

IT Salary Sacrifice

Income from the provision on salary sacrifice technology products is recognised when the goods are dispatched.

Mobile

Fee income relating to PG Mobile represents amounts chargeable, net of value added tax, in respect of the sale goods and services to the customer. Sales of handsets and accessories are recognised on delivery to the customer while commissions receivable under revenue sharing agreements with networks are recognised as they become receivable.

Other Non-insurance related

Non-insurance related fee income, including that derived from Hapi, is recognised on a straight line basis over the length of the contract. Where a proportion of this income and costs, credited or charged in the current year relate to the provision of services provided in the following year they are carried forward as deferred income or costs, calculated on a daily pro rata basis.

Property rental income is recognised on a receivable basis when the right to receive consideration has been established.

Notes to the Financial Statements continued

2 Accounting policies continued

2.6 Revenue continued

Other income continued

c) Investment property

Rental income arising from investment property is recognised on a straight line basis over the lease term. The leases are classified as operating leases as the Group has substantially all the risks and rewards related to the ownership of the leased asset. The effect of any rent free period is spread over the life of the lease.

Investment income

a) Interest and dividend income

Interest income is recognised on an effective interest rate method. Dividends are recognised when declared.

b) Investment management expenses

Investment management expenses are recognised on an accruals basis.

c) Realised gains and losses

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price.

d) Unrealised gains and losses

Unrealised gains or losses on long-term assets classified as available for sale are recognised directly into equity. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current income statement together with gains or losses realised in the current year.

Unrealised gains or losses on assets classified at fair value through profit or loss are recognised as income or expense in the income statement.

2.7 Reinsurance premiums and claims recoveries

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. Reinsurers' share of technical reserves are shown as an asset in the balance sheet.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. If objective evidence of impairment exists reinsurance assets are reduced to the level at which they are considered to be recoverable and an impairment loss is recognised in the income statement.

2.8 Deferred acquisition expenses

Costs incurred in acquiring general insurance contracts are deferred. Acquisition costs include direct costs such as brokerage and commission and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

2.9 Claims recognition and claims provisions

Claims incurred comprise claims and claims handling expenses paid in the year and the movement in provision for outstanding claims and settlement expenses.

Outstanding claims include an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end (IBNR). The amount included in respect of IBNR is based on management's estimate of the volume and level of claims that remain unreported at the year end. The provision for claims also includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place.

The ultimate liability may vary from the estimates as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Notes to the Financial Statements continued

The liability adequacy test (IFRS 4 paragraph 16) is performed at each reported balance sheet date. This requires the estimate of future cash flows under its insurance contracts to be measured against the recognised insurance liabilities.

2.10 Tangible and intangible assets

Property, plant and equipment and software intangibles are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction.

Borrowing costs on property, plant and equipment under construction are capitalised during the period of construction.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred. Where research is carried out by internal staff, these costs are recognised within other non-insurance related expenses.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and external consultancy costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Amortisation and depreciation

Amortisation and depreciation are calculated to write down the cost or valuation less estimated residual value of all intangible assets and tangible assets other than freehold land excluding investment properties by equal annual instalments over their estimated economic useful lives. Residual value is reviewed annually and amended if material. The rates generally applicable are:

Intangible assets	Economic Useful Life
Freehold properties	50 years
Motor vehicles	3–4 years
Computer equipment	2–4 years
Furniture, fixtures and fittings	5–10 years
Computer software and website development	2–4 years

2.11 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See note 15 for further details on the impairment testing of goodwill.

2.12 Leased assets

All leases are operating leases as the Group does not bear substantially all the risks and rewards related to the ownership of the leased asset. The payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Notes to the Financial Statements continued

2 Accounting policies continued

2.13 Investment property

The investment properties are properties held to earn rentals and/or for capital appreciation. The Group measures its investment property in accordance with IAS 40's requirements for the cost model.

The investment property is stated at cost less accumulated depreciation and provision for impairment. Depreciation is based on cost less residual value. As residual value currently exceeds cost less impairment no depreciation is being provided.

Rental income arising from the investment property is shown within "other income" and is recognised on a straight line basis over the lease term. The leases are classified as operating leases as the Group has substantially all the risks and rewards related to the ownership of the leased asset.

Expenses relating to the investment property are presented within "other expenses" and are recognised on an accruals basis.

2.14 Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

2.15 Financial assets

Financial assets include; bank deposits (as defined below); loans and other receivables; and available for sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Fixed interest rate bank deposits with a maturity date of three months or more from the date of acquisition are classified as financial assets.

There are no financial assets categorised as at fair value through profit or loss.

Provision against receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the assets carrying amount and the present value of estimated future cash flows.

Notes to the Financial Statements continued

Other financial assets include quoted and unquoted equity shares. These assets are not considered to be current assets and have been classified as long-term financial assets and are treated as available for sale.

The Group owns a portfolio of UK shares that are held, and managed on a discretionary basis, by an independent fund manager. These assets are reported as long-term financial assets classified as available for sale.

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in other comprehensive income. Gains and losses arising from investments classified as available for sale are recognised in the income statement when they are sold or when the investment is impaired.

An assessment for impairment of available for sale assets is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

2.16 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

There are no financial liabilities categorised as at fair value through profit or loss.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

As stated in note 2.15 fixed interest rate bank deposits with the maturity date of three months or more from the date of acquisition are classified as financial assets.

2.18 Investments in subsidiary undertakings and joint ventures

Company investments in subsidiary undertakings and joint ventures held in the Company only balance sheet are shown at cost less impairment provisions.

During the year Personal Group Limited (PGL) was established as an intermediate holding company that is responsible for holding the investments in subsidiaries. PGL is wholly owned by Personal Group Holdings.

Notes to the Financial Statements continued

2 Accounting policies continued

2.19 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Capital redemption reserve" represents the nominal value of its own equity shares purchased, and then cancelled, by the Company.
- "Amounts recognised directly into other comprehensive income relating to available for sale financial assets" represents changes to the market value of available for sale assets. On disposal of available for sale financial assets gains or losses previously recognised in equity are transferred to the income statement.
- "Other reserve" represents the investment in own company shares by the Employee Benefit Trust.
- "Profit and loss reserve" represents retained profits.

2.20 Employee benefits

Defined contribution group and self-invested personal pension schemes

The pension costs charged against profits are the contributions payable to the schemes in respect of the accounting period.

2.21 Share-based payment

Equity-settled share-based payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument as at the date it is granted to the employee.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "profit and loss reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Notes to the Financial Statements continued

2.22 Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group income statement.

At present the Company operates a plan whereby all employees, excluding controlling shareholders, are entitled to make monthly payments to the trust via payroll deductions. The current allocation period is six months and shares are allocated to employees at the end of each allocation period. The shares are allocated at the lower of the mid-market price at the beginning and end of the allocation period. The trust company has not waived its right to dividends on unallocated shares. Dividend income receivable on unallocated shares and any profit or loss on allocation of shares to individuals is taken directly to the "other reserve" within equity.

3 Risk management objectives and policies

The Board acknowledges that the Group is exposed to risks that are inherent in all businesses and markets in which it operates. As a direct result of these risks the Board places high priority on ensuring that there is a strong risk management culture throughout the Group. This is evidenced by the existence of a comprehensive risk register and internal controls in critical business processes. The Group's risk management is co-ordinated at its headquarters.

As an insurance group the ability to recover Value Added Tax (VAT) is severely restricted. In addition changes to other taxes including Insurance Premium Tax, National Insurance contributions and Corporation Tax are also risks that the Group has to manage.

The Group pursues an active treasury management policy which seeks to secure its short to medium-term cash flows by minimising exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. It does not have exposure to foreign currencies and does not use any derivatives or hedging to manage any of its liabilities. The most significant financial risks to which the Group and Company are exposed are described below.

Notes to the Financial Statements continued

3 Risk management objectives and policies continued

Credit risk

The Group's and Company's exposure to credit risk includes the carrying value of certain financial assets at the balance sheet date, summarised as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade receivables	3,269	3,333	–	–
Reinsurance assets	307	351	–	–
Other receivables	17,130	11,891	–	–
Accrued interest	21	37	–	–
Amounts due from subsidiary undertakings	–	–	5,403	3,743
Investment bond	100	100	100	100
Cash and cash equivalents	5,591	4,433	82	96
Bank deposits	8,421	10,859	–	–
	34,839	31,004	5,585	3,939

There are no corresponding impairment provisions nor any related credit derivatives or similar instruments which mitigate the credit risk.

The vast majority of the Group's revenue is generated from the sale of insurance policies to individual customers. However a substantial proportion of the premiums are collected, and paid over to the Group, by the individuals' employer via payroll deduction. This naturally exposes the Group to an element of credit risk. However the vast majority of employers pay over payroll deductions made, within one month, on a regular basis. The use of payroll deductions by a "host company employer" would not be permitted where the Board believed there may be a significant credit risk. Receivables past their due date are summarised within note 19. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are all regulated in the UK by the PRA. At 31 December 2015 the counterparties were as follows: The Co-operative Bank plc, Santander UK plc, Bank of Scotland plc, HSBC Bank plc, Lloyds TSB Bank Plc, National Westminster Bank Plc, Close Brothers Ltd, Barclays Bank Plc and Clydesdale Bank Plc. Long-term rate credit ratings for these counterparties range from A to B- (ratings sourced from Fitch, and Standard & Poors).

The Group is also exposed to the recoverability of receivables from reinsurers. At 31 December 2015 the only reinsurance counterparty was Swiss Re Europe S.A., United Kingdom Branch. Credit ratings for this reinsurer range from A+ to AA-.

All subsidiary undertakings are 100% owned by the Company or subsidiaries thereof. There is at least one Company Director on each of the larger subsidiary companies' boards and as all operations are controlled from within the registered office in Milton Keynes the Company Directors have a good understanding of the operational performance of each of the subsidiary undertakings. The Company Directors are satisfied that the subsidiary undertakings have sufficient future income streams to enable the liabilities to be repaid in full in the foreseeable future.

Information relating to the fair value measurement of financial assets can be found in note 18.

Notes to the Financial Statements continued

Market risk

The Group is exposed to market risk in respect of its financial assets carried at fair value through profit or loss and available for sale assets. These assets are traded on UK regulated markets. The available for sale assets are managed by an independent third party fund manager on a discretionary basis, subject to certain conditions imposed by the Board.

A detailed analysis of the individual components of financial assets available for sale are as follows:

	2015 £'000	2014 £'000
Available for sale financial assets:		
Independently managed equity portfolio	661	651
	661	651

Dividends from the equity portfolio in 2015 totalled £24,000 (2014: £21,000).

Unrealised gains and losses on available for sale financial assets are recognised in equity. A 10% decrease in the value of these assets at 31 December 2015 would result in a deduction to equity of approximately £66,000. A 10% increase in the value of these assets at 31 December 2015 would result in an addition to equity of approximately £66,000.

Liquidity risk

Cash balances are managed internally by the finance Director and amounts are placed on short-term deposits (currently not exceeding six months) to ensure that sufficient funds are available at all times to pay all liabilities as and when they fall due.

At 31 December 2015 amounts on short-term deposits exceeded borrowings by £14,012,000 (2014: £15,292,000).

Notes to the Financial Statements continued

3 Risk management objectives and policies continued

Liquidity risk continued

As at 31 December 2015 the Group's and Company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Within 6 months £'000	6–12 months £'000	1–5 years £'000	Non cash items £'000	Total £'000
Group					
At 31 December 2015					
Trade and other payables	17,950	28	123	685	18,786
	17,950	28	123	685	18,786
At 31 December 2014					
Trade and other payables	14,266	203	–	533	15,002
	14,266	203	–	533	15,002
Company					
At 31 December 2015					
Amounts owed to subsidiary undertakings	8,525	–	–	–	8,525
	8,525	–	–	–	8,525
At 31 December 2014					
Amounts owed to subsidiary undertakings	11,121	–	–	–	11,121
	11,121	–	–	–	11,121

Cash flow and fair value interest rate risk

At 31 December 2015 bank deposits exceeded borrowings by £14,012,000. If UK interest rates increased by 2% net finance income would increase by approximately £280,000 with a corresponding increase to equity.

Insurance claim and related risks

Personal Assurance Plc (PA) A currently underwrites three categories of business which are described in detail below:

a) Hospital cash plans and other personal accident and sickness policies

These have been PA's core products since 1984 and, at 31 December 2015, represent 92.8% (2014: 91.6%) of PA's gross premiums written. The vast majority of these policies are sold to individuals at their place of work as part of an employee benefits package introduced by Personal Group Holdings (PGH) on behalf of the employer. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2015 was 23.7% (2014: 22.8%). The loss ratio has remained relatively consistent over the period of time that these policies have been underwritten and therefore the Board has taken the decision to accept the underwriting risk in full and not to use reinsurance as a way of managing insurance claim risk.

At present the maximum payable on any one single claim is £91,375 and would only be payable after a period of hospital confinement of two years. The total number of these individual policies in force at 31 December 2015 was 259,953 (2014: 244,673) and the total annualised premium value of these policies was £24,821,000 (2014: £24,022,000). The average amount paid per claim in 2015 was £152 (2014: £154).

Notes to the Financial Statements continued

b) Private Medical Insurance policies (PMI)

On 1 July 2011 PA commenced the underwriting of PMI policies sold by one of the Group's insurance intermediaries, Universal Provident Ltd (UP). This private medical business traditionally has a significantly higher gross claims ratio. In order to manage this new insurance risk the Board took out quota share and stop loss reinsurance policies to exclusively cover this part of the business. The stop loss reinsurance policy was terminated by the reinsurer on 30 June 2012. The quota share reinsurance policy was terminated by the reinsurer for new business on 31 October 2012 due to both the small number of policies in force and the total gross premium value of these policies. For the same reasons as stated above it has not been possible to find cost effective alternative reinsurance and therefore the Board has taken the decision to accept the underwriting risk in full for this small block of business.

At 31 December 2015 these policies represent 4.7% (2014: 5.9%) of PA's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2015 was 57.0% (2014: 70.5%).

The total number of these individual policies underwritten by PA as at 31 December 2015 was 1,203 (2014: 1,328) and the average amount paid per claim in 2015 was £2,231 (2014: £2,374).

c) Voluntary Group Income Protection policies (VGIP)

In July 2012 PA commenced the underwriting of VGIP policies. In order to manage this new insurance risk the Board took out a quota share reinsurance policy to exclusively cover this part of the business. Under this reinsurance policy 90% of the value of each claim is recoverable from the reinsurer.

At 31 December 2015 these policies represent 2.5% (2014: 2.5%) of PA's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2015 was 20.2% (2014: 24.7%). The total number of these individual policies in force at 31 December 2015 was 2,293 (2014: 2,216) and the average amount paid per claim in 2015 was £3,556 (2014: £1,928).

For the year ended 31 December 2015 the gross claims ratio of Personal Assurance Plc was 26.0% (2014: 27.5%). A 2% increase in the claims ratio would increase claims incurred by approximately £504,000.

d) Death Benefit policies

While the Group has acted as an agent for the sale of death benefit policies it was not until March 2015 that the Group began to underwrite the policies through the newly created subsidiary, Personal Assurance Guernsey Limited (PAGL). There are policies are sold primarily to individuals at their place of work in the same way as the hospital cash plans.

Notes to the Financial Statements continued

4 Capital management and requirements

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To ensure capital resources requirements set out below are met; and
- To provide an adequate return to shareholders.

by pricing products and services commensurately with the level of risk.

The Group considers capital to be the carrying amount of its equity. Subject to the externally imposed capital requirements, it sets out the amount of capital in proportion to its overall financing structure but does not have specific goals. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt or sell assets to reduce debt.

The carrying amount of the Group's equity has shown growth from £12,319,000 at 31 December 2001 (first year after AIM listing) to £31,863,000 at 31 December 2015.

At 31 December 2015 the Group's capital resources in excess of the Group's capital resources requirement was £5,500,000 (2014: £4,857,000). The increase represents strong trading performance offset by cash used in the purchase of PG Mobile.

In addition to the statutory capital requirements of a UK registered Plc the PRA requires that all regulated companies maintain sufficient capital resources requirements, the actual amount being determined on an annual basis at the year end. During 2015, the Group maintained these capital resources as required.

At 31 December 2015 the requirements of the Group's regulated companies were as follows:

	Capital resources requirement £'000	Capital resources £'000	Surplus over capital resources requirement £'000
Company			
Personal Assurance Plc	4,427	11,045	6,618
Personal Assurance Services Limited	59	3,685	3,626
Personal Group Benefits Limited	35	228	193
Berkeley Morgan Limited	73	376	303
Personal Assurance (Guernsey) Limited	517	1,749	1,232

All companies are regulated by the PRA other than Personal Assurance (Guernsey) Limited which is regulated by the GFSC.

In order to maintain its capital resources requirement, Personal Assurance Plc maintains the majority of its assets in short-term fixed interest rate deposits.

The capital resources and corresponding capital resource requirement for each PRA regulated entity is calculated in accordance with PRA regulations.

For PA at 31 December 2015 admissible assets in excess of market and counterparty limits were £589,000 (2014: £4,185,000), all relating to amounts on deposit with UK banks. The reduction from last year was achieved by utilising accounts allowable by the PRA resources requirement rules. In addition, the Company had £1.5m (2014:nil) of inadmissable assets in respect of amounts owed from Group undertakings and £0.8m (2014:nil) of inadmissable assets in respect of deferred tax assets.

Notes to the Financial Statements continued

5 Segment analysis

As noted in the Chief Financial Officer's statement on page 25, as a result of acquisitions over the past two years, the segmental analysis of the Group has been amended to better reflect how the business is now managed. The four operating segments are:

a) Core Insurance

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 PGH was created and became the ultimate parent undertaking of the Group.

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

Up until March 2015, insurance related income represented commission receivable for death benefit policies underwritten by 3rd parties. From March 2015 these policies have been underwritten by the Group's subsidiary, Personal Assurance Guernsey limited (PAGL) and, as such, their income now falls within earned premium.

b) IT Salary Sacrifice

IT salary sacrifice refers to the trade of Lets Connect a salary sacrifice technology company purchased in 2014.

c) Mobile

Mobile refers to the trade of PG Mobile a mobile phone salary sacrifice company set up from the trade and assets of shebang Technologies purchased in 2015.

d) Other

The other operating segment consists exclusively of revenue generated by Berkeley Morgan Group (BMG) and its subsidiary undertakings and Personal Management Solutions (PMS).

BMG was acquired by PGH in January 2005 and generates income via financial services and private medical insurance.

PMS is an employee benefit company that offers a variety of employee incentive schemes.

Notes to the Financial Statements continued

5 Segment analysis continued

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	Mobile £'000	Other £'000	Group £'000
2015					
Revenue					
Earned premiums net of reinsurance	29,370	–	–	–	29,370
Other income:					
Insurance related	1,135	–	–	643	1,778
Non-insurance related	–	25,460	1,524	1,243	28,227
Investment property	–	–	–	63	63
Investment income	–	–	–	121	121
Total revenue	30,505	25,460	1,524	2,070	59,559
Net result for year before tax	9,098	2,803	(3,648)	2,196	10,449
PG Mobile – Reorganisation costs	–	–	856	–	856
PG Mobile – Acquisition costs	–	–	341	–	341
PG Mobile – Intangible amortisatioon	–	–	369	–	369
PG Mobile – Intangible asset write down	–	–	986	–	986
LC – Consideration write-down	–	–	–	(2,684)	(2,684)
LC – Tax provision	–	(825)	–	–	(825)
LC – Amortisation of intangibles	–	330	–	–	330
Share-based payments	–	–	–	1,289	1,289
Depreciation	294	16	21	17	348
Amortisation (other)	87	10	–	–	97
EBITDA	9,479	2,334	(1,075)	818	11,556
Segment assets	23,843	17,810	734	14,497	56,884
Segment liabilities	6,447	16,795	563	1,216	25,021
Depreciation and amortisation	383	355	390	17	1,145
2014					
Revenue					
Earned premiums net of reinsurance	24,054	–	–	–	24,054
Other income:					
Insurance related	3,940	–	–	561	4,501
Non-insurance related	–	17,045	–	1,153	18,198
Investment property	–	–	–	67	67
Investment income	–	1	–	214	215
Total revenue	27,994	17,046	–	1,995	47,035
Net result for year before tax	8,211	1,154	–	(168)	9,197
LC – Acquisition cost	–	–	–	321	321
LC – Amortisation of intangibles	–	275	–	–	275
Share-based payments	–	–	–	797	797
Depreciation and Amortisation (other)	344	18	–	23	385
EBITDA	8,555	1,447	–	973	10,975
Segment assets	25,280	13,115	–	13,864	52,259
Segment liabilities	13,096	10,882	–	1,232	25,211
Depreciation and amortisation	344	293	–	23	660

Notes to the Financial Statements continued

All income is derived from the UK.

Non insurance related expenses disclosed on the face of the consolidated income statement in relation to IT Salary Sacrifice and Mobile are split below between cost of sales, admin expenses and depreciation.

	IT Salary Sacrifice	Mobile
2015		
Non-insurance related expenses		
Cost of sale	21,813	1,482
Admin expenses	1,313	2,314
Depreciation and amortisation	16	21
Total	23,142	3,817
2014		
Non-insurance related expenses		
Cost of sale	14,567	–
Admin expenses	1,032	–
Depreciation and amortisation	18	–
Total	15,617	–

6 Investment income

	2015 £'000	2014 £'000
Investment income		
Loans and receivables:		
Income from other loans and receivables	10	31
Interest income from cash on deposit	92	131
Available for sale:		
Income from listed investments	24	21
Realised gains	14	2
Realised losses	(28)	(5)
Realised gains transferred from other comprehensive income	13	34
Investment management expenses	(4)	(4)
	121	210

7 Claims incurred

	2015 £'000	2014 £'000
Claims paid	6,854	6,144
Reinsurance recoveries	(112)	(131)
Claims handling expenses paid	401	410
	7,143	6,423
Increase in claims provision	307	162
Reinsurers' share	1	(34)
	308	128
	7,451	6,551

Notes to the Financial Statements continued

8 Insurance operating expenses

	2015 £'000	2014 £'000
Acquisition costs	5,421	5,679
Increase/(decrease) in deferred acquisition costs	(9)	27
Incurred acquisition costs	5,412	5,706
Administration expenses	5,422	4,819
	10,834	10,525

Total commission incurred during the year in respect of direct insurance was £1,123,000 (2014: £1,352,000).

9 Directors' and employees' remuneration

a) Staff costs (excluding Non Executive Directors' fees) during the year were as follows:

	2015 £'000	2014 £'000
Wages and salaries	9,274	7,465
Share-based payments expense	1,289	797
Social security costs	1,250	971
Other pension costs	377	293
	12,190	9,526

Average number of employees was as follows:

	2015 Number	2014 Number
Administration	86	71
Sales and marketing	130	110
	216	181

b) Directors' remuneration:

	2015 £'000	2014 £'000
Emoluments	832	1,212
Share-based payments expense	1,777	734
Pension contributions to Group and self invested personal pension schemes	29	46

During the year, 3 Directors (2014: 5 Directors) participated in Group and self invested personal pension schemes.

Notes to the Financial Statements continued

The amounts set out above include remuneration in respect of the highest paid Director as follows. All emoluments relate to payments made by subsidiary undertakings.

	2015 £'000	2014 £'000
Emoluments	380	353
Share-based payments expense	1,732	734
Pension contributions to self invested personal pension schemes	20	23
	2,132	1,110

Details of individual Director's remuneration are given in the remuneration report (see page 37). The Company does not incur employee remuneration.

Key management of the Group are the Directors of Personal Group Holdings Plc together with the members of the Senior Management Team (SMT). Key management personnel remuneration includes the following expenses:

	2015 £'000	2014 £'000
Short-term employee benefits:		
Salaries including bonuses	1,584	1,807
Social security costs	419	319
Share-based payments expense	2,106	875
	4,109	3,001
Post-employment benefits:		
Defined contribution pension plans	62	68
Total remuneration	4,171	3,069

10 Profit before tax

	2015 £'000	2014 £'000
Profit before tax is stated after:		
Auditor's remuneration (inclusive of non-recoverable VAT):		
Audit services:		
Audit of Company financial statements	39	49
Audit of subsidiary undertakings	121	77
Non-audit services:		
Taxation and other advice	24	21
Review of regulatory returns	17	16
Other assurance services	19	214
Acquisition services	180	119
Depreciation of property, plant and equipment	349	368
Rental income receivable	102	98
Operating lease rentals – land and buildings	97	26
Operating lease rentals – motor vehicles	488	421

Notes to the Financial Statements continued

11 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 20.25% (2014: 21.49%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2015 £'000	2014 £'000
		*Restated
Profit before tax	10,449	9,197
Share of profit of equity-accounted investee net of tax	(55)	(192)
Profit before tax excluding equity-accounted investee	10,394	9,005
Tax rate	20.25%	21.49%
Expected tax expense	2,105	1,935
Adjustment for marginal tax rate differences	(1)	(2)
Adjustment for non deductible expenses	74	142
Adjustment for tax exempt revenues	(1,033)	(368)
Other adjustments		
Tax charge in respect of prior years	6	(75)
Utilisation of losses not provided for	(3)	(4)
Actual tax expense	1,148	1,628
Comprising		
Current tax expense	1,440	1,930
In respect of prior year	6	(75)
Deferred tax		
Origination and reversal of temporary differences	(298)	(227)
Change in tax rate	–	–
	1,148	1,628

*See note 36.

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 20%) will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The reduction in tax rates was included in the 2015–2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 26 October 2015.

The tax rates used to calculate deferred tax are 20%, 19% and 18%, dependent on the rates that will be in place when the tax impact crystallises.

12 Profit for the year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £2,352,000 (Restated 2014: £3,901,000).

Notes to the Financial Statements continued

13 Earnings per share

	2015			2014		
	Earnings £'000	Weighted average number of shares	Pence per share	Earnings £'000	Weighted average number of shares	Pence per share
Basic	9,301	30,200,755	30.8	7,569	30,066,390	25.1
Dilutive effect of shares in Employee Share-Based schemes	–	2,397,930	(2.3)	–	834,637	(0.7)
Diluted	9,301	32,598,684	28.5	7,569	30,901,027	24.4

The weighted average number of shares shown above excludes unallocated own company shares held by Personal Group Trustees Ltd.

14 Dividends

	2015 Pence per share	2014 Pence per share	2015 £'000	2014 £'000
Equity dividends				
Ordinary shares paid in year				
March	5.23	4.90	1,585	1,477
June	5.23	4.90	1,585	1,477
September	5.23	4.90	1,586	1,477
December	5.23	4.90	1,587	1,477
			6,343	5,916
Less: amounts paid on own shares			(18)	(17)
	20.90	19.60	6,325	5,899

Notes to the Financial Statements continued

15 Goodwill

The carrying amount of goodwill which has been allocated to those cash-generating units can be analysed as follows:

	2015			
	Berkeley Morgan £'000	Lets Connect £'000	PG Mobile £'000	Total £'000
Cost				
At 1 January 2015	9,433	10,575	–	20,008
Additions in the year	–	–	44	44
At 31 December 2015	9,433	10,575	44	20,052
Amortisation and impairment				
At 1 January 2015	9,433	–	–	9,433
Impairment charge for year	–	–	44	44
At 31 December 2015	9,433	–	44	9,477
Net book value at 31 December 2015	–	10,575	–	10,575

	2014			
	Berkeley Morgan £'000	Lets Connect £'000	PG Mobile £'000	Total £'000
Cost				
At 1 January 2014	9,433	–	–	9,433
Additions in the year	–	10,575	–	10,575
At 31 December 2014	9,433	10,575	–	20,008
Amortisation and impairment				
At 1 January 2014	7,333	–	–	7,333
Impairment charge for year	2,100	–	–	2,100
At 31 December 2014	9,433	–	–	9,433
Net book value at 31 December 2014	–	10,575	–	10,575

The net carrying value at 31 December 2015 has been assessed for impairment using a value in use method and no impairment was deemed necessary in Lets Connect. Future cash flows were projected for the next eight years reflecting the overall strategy of the Group and discounted at a cost of capital of 15% to arrive at a net present value (NPV) which was in excess of the £10,575,000 held on the balance sheet.

Given that the NPV is sensitive to the future cash flows, the following scenarios have been considered:

- If the average growth rate assumption of future cash flows were reduced by 1/3, the value of goodwill would remain unchanged.
- If no growth rate was assumed for future cash flows the goodwill would require impairment of £2,304,000.

The PG Mobile goodwill has been fully impaired (see note 35).

Notes to the Financial Statements continued

15a Intangible assets – LC Customer value and PG Mobile Intangibles

	LC Customer value £'000	PG Mobile License agreement £'000	PG Mobile Customer value £'000	PG Mobile Software £'000	Computer software and website development £'000	Total £'000
Cost						
At 1 January 2015	1,648	–	–	–	152	1,800
Additions	–	703	102	506	318	1,629
At 31 December 2015	1,648	703	102	506	470	3,429
Amortisation and Impairment						
At 1 January 2014	275	–	–	–	56	331
Provided in the year	330	166	24	179	97	796
Impairment	–	537	78	327	–	942
At 31 December 2015	605	703	102	506	153	2,069
Net book amount at 31 December 2015	1,043	–	–	–	317	1,360
Net book amount at 31 December 2014	1,373	–	–	–	96	1,469

	LC Customer value £'000	PG Mobile License agreement £'000	PG Mobile Customer value £'000	PG Mobile Software £'000	Computer software and website development £'000	Total £'000
Cost						
At 1 January 2014	–	–	–	–	44	44
Acquisition	–	–	–	–	59	59
Additions	1,648	–	–	–	49	1,697
At 31 December 2014	1,648	–	–	–	152	1,800
Amortisation and Impairment						
At 1 January 2014	–	–	–	–	20	20
Acquisition	–	–	–	–	19	19
Provided in the year	275	–	–	–	17	292
At 31 December 2014	275	–	–	–	56	331
Net book amount at 31 December 2014	1,373	–	–	–	96	1,469
Net book amount at 31 December 2013	–	–	–	–	24	24

The customer value is being amortised through the consolidated income statement over a 5 year period; the charge for the period to 31 December 2015 was £330,000. Following a review for impairment the Directors deemed that no impairment was necessary as at 31 December 2015.

The PG Mobile intangibles were being amortised over a period of 2 to 3 years but following an impairment review at the end of 2015 have been fully impaired at year end (see note 35).

As amounts relating to computer software and website development have become more significant during 2015, these have been separated into an intangible category utilising figures previously included within 'computer equipment' and 'other' within the property, plant and equipment note.

Notes to the Financial Statements continued

16 Property, plant and equipment

For the year ended 31 December 2015

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures and fittings £'000	Lease Improvements £'000	Total £'000
Cost						
At 1 January 2015	5,478	169	967	970	15	7,599
Additions	–	150	192	327	–	669
Disposals	–	(76)	(237)	(47)	–	(360)
At 31 December 2015	5,478	243	922	1,250	15	7,908
Depreciation						
At 1 January 2015	1,316	17	726	778	8	2,845
Provided in the year	94	32	164	55	4	349
Eliminated on disposals	–	(16)	(230)	(47)	–	(293)
At 31 December 2015	1,410	33	660	787	12	2,901
Net book amount at 31 December 2015	4,068	210	262	463	3	5,007
Net book amount at 31 December 2014	4,162	152	241	192	7	4,754

For the year ended 31 December 2014

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures and fittings £'000	Lease Improvements £'000	Total £'000
Cost						
At 1 January 2014	5,478	145	797	931	–	7,351
Acquisition	–	1	29	7	15	52
Additions	–	168	157	38	–	363
Disposals	–	(145)	(16)	(6)	–	(167)
At 31 December 2014	5,478	169	967	970	15	7,599
Depreciation						
At 1 January 2014	1,222	103	516	744	–	2,585
Acquisition	–	1	13	4	4	22
Provided in the year	94	22	212	36	4	368
Eliminated on disposals	–	(109)	(15)	(6)	–	(130)
At 31 December 2014	1,316	17	726	778	8	2,845
Net book amount at 31 December 2014	4,162	152	241	192	7	4,754
Net book amount at 31 December 2013	4,256	42	281	187	–	4,766

Notes to the Financial Statements continued

17 Investment property

For the year ended 31 December 2015

	Group £'000	Company £'000
Cost		
At 1 January 2015	1,198	130
Additions	–	–
At 31 December 2015	1,198	130
Impairment		
At 1 January 2015	128	–
Provided in the year	–	–
At 31 December 2015	128	–
Net book amount at 31 December 2015	1,070	130
Net book amount at 31 December 2014	1,070	130

For the year ended 31 December 2014

	Group £'000	Company £'000
Cost		
At 1 January 2014	1,068	–
Additions	130	130
At 31 December 2014	1,198	130
Impairment		
At 1 January 2014	128	–
Provided in the year	–	–
At 31 December 2014	128	–
Net book amount at 31 December 2014	1,070	130
Net book amount at 31 December 2013	940	–

The Blackburn property, held at NBV of £940K was externally valued by Taylor Weaver Ltd, chartered surveyors on 16 October 2013. The Milton Keynes property is valued at the purchase price of £130K as at 7 April 2014.

The Directors are comfortable that the carrying value of the investment property does not require impairment as the residual value is at least as high as the carrying value. It is the Directors' best estimate that fair value is not materially different to carrying value.

Notes to the Financial Statements continued

18 Financial assets

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank deposits	8,421	10,859	–	–
Investment bond	100	100	100	100
Financial assets:				
Available for sale	661	651	–	–
	9,182	11,610	100	100

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).

The available for sale financial assets are stated at their bid market price, these are all based on level 1 inputs.

Bank deposits, also held at amortised cost, are due within 6 months.

Trade receivables arising out of direct insurance operations and other receivables (note 19) are also held at amortised cost and the carrying amount is a reasonable approximation of fair value.

The investment bond subscribed to during 2014 is held in Criticaleye Investments plc and has a fixed three-year initial term. Interest is paid at 8% gross per annum. The bond was acquired late in 2014 and the carrying value is a reasonable approximation of fair value.

Notes to the Financial Statements continued

19 Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Loans and receivables:				
Trade receivables arising out of direct insurance operations	3,269	3,333	–	–
Other receivables due within one year	17,130	11,897	–	–
Amounts due from subsidiary undertakings	–	–	5,403	3,743
Accrued interest	21	37	–	–
Deferred acquisition costs	31	39	–	–
Other prepayments and accrued income	1,525	1,483	16	21
	21,975	16,783	5,419	3,764

All of the Group's trade receivables arising out of direct insurance operations and other trade receivables due within one year have been reviewed for indicators of impairment. No provisions have been made in the year in respect of trade and other receivables.

Some of the unimpaired receivables are past their due date as at the reporting date. The age of receivables past their due date but not impaired is as follows:

	2015 £'000	2014 £'000
Not more than 3 months	5,289	3,234
More than 3 months but not more than 6 months	78	72
More than 6 months	74	55
	5,441	3,361

In the past, the Group has not incurred significant bad debt write-offs and consequently whilst the above may be overdue, the risk of credit default is considered to be low. The Group has no charges or other security over any of these assets.

An analysis of deferred acquisition costs is as follows:

	2015 £'000	2014 £'000
At 1 January	39	67
Deferred acquisition costs	31	39
Amortisation	(39)	(67)
At 31 December	31	39

20 Reinsurance assets

	2015 £'000	2014 £'000
Claims incurred	178	184
Unearned premiums	129	167
	307	351

Notes to the Financial Statements continued

21 Cash and cash equivalents

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash at bank and in hand	5,591	4,433	82	96
	5,591	4,433	82	96

The balance shown for the Company is held by Personal Group Trustees Ltd in respect of the various share schemes operated by the Company.

22 Share capital

	2015 £'000	2014 £'000
Authorised		
200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid 30,346,828 (2014: 30,320,851) ordinary shares of 5p each	1,518	1,516

In 2015 the Company issued 53,886 5p ordinary shares under the LTIP scheme.

The total number of own shares held by the Employee Benefit Trust at 31 December 2015 was 128,779 (2014: 168,347). Of this amount there are 59,528 (2014: 69,015) AESOP shares that have been unconditionally allocated to employees.

As at 31 December 2015 the Group maintained two share-based payment schemes for employee compensation.

a) Company Share Ownership Plan (CSOP) and unapproved options

For the options granted to vest there are no performance criteria obligations to be fulfilled other than continuous employment during the 3 year period, except for early termination of employment by attaining normal retirement age, ill health or redundancy.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Share option and weighted average exercise price are as follows for the reporting periods presented:

	Number	2015 Weighted average exercise price pence	Number	2014 Weighted average exercise price pence
Outstanding at 1 January	254,827	412.6	226,416	316.5
Options granted in year	5,405	555.0	130,165	480.0
Options exercised in year	(40,181)	324.4	(101,754)	285.0
Options cancelled or lapsed	(6,124)	490.0	–	–
Outstanding at 31 December	213,927	430.5	254,827	412.6

The weighted average exercise price of 49,836 (2014: 60,512) share options exercisable at 31 December 2015 was 300.98 pence per share.

The fair values of options which were granted during 2015 were determined by using the Black-Scholes valuation model. The fair value of these options was 63 pence per share. Significant inputs into the calculation include a weighted average share price of 480p and exercise prices as illustrated above. Furthermore the calculation takes into account future dividends of 4.0% and a volatility rate of 30%, based on expected share price. Risk-free interest rate was determined at 1.0%. The options are exercisable between 3 and 10 years after the date of the grant and have an exercise price of 480 pence per share.

Notes to the Financial Statements continued

The weighted average remaining contracted life of outstanding options at 31 December 2015 was 3 years and 4 months (2014: 7 years and 11 months).

The underlying expected volatility was determined by reference to historical data. No special features immanent to the options granted were incorporated into the measurement of fair value.

In total, £39,000 of employee compensation by way of share-based payment expense has been included in the consolidated income statement for 2015 (2014: £27,000). The corresponding credit is taken to equity. No liabilities were recognised due to share-based transactions.

b) Long Term Incentive Plan (LTIP)

LTIP1

During 2012 the Company adopted a discretionary Long Term Incentive Plan (LTIP1) for the benefit of selected Directors and senior employees of Personal Group.

The Plan provided for the grant of awards, entitling participants to the payment of a bonus relating to the percentage increase in the market capitalisation of the Company over a specified period. The awards are satisfied in shares, or at the discretion of the Remuneration Committee wholly or partly in cash in accordance with the Plan rules. It is the Remuneration Committee's intention to settle these awards in shares.

A participant is entitled to a payment in respect of their award on each of the second, third, fourth and fifth anniversary of their commencement date in the plan or if there is an exit event such as a sale before the fifth anniversary date. Each participant was awarded a specified percentage of the value increase in the market capitalisation. If there is no increase in market capitalisation at the award dates then no payment is made.

Where the market capitalisation has increased the level of payment is 10%, 30%, 60% and 100% cumulatively on the second, third, fourth and fifth anniversaries respectively of the relevant % entitlement. The number of shares awarded is determined by dividing the amount of the appropriate payment by the market value (as defined in the Plan rules) of the shares on the relevant anniversary date.

As LTIP1 will start to mature at the end of 2016, in July 2015 a further scheme (LTIP2) was put in place to take effect from 30 July 2015 (see below). In conjunction with the introduction of this scheme LTIP1 was amended to:

- Include a maximum cap on market capitalisation of £183.7m.
- Grant options rather than shares at each vesting date such that PAYE and NI liabilities will only arise at the date of the exercise of the option.

An amount of £876,000 (2014: £770,000) has been charged to the profit and loss account in 2015 for this scheme based on estimating the future share price of the Company over the duration of the plan. Estimates of future share prices have been used for the remaining payments to calculate the expense for each individual under their remaining tranches, taking into account the maximum cap on the payout to all individuals in the scheme. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share-based payment.

Given the estimate is highly sensitive to share price movement, the following scenarios have been considered:

- If the share price were to increase to a lower level than assumed the charge for the year would have increased by £226,000.
- If the share price were to increase at a quicker rate than assumed the charge for the year would have reduced by £125,000.

Notes to the Financial Statements continued

22 Share capital continued

b) Long Term Incentive Plan (LTIP) continued

LTIP2

As with LTIP1, 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. As is the case with LTIP1, LTIP2 is Market Capitalisation based and becomes reward bearing above a Company Market Capitalisation of £183.7m. It also has a yearly EPS performance criterion through its life which can be adjusted by the Remuneration Committee.

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 £72,000 (2014: £nil) has been charged to the profit and loss account in 2015 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 the related employers national insurance charge has been classified as share-based expenses on the face of the profit and loss account.

23 Deferred tax

	2015		2014	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Non-current assets and liabilities			*Restated	
Property plant and equipment	42	140	53	51
Intangible assets	–	209	–	275
Current assets				
Share options	1,088	–	752	–
	1,130	349	805	326
Offset	(349)	(349)	(326)	(326)
	781	–	479	–

	2015 £'000	2014 £'000
		*Restated
At 1 January	479	549
Acquisition	–	(346)
Movement in provisions credited to income statement (see note 11)	298	227
Movement in provision direct to reserves	3	49
At 31 December	781	479

*See note 36.

Notes to the Financial Statements continued

At 31 December 2015 the Group had tax losses of £985,000 (2014: £1,000,000) available to carry forward to offset against future profits of the same trades. A deferred tax asset has not been recognised in respect of the carried forward tax losses as there is uncertainty as to when they will be utilised given the trade is no longer a significant component of the Group.

24 Provisions

2015	Lets Connect PAYE £'000	Clawback £'000	Total £'000
At 1 January	3,000	23	3,023
Movement in provisions charged/(credited) to income statement	(825)	–	(825)
Utilised during the year	–	(8)	(8)
At 31 December	2,175	15	2,190

2014	Lets Connect PAYE £'000	Clawback £'000	Total £'000
	*Restated		
At 1 January	–	34	34
Acquisition	3,000	–	3,000
Movement in provisions charged/(credited) to income statement	–	55	55
Utilised during the year	–	(66)	(66)
At 31 December	3,000	23	3,023

*See note 36.

During the year the provision in respect of potential tax liabilities arising from compensation schemes for Directors of Lets Connect prior to acquisition has been reassessed resulting in a reduction of £825,000.

The provisions have been recognised in respect of the estimate of clawback of commission relating to cancellation of policies, pensions transfers and the free standing additional voluntary contributions review. Due to the nature of the provisions, and the fact that they will be affected by circumstances that are outside of the control of the Group, there is uncertainty as to the actual amount that should be provided for.

This uncertainty is taken into consideration when reviewing the outstanding provisions at the balance sheet date.

The maximum potential claim of pension transfers and the free standing voluntary contributions review is unknown as it depends upon the circumstances of each claim.

25 Trade and other payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial liabilities measured at amortised cost:				*Restated
Amounts owed to subsidiary undertakings	–	–	20,025	11,121
Other creditors	14,377	14,859	572	3,049
Accruals and deferred income	5,031	3,454	87	28
	19,408	18,313	20,684	14,198

*See note 36.

These liabilities are not secured against any assets of the Group.

Notes to the Financial Statements continued

26 Insurance contract liabilities

	2015 £'000	2014 £'000
Claims reported	1,241	838
Claims incurred but not reported	775	625
Claims settlement expenses	66	58
Unearned premiums	1,058	1,263
	3,140	2,784

It is estimated that the vast majority of all claims will be paid within 12 months.

a) Claims

	2015			2014		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Claims reported	838	(94)	744	726	(59)	667
Claims incurred but not reported	625	(90)	535	575	(90)	485
Claims settlement figures	58	–	58	58	–	58
At 1 January	1,521	(184)	1,337	1,359	(149)	1,210
Claims paid during the financial year	(6,854)	118	(6,736)	(6,144)	131	(6,013)
Increase/(decrease) in liabilities:						
Arising from current year claims	7,667	(150)	7,517	6,399	(210)	6,189
Arising from prior year claims	(252)	38	(214)	(93)	44	(49)
Total movement	561	6	567	162	(35)	127
Claims reported	1,241	(88)	1,153	838	(94)	744
Claims incurred but not reported	775	(90)	685	625	(90)	535
Claims settlement expenses	66	–	66	58	–	58
At 31 December	2,082	(178)	1,904	1,521	(184)	1,337

b) Unearned premiums

	2015			2014		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
At 1 January	1,262	(167)	1,095	1,495	(176)	1,319
Increase in the financial year	29,463	(259)	29,204	24,189	(359)	23,830
Release in the financial year	(29,667)	297	(29,370)	(24,422)	368	(24,054)
Movement in the financial year	(204)	38	(166)	(233)	9	(224)
At 31 December	1,058	(129)	929	1,262	(167)	1,095

Notes to the Financial Statements continued

27 Company investment in subsidiary undertakings and joint venture

	Shares in subsidiary undertakings 2015 £'000	Shares in subsidiary undertakings 2014 £'000
Cost		*Restated
At 1 January	35,549	25,778
Acquired in the year	1,000	9,000
Share-based expenses	948	771
At 31 December	37,497	35,549
Amounts written off		
At 1 January	12,840	12,706
Impairment provision in year	58	134
At 31 December	12,898	12,840
Net book amount at 31 December	24,599	22,709

*See note 36

During the year the Company acquired the share capital of its newly formed subsidiary, Personal Assurance (Guernsey) Limited for £1,000,000. In addition the Company transferred its interest in Personal Assurance Plc, Personal Assurance Services Limited, Personal Group Benefits Limited, Personal Management Solutions Limited, Personal Assurance (Guernsey) Limited, Lets Connect IT Solutions Limited and Berkeley Morgan Group Limited to its newly formed subsidiary Personal Group Limited (PGL) at book cost of £21,602,000 in return for shares in PGL.

At 31 December 2015 the Company held 100% of the allotted share capital of the following trading companies, all of which were incorporated in England and Wales and have been consolidated in the Group financial statements.

	Nature of business
Personal Group Limited	Intermediate holding company
Personal Assurance Plc *	General insurance
Personal Assurance Services Limited *	Administration services
Personal Group Benefits Limited *	Employee benefits sales and marketing
Personal Group Trustees Limited *	Trustee for employee share options
Personal Management Solutions Limited *	Employee benefits sales and marketing
Berkeley Morgan Group Limited *	Berkeley Morgan Group Holding company
Berkeley Morgan Limited +	Independent financial advisers
Universal Provident Limited +	Health insurance services
B M Agency Services Limited +	Wholesale insurance intermediary
Personal Assurance (Guernsey) Limited*	Death insurance underwriting services
Personal Group Mobile Limited	Mobile phone and contract services
Lets Connect IT Solutions Limited*	Employee benefits salary sacrifice technology products

* Indirectly owned by Personal Group Holdings Plc via Personal Group Limited

+ Indirectly owned by Personal Group Holdings Plc via Personal Group Limited and Berkeley Morgan Group Limited

At 31 December 2015 the Company held 50% of the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited which has been incorporated in England and Wales. At 31 December 2014 the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited was two £1 ordinary shares (see note 33).

Notes to the Financial Statements continued

28 Capital commitments

The Group had no capital commitments at 31 December 2015 and 31 December 2014.

29 Contingent liabilities

There were no contingent liabilities at 31 December 2015 and 31 December 2014.

30 Pensions

Group and self invested personal pension schemes.

The Company operates a defined contribution group personal pension scheme for the benefit of certain Directors and employees. The scheme is administered by Scottish Equitable Plc and the funds are held independent of the Company. In addition the Company makes contributions to certain Directors' self invested personal pension schemes.

These schemes are administered by independent third party administrators and the funds are held independent of the Company.

31 Leasing commitments and rental income receivable

Total operating lease payments due until the end of the lease, or the first break clause, total £827,000 (2014: £1,223,000). An analysis of these payments due is as follows:

	Motor vehicles	
	2015 £'000	**2014 £'000**
Total operating lease payments falling due on leases:		
Within one year	403	418
Within one to two years	340	418
Within two to five years	84	387
	827	1,223

Total operating rent receivable payments due until the end of the lease or the first break clause, total £714,000 (2014: £295,000). An analysis of these receivable payments due is as follows:

	2015 £'000	**2014 £'000**
Future minimum lease payments:		
Within one year	156	213
Within one to two years	110	82
Within two to five years	448	–
	714	295

Notes to the Financial Statements continued

32 Related party transactions

Personal Group Holdings Plc does not have any bank accounts. All transactions are dealt with via subsidiary undertakings. A list of inter-company balances with subsidiary undertakings is as follows:

	2015		2014	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Personal Assurance Plc	–	1,545	2,358	–
Personal Assurance Services Limited	–	6,136	–	6,641
Personal Group Benefits Limited	–	495	–	666
Personal Assurance Financial Services Plc	–	137	–	137
Multiplelisting Limited	–	100	–	100
John Ormond House Limited	–	–	–	–
Personal Management Solutions Limited	1,142	–	680	–
Mutual Benefit Limited	–	12	–	12
ParTake Services Limited	3	–	3	–
Berkeley Morgan Group Limited	75	–	–	3,565
Personal Group Limited	–	11,600	–	–
PG Mobile	3,849	–	–	–
Lets Connect IT Solutions Limited	334	–	702	–
	5,403	20,025	3,743	11,121

Transactions with Directors

During the year the following transactions were undertaken with Directors, or companies in which Directors were key decision makers.

Mark Scanlon rented a flat owned by Personal Group Holdings during the year. The lease is on the same commercial terms as the other rented Abbeygate properties and generated income to Personal Group Holdings Plc of £8,316. At year end no money was due to Personal Group.

Ken Rooney, through his company Gate Lane Solutions, invoiced the Group for consulting services in relation to contractual issues being dealt with by the Group. The total expense to Personal Group of this consulting was £1,656 in 2015. At year end no invoices are outstanding from Gate Lane Solutions.

Notes to the Financial Statements continued

33 Equity-accounted investee

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.

The development was funded by way of a loan from Personal Group Holdings Plc until 2014 when the loan was fully repaid. During the year interest receivable totalled £nil (2014: £30,494). Personal Group Holdings Plc had a charge over the development whilst the loan was outstanding. At 31 December 2015 the amount outstanding on the loan was £nil (2014: £nil).

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

Profit and loss account

	2015 £'000	2014 £'000
Rent receivable	134	210
Profit on disposal of apartments	35	388
Administration expenses	(31)	(84)
	138	514
Operating profit		
Interest payable	–	(30)
Profit on ordinary activities before taxation	138	484
Tax on profit on ordinary activities	(28)	(99)
Profit for the financial year retained	110	385
Personal Group Holdings share of profit	55	192

Balance Sheet

	2015 £'000	2014 £'000
Current assets		
Inventories	1,058	1,236
Debtors	280	98
Cash at bank and in hand	–	18
	1,338	1,352
Creditors: amounts falling due within one year	(47)	(170)
Net current assets	1,291	1,182
Capital and reserves		
Called up share capital	–	–
Profit and loss account	1,291	1,182
Shareholders' funds	1,291	1,182
Personal Group Holdings share of net assets	646	591

Notes to the Financial Statements continued

34 Cash flows from insurance contracts

During the year £29,529,000 (2014: £23,858,000) was received from insurance contracts. Future cash flows will depend upon the amount of new business written, and the amount of cancellations received, in any financial period.

35 Acquisition note

Acquisitions in the current period

On 1 April 2015 PG Mobile Limited (PG Mobile) was incorporated as a new subsidiary within the Group and on 17 April 2015 PG Mobile purchased the trade and certain assets and liabilities of shebang Technology Group Limited (shebang) out of administration for a total consideration of £1.4m. £0.7m was paid to the administrator of shebang and a further £0.7m was paid to Hutchison 3G UK Limited (Three UK) in respect of novation of a Mobile Virtual Network Operator Services agreement. PG Mobile is a Mobile Virtual Network Operator (MVNO) aimed at providing salary sacrifice phones and airtime to its established and new customers through the Group's subsidiary Let's Connect in addition to shebang's existing distribution channels. The acquisition is highly complementary to the Group's salary sacrifice product offering and customer base, and it provides the Group with another reason to engage and rollout employee benefit programmes, which can include its core insurance products. It has also brought with it over 20 years' of experience in the mobile industry, an established relationship with Three UK and an experienced team of 40 people based in Daventry already serving its customers with over 10,000 connections.

In the period to 31 December 2015 the business contributed net loss of £3.7m including acquisition costs of £0.3m and re-organisation costs of £0.9m.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	*Recognised Values on Acquisition £'000
Net assets acquired:	
Licence agreement (intangible)	703
Software (intangible)	506
Customer value (intangible)	102
Property, plant and equipment	5
Inventories	55
Trade and other receivables	71
Trade and other payables	(96)
Net identifiable assets and liabilities	1,346
Consideration paid	1,390
Goodwill on acquisition	44

* The recognised values above were determined on a fair value basis.

A minimal amount of goodwill arose because the consideration paid reflected management expectations of the future profitability of the business, whilst recognising that the majority of this future profitability will derive from new income streams.

The licence agreement, software and customer value were being amortised through the consolidated income statement over 3 year, 2 year and 3 year periods respectively; the combined charge for the 9 months to 31 December 2015 was £369,000.

At 31 December 2015 the intangible assets and goodwill were reviewed for impairment. As the business has so far not managed to meet the revenue stream targets originally envisaged, and given the future uncertainty and relative immaturity of the business, both the goodwill and intangible asset values were fully impaired at 31 December 2015.

Notes to the Financial Statements continued

35 Acquisition note continued

Acquisitions in the prior period

The effect of the acquisition of Lets Connect during 2014 has been restated as described in note 36.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised Values on Acquisition £'000
Acquiree's net assets at the acquisition date:	*Restated
Customer value	1,648
Property, plant and equipment	70
Inventories	151
Trade and other receivables	77
Cash and cash equivalents	724
Trade and other payables	(900)
Deferred tax liabilities	(345)
Provision for PAYE liabilities	(3,000)
Net identifiable assets and liabilities	(1,575)
Consideration paid:	
Initial cash price paid	6,000
Contingent consideration at fair value	3,000
Total consideration	9,000
Goodwill on acquisition	10,575

*See note 36.

*The recognised values above have been determined on a fair value basis.

A significant proportion of the purchase price represents goodwill on acquisition. This is because the majority of the future profitability of the business is expected to arise from the procurement of new customers rather than from the existing customer base. The acquisition provides the Group with an enhancement to its existing salary sacrifice offering and offers great potential to introduce Lets Connect products to the Group's existing customer base.

36 Prior year restatements

LTIP restatement

In preparing the Company financial statements, the Directors identified that previous years' share-based payment charges should have been capitalised as part of the cost of investment in the subsidiaries that were receiving the benefit, rather than being recorded as an expense by the parent. Certain employees of the subsidiaries are included in a group equity settled share-based payment arrangement (LTIP 1) where the parent, Personal Group Holdings Plc (PGH Plc), grants shares to the employees of the subsidiaries. The IFRS 2 share-based payment charge has previously been recognised in the parent company (PGH Plc) profit and loss account as an expense rather than in that of the subsidiaries. In accordance with IFRS 2, where a parent company is providing a share-based payment to an employee of a subsidiary company, this will result in an increase to the cost of investment that the parent holds in the subsidiary undertakings.

The Directors have restated the prior period financial statements to record the adjustment as an increase in the cost of investment. This has resulted in the following:

- The share-based payment charge for the year to 31 December 2014 has decreased by £771,000 to £nil; and
- The cost of investment as at 31 December 2014 has increased by £2,507,000 to £22,709,000 (31 December 2013 by £1,736,000 to £13,072,000).

The overall impact of the above is to increase equity at 1 January 2014 by £1,736,000 and at 31 December 2014 by £2,507,000.

Notes to the Financial Statements continued

Deferred tax restatement

In preparing the Group consolidated financial statements, the Directors identified that a deferred tax asset should have been recognised on the equity settled share-based payment transactions, in relation to the element of the tax base that exceeds the cumulative P&L charge recognised in respect of the equity settled share-based payment.

The Directors have restated the prior period financial statements to record its deferred tax. This has resulted in the following:

- The tax charge for the year to 31 December 2014 has decreased by £25,000 to £1,628,000; and
- The deferred tax asset as at 31 December 2014 has increased by £734,000 to £479,000 (31 December 2013 by £660,000 to £549,000).

The overall impact of the above is to increase net assets at 1 January 2014 by £734,000 and at 31 December 2014 by £660,000.

Lets Connect acquisition and provisions

Additionally, in preparing the Group consolidated financial statements, the Directors identified that the provision for potential claims in relation to PAYE/NI that was previously classified as trade and other payables should have been classified as a provision. The Directors have therefore restated the 2014 balance sheet to reclassify this balance. This has resulted in the trade and other payables balance reducing by £3,000,000 as at 31 December 2014 and provisions increasing by £3,000,000. There is no impact on the consolidated income statement or net assets.

As a result of the above restatement, the Directors also identified that in fair valuing the contingent consideration arising on the Lets Connect acquisition, an adjustment to the amount payable relating to PAYE/NI was not previously taken into consideration. In the Company only accounts, the Directors have therefore restated the 2014 financial statements to correctly record contingent consideration. This has resulted in the following adjustments in the Company financial statements:

- The cost of investment in Lets Connect as at 31 December 2014 has decreased by £3,000,000 to £9,000,000; and
- Trade and other payables as at 31 December 2014 has decreased by £3,000,000 to £18,313,000.

There is no overall impact to net assets or the profit and loss account for the year ended 31 December 2014.

37 Post balance sheet event

On 9 February 2016 the Group signed an agreement with AXA PPP healthcare to transfer the PMI business over to them in a phased approach between July 2016 and June 2017. The Group will continue to underwrite policies until each policy's renewal date, from which date AXA PPP Healthcare will provide continuous cover.

38 Key accounting estimates and judgements

The LTIP cost which estimates a cost with regard to future share issues for Directors and senior employees constitutes a significant accounting estimate for PGH Plc. This is discussed further and tested for sensitivities in note 22.

Within the claims paid figure is a provision relating to claims incurred but not yet reported ("IBNR"). This is an internal estimate of claims which will relate to 2015 or before for which PA Plc is yet to be notified.

During the year, as noted in note 35, the trade and assets of shebang Technology Group Limited were purchased by PG Mobile. The carrying value of the of the intangible assets purchased have been reviewed at year end in note 15A with the decision being taken to impair the remaining intangible value due to the uncertain trading outlook of PG Mobile.

Goodwill arising from the Lets Connect and shebang acquisitions existed at year end in the financial statements. As noted in note 15 following an internal review of expected profitability across the two business streams it has been decided to retain the Lets Connect value at its initial amount but to fully impair the goodwill relating to the shebang acquisition.

personal group
for your benefit

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