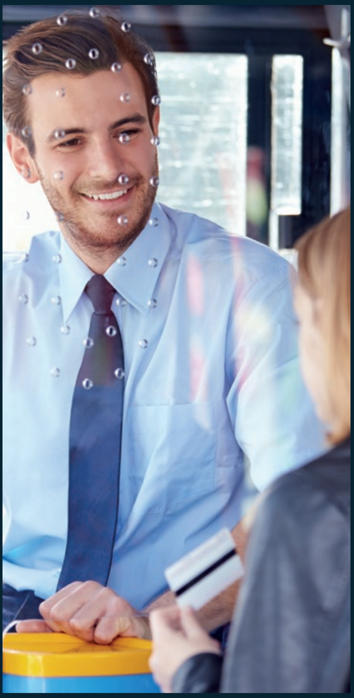
A winning team creating a brighter future for the UK workforce


Personal Group Holdings Plc
Annual Report and Accounts 2020

Personal Group

Providing health insurance services and a broad range of employee benefits, engagement and wellbeing products to businesses across the UK.

Overview

Strategic Report

See more online at
https://www.personalgroup.com

Governance

Financial Statements

Investment Proposition

Established, profitable business with a clear strategy for growth

Long-term marketplace trends to leverage

Strong demand for workforce benefits and services as employee wellbeing and engagement rises up the corporate and ESG agenda.

72% of UK managers have named wellbeing as a top priority for 2021[1].

For more details see **pages 18-19**

Robust recurring revenue model

High retention rates on insurance products, recurring revenues from SaaS licences and strong repeat business on provision of home technology salary sacrifice products.

92% of revenues in 2020 came from existing clients across the Group.

For more details see **pages 16-17**

Relevant digitally-enabled offering with owned IP

Owned insurance and technology-led services that are relevant for the current world of work.

Wide range of offerings provides differentiation from competitors.

For more details see **page 7**

Cash generative, debt-free and a strong balance sheet

Strong financials underpin dividend payments and provide firepower for growth.

Cash and deposits of £20.2m and no debt as at 31 December 2020.

For more details see **pages 26-29**

Experienced management team

Board and senior leadership have a deep understanding of the business and a proven track record in scaling-up businesses.

Combined over 50 years in the industry.

For more details see **pages 40-42**

Ambitious plans with clear roadmap to growth

Ambitions to substantially grow the Group have been shared with our stakeholders and momentum is building with the Group securing new customers and progressing partnerships.

Ambition to double EBITDA with one million Hapi users.

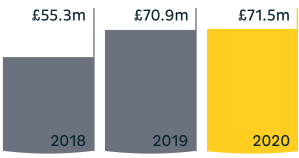
For more details see **pages 22-23**

1. https://issuu.com/cmi_/docs/management_transformed

2020 Highlights

Robust financial results alongside clear strategic progress

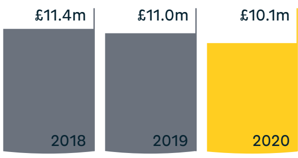
Financial highlights



Group Revenue

£71.5m

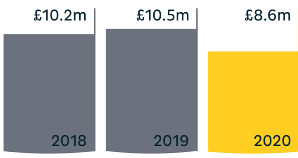
2019: £70.9m



Adjusted EBITDA*

£10.1m

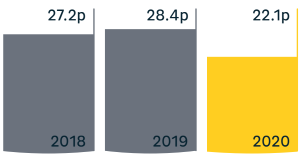
2019: £11.0m



Profit before tax

£8.6m

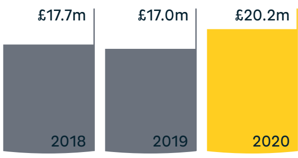
2019: £10.5m



Basic EPS

22.1p

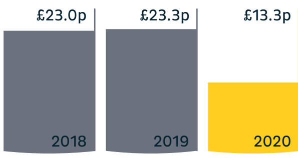
2019: 28.4p



Cash & deposits

£20.2m

2019: £17.0m



Dividend per share

13.3p

2019: 23.3p

Operational highlights

- **Significant new business wins**
  Secured contracts with Royal Mail and post-period end with Kingfisher, together adding an extra 180,000 potential customers able to buy insurance products.
- **Developed new channels to market**
  Introduced new sales channels of virtual visits and telesales in the core insurance business to mitigate inability to perform face-to-face visits on client premises due to COVID-19, but new annualised insurance premium still impacted at £2.4m (2019: 9.4m); limited new insurance sales during 2020 and the current lockdown will impact insurance revenues in 2021.
- **Increased adoption of Hapi**
  Hapi users up c.15% to over 470,000 with over 175 organisations using our employee engagement platform.
- **Growth in SME sector**
  Successful launch of the Sage Employee Benefits offering, targeting the SME sector.
- **Expansion of Public Sector customer base**
  Expansion of Public Sector customer base, signing contracts with 13 public sector clients and being accepted onto six public sector frameworks.

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based expense payments, corporate acquisition costs, restructuring costs and release of tax provision. This definition applies to all references to Adjusted EBITDA within this document

Details of the adjustments can be seen on **page 25** and a reconciliation from PBT to this Adjusted EBITDA can be seen on **page 27**

COVID-19 action timeline

February 2020
- Preparation already underway for remote working scenario for all Personal Group employees

March 2020
- Employees were equipped to work from home with minimal disruption to their roles
- Trained colleagues were on hand to supplement Claims Handling Team when required
- Hapi push notifications made available for all clients across their own platform

April 2020
- All existing policyholders were given free of charge access to a 24-hour online GP service
- Online claim form made live on website to help ease claims process for policyholders

May 2020
- PG Let's Connect expanded their product range to reflect the needs of customers during lockdown

Responding to COVID-19

Our priorities and key mitigating actions

Protecting our policyholders

Our business has always protected the vulnerable. As part of our commitment to our policyholders we added a new 'Breathing Space' facility, allowing any policyholder who is finding themselves in financial difficulty through redundancy or reduced pay during the COVID-19 pandemic the ability to have a payment break on their policies. Claims are still honoured during this time and there is no recovery of uncollected premiums.

We also enhanced the terms and conditions of our insurance plans to better meet the needs of our policyholders and supplemented these changes with the provision of an online GP service and Hapihealth for policyholders with no access to our employee benefits platform through work.

Alongside these activities, we adopted a more proactive contact strategy, reaching out to policyholders whose premium payments through payroll cease without explanation and widened the use of 'Keep My Cover' (the option to pay by direct debit if payroll deductions cease due to employment changes).

Supporting our employees

The wellbeing of our people is a priority and as a business we have adopted and introduced new ways of working, ensuring there is enhanced support available to all staff. We have introduced a weekly 'all company' address from the Chief Executive and Senior Leadership Team and there are regular departmental check-ins, giving employees the opportunity to talk to their peers and keep the lines of communication open. We have provided additional virtual training, not only to managers to help them support their team remotely, but to staff whose role may have required them to learn a different skill set. Alongside this we looked at furloughed individuals' previous experience and have been able to second people into other departments as well as offering flexible furlough for those struggling with home commitments.

For more details see **page 34**

Developing more channels to market

Pivoting from our traditional face-to-face selling model to virtual visits allowed us to directly connect and engage with policyholders and our clients' employees. This maintains our personal approach of talking individuals through the employee benefits available and how they can get the most value from them. In addition to this, we have also developed a digital insurance distribution solution, to be embedded in Hapi for SaaS only clients.

2020 also saw us successfully expand our reach into the SME market through our innovative partnership with Sage with execution at scale enabling smaller businesses to provide our valued benefits to their staff.

Using the pandemic constructively to deliver future stability for our business

COVID-19 has allowed us to accelerate our progress towards meeting clients and customers in a digital world, which prior to the pandemic would have met resistance. Businesses recognise the significance of employee wellbeing and the importance of building a resilient, committed workforce, which gives us the opportunity to cement and expand our client base through the benefits and wellbeing services we offer.

Our commitment to our community

We are passionate about giving back to our community, and with the pandemic having such a significant impact on charities' income, we wanted to support them with their efforts. Whilst we would normally donate our time alongside financial support, this was not possible, so the PACT (Personal Assurance Charity Trust) Committee partnered with several charities local to our business and agreed upon projects and initiatives that our financial donations would really enhance.

In total we donated

£100K

during 2020

June 2020
- Hapihealth platform launched providing policyholders with additional wellbeing services

July 2020
- New telephony system launched to enhance and provide our customers with a more efficient contact journey

August 2020
- Virtual visits trialled

September 2020
- 'Breathing Space' initiative launched for policyholders experiencing financial difficulties

Case Study

Personal Group helps Yusen Logistics become "better connected"

Yusen Logistics looks to Personal Group to create an exemplary workplace that connects and recognises employees.

Yusen Logistics' mission is to become the world's preferred supply chain logistics company, driven by its vision to better connect people, businesses and communities. Success has created a hugely diverse company, with 15,000 employees — supporting clients in sectors that include aerospace, food and healthcare — across 16 European countries.

Background

Around 1,300 people work for Yusen Logistics in the UK, in environments that range from remote facilities and large warehouses to the open road. Staying true to company values that aim to keep employees "connected, committed and creative" is a priority — and a challenge.

Yusen Logistics has been a valued Personal Group client for over 10 years. We've worked together to engage, assure and unify employees within an exemplary workplace. While many of Yusen Logistics' employees can't access a computer, virtually everyone owns a smartphone. Personal Group harnesses this connectivity through our Hapi app — tailored specifically to Yusen Logistics' needs and named "Everyone Benefits".

Launched in 2017, the app connects the unconnected by bringing staff their entire benefits offering — anytime, anywhere. Content includes pensions, job opportunities, thousands of discounts at major retailers, and insurance products such as hospital and death benefit plans.

Building a culture of recognition

Yusen Logistics wanted to take usage rates of Everyone Benefits from good to outstanding and use it to drive a reward and recognition culture. Their platform provides everything from a way for managers to say thank you for a job well done, to colleagues recognising each other for going the extra mile.

> "Using the Everyone Benefits app to drive our recognition scheme makes it easy for colleagues and managers to celebrate examples of great performance."
>
> **Rebecca Heap**
> Reward Manager at Yusen Logistics

For Christmas 2019 Yusen sent all employees a £25 bonus through the platform and provided a further award to employees in late 2020 to recognise their contribution through the COVID-19 crisis. This approach brought the app activation rate up to 95% – an outstanding achievement, especially given sector-specific challenges like a disparate workforce. In Spring 2021 Yusen plans to reward staff with a further award, ahead of launching their peer-to-peer recognition scheme through the platform later in the year.

Meeting the COVID-19 challenge

When the COVID-19 crisis hit, Yusen needed to stay connected to two distinct employee populations: office-based staff now working from home, and their warehousing and driver teams. They successfully used Everyone Benefits for operational communications, sending more push notifications in 2020 than the previous two years combined. High adoption rates of the app meant that HR were confident their messages were getting through, even to hard-to-reach frontline staff.

Mindful of the mental and physical impact of the pandemic, Yusen also used Everyone Benefits to share information on working from home and to highlight wellbeing resources available for staff and their families such as the Employee Assistance Programme.

"Everyone Benefits has been invaluable for staying in touch with our remote workforce during COVID-19. We're delighted that app activation rates are up to 95% – now we can reach everyone, whether they're working shifts in the warehouse or out on the road making deliveries."

About Us

Our vision: A winning team creating a brighter future for the UK workforce

Our mission

To Protect the Unprotected, Connect the Unconnected; engaging and rewarding employees through the provision of our insurance products and employee benefits services.

Our values

Our core values ensure that everyone understands and is aligned behind what we are and how we want to operate.

Solid

Trustworthy, respected and dependable. We keep our promises and get it right the first time – time after time.

Driven

Motivated, ambitious and determined, delivering what our clients and customers need in an ever-changing landscape.

Engaging

Genuine, approachable and passionate, ensuring people feel comfortable and confident when talking to us.

Expert

Professional, precise, knowledgeable, learning all the time to make sure we are delivering viable, quality solutions to our clients.

What We Do

We enable businesses to improve employee engagement and support their employees’ wellbeing

Our business has three core focuses:

Insurance benefits

- **Hospital plan and death benefits policy provision:** simple ‘fair-deal’ plans that are secured for the lifetime of the policy, providing people with peace of mind if the unexpected happens – all for the price of a cup of coffee a week.

Employee engagement & benefits delivered via SaaS

- **Hapi, a market leading, fully customisable, employee engagement platform and app:** flexible and easy to use, Hapi allows businesses to integrate existing benefits and connect all aspects of mental, physical, social and financial wellbeing with communication and engagement tools.
- **Sage Employee Benefits:** an employee engagement product designed for the SME market. Operates on a monthly subscription model for Sage’s payroll customers, delivered by Personal Group.
- **Innecto Reward Consulting:** a suite of solutions helping HR develop and implement fair, consistent and best fit reward programmes.

Traditional employee benefits and engagement

- **PG Let’s Connect:** provision of home technology via salary sacrifice. Allows employees to access the latest consumer technology from leading manufacturers and spread the cost either by salary sacrifice or net pay arrangements.

Chairman's Statement

"We can be proud of the part we have played in supporting those most affected by the pandemic."

Navigating a challenging year

As we are well aware, 2020 was a highly challenging year for all following the outbreak of the COVID-19 pandemic. We are therefore particularly pleased that Personal Group demonstrated its resilience in this most challenging year – we have again delivered a good profit from our operations and have driven forward key strategic initiatives. We also continued to pay dividends, albeit reduced, to shareholders, balancing the importance of income to this stakeholder group with a programme of prudent cost management.

Most critically, we continued to deliver benefits, both in financial terms and in peace of mind, to individual employees, many of whom make up the working backbone of Britain as "Key Workers".

See our strategy on **page 20**

The risks that these individuals were taking in the early days of the pandemic were unknown and consequently, our products were starkly important in providing protections to individuals and their families should they become hospitalised or, as sadly happened in some cases, die. I am proud that we have managed to Connect the Unconnected, Protect the Unprotected, and equipped employers to engage and reward their loyal employees during 2020.

I sincerely thank all the people at Personal Group who have enabled us to provide support to our policyholders, in particular. Behind the scenes our people have shown tremendous flexibility to continue providing a seamless service. It is with great pride that I tell those outside our business about what we do and how we have responded. Deborah Frost covers this in more detail in her Chief Executive report however I would also like to take this opportunity to recognise that all we have achieved this year flows from the efforts and attitude of all of our Personal Group employees.

Group priorities responding to COVID–19

During 2020 we have seen a considerable change in the behaviour of employers. Our clients are becoming more thoughtful in how they approach engaging their workforces and improving their wellbeing. This has become a key business imperative. As a result, many of our clients now have more complex communication and engagement needs and Personal Group has responded to this well. Our methods of engaging with our existing and prospective clients has changed; we have become more targeted and consistent in our account management which has led to successes with Royal Mail and other significant clients. We have also developed a much more integrated style that takes advantage of the strengths of our combined business propositions and our unique salesforce. Furthermore, we have adapted to selling our products remotely.

Nevertheless, two of our businesses have faced significant challenges in the year – the face-to-face selling of insurance was impossible for large parts of 2020 and Innecto, our reward consulting business, was similarly affected. However, we were pleased to see our Software as a Service (SaaS)-based offering grew well. It is also well positioned for 2021 as our partnership with Sage has started to have a positive effect with a marked increase in SME clients signing up to the offering. PG Let's Connect, our business delivering consumer technology as a benefit, performed well but was hindered by global supply chain shortages during its peak trading period in the run up to Christmas. In the round, our results stood up due to our high level of repeat business and recurring fees from a diverse business model. Overall, our business delivered Revenue up £0.6m from last year with Profit Before Tax (PBT) down circa £2m.

We consider Adjusted EBITDA to be the most appropriate measure of our performance as it has a consistent composition and does not include one-off elements that might distract from the underlying performance. Adjusted EBITDA for 2020 was only marginally lower than 2019, a remarkable performance given all that happened in 2020 and demonstrating the resilient nature of our business model.

As well as thanking our colleagues for their hard work, it is worth noting that we do not take for granted the continued support of our shareholders, large and small. We greatly appreciate their belief in the business and remain focused on creating value for both them and all our stakeholders.

Progression on our ESG journey

As a business that is driven by a passion and commitment to improving people's health and wellbeing, and that wants to make a positive impact on our communities and our environment, ESG is very important to us and a priority at Board level. We have identified a number of ambitious ESG targets that we are now working towards, such as reducing our carbon footprint and having a positive social impact on the communities that we work with. I am particularly pleased that Personal Group is at the vanguard of diversity at the board and senior executive levels. Further information on the Group's ESG goals and targets are detailed later on in the report.

Board appointments and succession

This is my last report as Chairman of Personal Group. I will be stepping down from the business immensely proud that we weathered the tidal wave of 2020 and remain buoyant as we progress in 2021.

The world in which we operate has changed rapidly in the last eight years and I am pleased how the business has adapted. I leave the business still facing challenges and opportunities ahead but in the extremely capable hands of Deborah, our Chief Executive and my successor Martin Bennett, former CEO of Homeserve UK, who joined the Board in January. I thank the entire Board for their support.

2020 saw some significant changes to our leadership team and Board. Long-serving executive Directors, CFO Mike Dugdale, and Andy Lothian, MD of PGB, respectively retired in September and stepped down as an executive in December. Andy remains a Director, but in a non-Executive capacity. Ken Rooney has also retired from the Personal Group Holdings Board but will remain a Director of our regulated insurance company, Personal Assurance. They have all provided extremely valuable counsel to Personal Group with support and challenge brought to the Senior Leadership Team, especially in the last year. We also welcomed Sarah Mace, as interim CFO in September 2020, a position which became permanent post-period end in January 2021. Sarah was formerly our Group Financial Controller and Company Secretary so brings Personal Group experience alongside her broader skillset. When I step down, our Board will be equally split by gender.

Dividend

Following the outbreak of COVID-19, in May 2020 the Board took the decision to reduce the second quarter dividend as a measure of prudence amidst the uncertain trading environment resulting from the pandemic. In November 2020, the Company also announced that, in light of further national lockdown restrictions and ongoing uncertainty at that time, any payment of its fourth and final dividend in respect of its financial year ending 31 December 2020 would be made following publication of its audited full year results in March 2021.

As noted with the release of these accounts, a final dividend of 5.1p will be paid to shareholders on 12 May 2021.

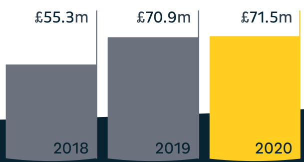
We also announced in November 2020 that from 2021 the Board has decided to adopt a more typical dividend payment profile with two dividends scheduled each year following the respective half-year and full year financial reporting periods. This revised profile will enable the Board to have greater clarity on operational results for the year before declaring the dividend to be paid.

Outlook

Whilst we have faced quite a different year than expected, Personal Group has demonstrated its underlying strength and resilience. I close with the same sentiments as last year. "Fairness is an often-stated aspiration, but making it happen is rarely discussed. Making aspects of financial security accessible to more people at a fair price is what Personal Group does, consistently." Personal Group did so again in 2020 and I wish all involved every success in making it happen in the future.

Mark Winlow
Non-Executive Chairman

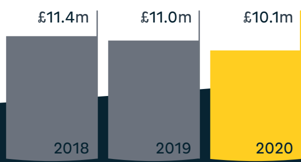
22 March 2021



Group Revenue

£71.5m

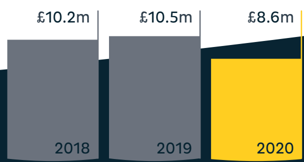
2019: £70.9m



Adjusted EBITDA

£10.1m

2019: £11.0m



Profit before tax

£8.6m

2019: £10.5m

Case Study

Keeping the personal touch

Barchester Healthcare

BARCHESTER
Celebrating life

At Personal Group, we have long prided ourselves on a face-to-face approach to drive maximum engagement with the workforce. Our specialist team typically meet with around 75,000 employees each year, right across the country, to help them see the value of the benefits on offer. This human touch has been key to employee engagement.

Since the COVID-19 pandemic, we've developed new approaches to ensure our clients' staff remain engaged, connected, and supported through their employee benefits. By being flexible to clients' needs, we can continue to provide personal, meaningful interactions in a COVID-safe way.

Virtual visits are a hit with key workers

We carried out virtual visits for care home provider Barchester Healthcare. As key workers, these staff have been under extra pressure and their employer wanted to ensure they get the best out of their employee services, particularly wellbeing.

At Barchester sites we built a buzz with delivery of our 'visit in a box'. These boxes are delivered safely by hand and sanitised upon delivery, and include an iPad, anti-bacterial wipes, flyers, and branded giveaways like soft toys and chocolates. The box stays on-site for one week, and workers can book in an appointment to have a virtual face-to-face session with one of our experts via the iPad.

The response to 'visit in a box' has been fantastic – staff are excited for its arrival! Virtual visits mean that employees at restricted access sites can still have a personal interaction to explain their benefits, including an Employee Assistance Programme, retail discounts and Online GP services. In our staff survey, 80% said they were "Satisfied" or "Very satisfied" with the overview of information and resources available on the Hapi platform.

Employees were also pleased to find out about Protection Plans, with one employee commenting "It's peace of mind just in case I fall ill and have to go in to hospital... the bills don't stop just because you are ill."

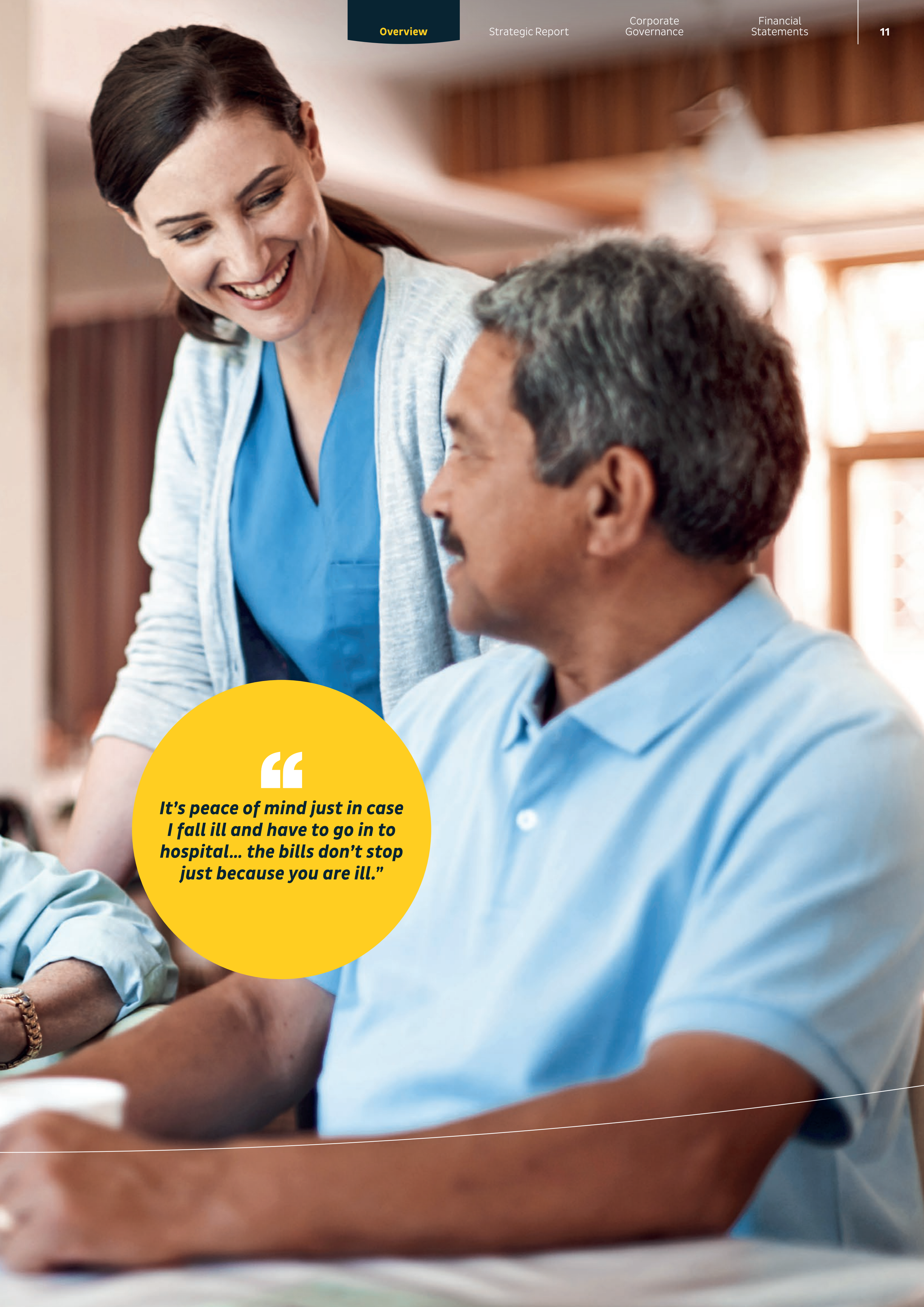
Our short but engaging one-to-one sessions connect employees with their benefits in a time-efficient way that minimises disruption to their working day. Across Barchester sites we have been able to engage with 96% of available staff – a brilliant result!

Personal Group's innovative approach means staff can still find out about the benefits and wellbeing support on offer, which will enable them to stay healthy and productive even in difficult circumstances.

See more online at
www.personalgroup.com/investors

"The virtual visit was conducted in a constructive way and staff were happy to sort out any questions with the app. Overall a very positive couple of days."

General Manager
Barchester Healthcare



“It’s peace of mind just in case I fall ill and have to go in to hospital… the bills don’t stop just because you are ill.”

Chief Executive's Statement

> "Personal Group is a purpose-led business – we're a winning team creating a brighter future for the UK workforce."

Dear Shareholders,

An eventful year

It has been a tumultuous year, and no one could have predicted back in January 2020 all that has happened since. Not only have we faced the coronavirus pandemic and pivoted our core insurance business in response, but it has also been a milestone year for several other reasons, as we won major new clients and saw the start of long-awaited results from our partnership with Sage in the SME market.

I am extremely proud of how everyone in the business has persevered and innovated to maintain services to our clients throughout the year, no matter what was thrown at them. I congratulate them for their unfailing determination and hard work. I would also like to take this opportunity to thank our shareholders for their support. In any year it is helpful to know that our shareholders believe in the Board and leadership team, but this year your support has been especially welcome.

For many UK employees, this was the year when access to our insurance products, wellbeing support and engagement from their employers demonstrated their value, and we are pleased to have been able to make available those much-needed services to over 1,260,000 UK employees. I send condolences to the families of our policyholders who have been bereaved and good wishes to those who have been ill and are now recovering. I am glad that we could provide assurance and help to those individuals through these tough times.

Financial review

Our financial performance in 2020 was robust, with our underpinning recurring revenue model demonstrating its resilience despite unprecedented upheaval in our business operations.

Adjusted EBITDA has been driven by the strength of our insurance book and the value our employer clients place on the benefits platform. PG Let's Connect, our consumer technology benefits business, retained clients but global stock shortages and increased distribution costs hit their EBITDA contribution. Innecto, our reward consultancy, also suffered as consultancy projects stalled, although new sales and client retention of the Digital suite supported their recovery opportunities. Alongside this the contribution from the SaaS business continued to grow.

Our costs reduced in the year due to our Insurance Field Sales team being unable to work, which resulted in a saving in policyholder acquisition costs. However, the impact of this will be felt in 2021 and beyond where, despite our best endeavours, there is a gap in new insurance premium to set against our planned acquisition costs for policyholders in 2021. Whilst it will take some time to build back profitability, we are pleased to have over 650,000 potential buyers in our pipeline, a c.43% increase on the figure at the end of 2019.

See our KPI's on **page 24**

"Policyholder retention rates moved upwards to reach over 80% year-on-year retention."

Impact of COVID-19 and pivoting of core business

In 2020 our core business sales process – sitting down with employees in their place of work, connecting them to their benefits platform, and talking to them about the advantages of holding an insurance policy – was halted almost overnight in March. However, the team immediately switched to different distribution methods through phone, and later, virtual visits, connecting with policyholders via video calls in their workplace. Although inevitably our new approach was impacted by ongoing restrictions, which meant there were generally fewer people in work, conversion rates of the virtual visits that took place were comparable with that which we have historically seen in-person. It is clear that we have developed an effective, lasting and lower cost new channel to add to our distribution model.

Our policyholders have demonstrated their belief in the value of our products, with retention rates increasing to reach over 80% year-on-year retention. We are proud to have kept our promises through the pandemic, paid out claims promptly and in full, as well as developing an immediate response to assisting financially vulnerable customers.

Our genuine desire to protect our policyholders remains an important part of why they choose to stay with us.

Performance against growth strategy

Our growth strategy centres around widening our footprint across a broader range of industries as part of our vision to create a brighter future for the UK workforce.

We aim to ensure the insurance, employee benefits and wellbeing services we provide can be delivered in an appropriate, easy-to-access and cost effective medium. To this end we are pursuing the greater use of technology across the business, including through our proprietary platform and app, Hapi. This also means that the Group will increasingly benefit from a growing level of recurring revenue and high margins.

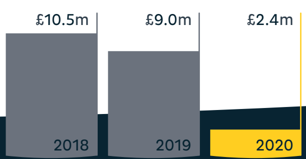
We also intend to accelerate cross-selling across the Group. With a solid base of 140 clients (c.40% of our base) being served in 2020 by two or more lines of business, we have identified this as a core KPI for building future value.

Entering the SME market with the conversion of Sage clients beginning

For some time we have been in the process of working with Sage to launch Sage Employee Benefits ("SEB"), a digital benefits platform for SMEs, and this has begun to bear fruit over the period. Following limited-time free trials through the summer and autumn, we now have clear evidence that companies are seeing value in the offering and are converting to paid at the end of the trial period.

We took the on-boarding and mobilisation of new customers in-house and this has been positive in allowing us to develop predictive analytics about which customers stay and pay, improving our set-up and engagement levers.

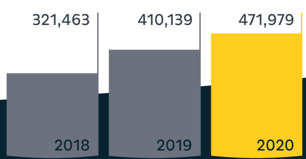
The launch of Sage Employee Benefits has shown what we have always believed; that the SME market is a major market for growth. The challenge has always been how to reach it at cost-effective scale, and we are now seeing the scope our partnership offers us to reach an available market of c. 10 million employees. We are pleased to confirm that post-period end SEB is generating £1m gross annualised recurring revenues.



Annualised new business

£2.4m

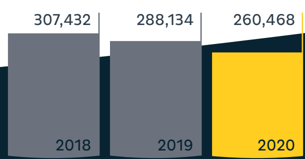
2019: £9.0m



No of Hapi users

471,979

2019: 410,139



No of policies in force

260,468

2019: 288,134

Chief Executive's Statement continued

> "Personal Group has been protecting the nation's key workers for over 35 years. We are the umbrella our policyholders need on a rainy day, and 2020 was no different."

Gaining a greater foothold in the Public Sector

The Public Sector is another market where we have been looking to increase our foothold, and we were therefore pleased to have signed contracts with 13 new NHS and public clients. In addition, we were accepted onto six public sector frameworks during the year. This makes the onerous procurement process for NHS Trusts and local government far simpler and demonstrates that the value of our products is understood by this target market.

Maintaining focus on the growth of our insurance book

In our Insurance segment, our mission to 'Protect the Unprotected and Connect the Unconnected' has resonated strongly with clients as they seek to prioritise their employees' welfare.

We secured the opportunity to sell insurance to Royal Mail Group on a three-year contract, strengthening an existing relationship with the Group. In addition, we agreed a roll-out with Kingfisher plc post-period end, to deliver a new Hapi benefits platform and insurance offer. Together, these two wins alone give us an extra 180,000 additional employees who can buy insurance.

Added to the c. 450,000 employees we currently have in our client book, there are significant opportunities for developing our insurance book over future years.

Our goal for 2021 and 2022 is to reverse the impact of the COVID-19 shutdown on this segment of our business, to take advantage of our new channel distribution methods and ensure that our good-value simple policies protect as many as possible, recognising the effect of COVID-19 has been to change people's perception of risk.

Driving an increased use of digital platforms with a SaaS model

The pandemic has driven increased adoption of services delivered digitally, and the same is true in the employee benefits and insurance market, where employees began to increasingly want and expect their benefits to be accessible through consumer-grade technology.

With the Hapi mobile app being a core part of our product offer we were in a strong position to address the demand, especially for key workers who are often on the move rather than sitting behind a desk. We have developed the capability to also offer our insurance products digitally through Hapi, allowing us to reach more potential policyholders, albeit conversion rates are as yet untested through this delivery method. Our development of virtual visits and usage of video calls has opened up sites and employers who previously were too geographically remote, or too small to reach with our face-to-face model. We ended the year with 92% client retention on the Hapi platform, demonstrating its enduring value to clients.

Our long-term strategy has been to develop more margin on our SaaS solutions and to drive subscription revenue through widening our sector footprint beyond our industrial heartlands. Product adoption growth with existing clients for Hapi, new clients for Innecto Digital and the take-off of Sage Employee Benefits demonstrate the merit of our platforms and the results of our investments into Sales and Marketing over the last couple of years. SaaS clients build future value for our business and add to the security of our recuring revenue model.

The Group's 2025 aspiration is to have one million users of the Group's Hapi platform, and we currently stand at over 470,000 activated users, an increase of c.15% in-year, despite the pandemic impact.

Our people

Our teams have performed exceptionally well, in difficult circumstances, working from home on kitchen tables and in bedrooms. I salute them all for their unwavering support for our clients and policyholders through what has been, at times, a harrowing year.

In recognition of our employees' commitment, we made shareholders of all employees who had worked through the pandemic by offering £500 each of free shares – to both thank them for their contribution but also allow them to share in our future success as the business grows over the years.

Outlook

Our plans for growth are centred around our aspiration to double profits by widening our footprint into new industry sectors and delivering new products and services to existing and new clients. The impact of the pandemic will be seen in an EBTIDA decline in 2021 as a result of limitations in insurance sales during lockdown, yet we retain a strong level of ambition and today affirm our continued desire to reach the profit growth aspiration in the mid-term. Our strategy remains the right one and reasons abound for continued excitement about our future prospects.

The market opportunity is accelerating. The importance of looking after employee wellbeing in running a successful, sustainable business has never been more apparent, and will be an important macro growth trend in years to come. We have proven access and delivery into a number of sectors, including the vast SME market, and look forward to building on the results we've seen so far.

Finally, following the successful integration of PG Let's Connect and Innecto we are actively seeking further complementary acquisition opportunities. To accelerate entry into key markets, and provide an opportunity to both cross-sell and vertically integrate key supply chains we are actively looking for acquisitions which:

- Fit our recurring revenue model;
- Bring access to new clients and markets; and
- Bring attractive propositions to post COVID-19 fast-growth sectors.

We have a strong and motivated team in place and a high-quality, well-invested offering. We are confident we are positioned for long-term success.

Deborah Frost
Chief Executive
22 March 2021

The Group's 2025 aspiration is to have one million users of the Group's Hapi platform, and we currently stand at over 470,000 activated users, an increase of c.15% in-year, despite the pandemic impact.

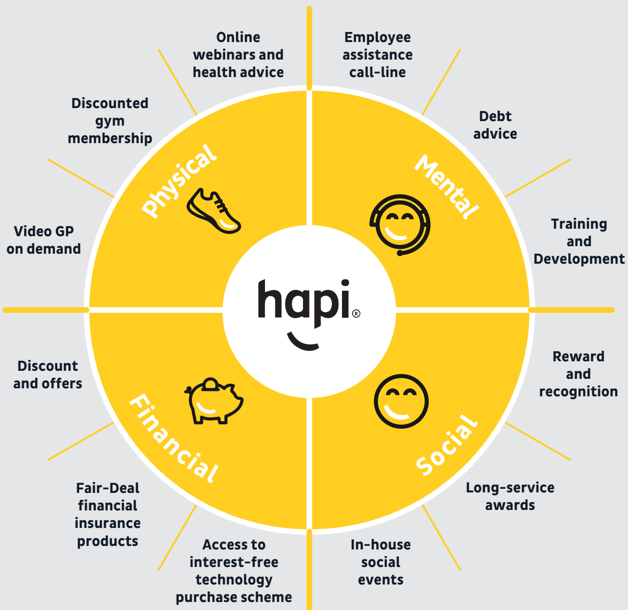
Our Business Model

Employee engagement and wellbeing delivered through an industry leading platform

Hapi, our employee engagement and wellbeing platform

Hapi is a single sign on solution that puts wellbeing at the employees' fingertips, giving them the tools they need to be well and do well. Hapi's flexible communication channels make it easy to engage with staff, wherever they are.

Hapi is fully customisable and its flexibility enables us to adapt our approach for different market segments, ensuring our offering meets the needs of their employees.



Maximising that value

Clear strategy
To widen the footprint of the business, win new clients within existing heartlands, achieve better penetration within existing clients and drive greater use of the Group's SaaS products.

Effective delivery
A strong and experienced management team.

Robust risk management
A strong and effective risk management culture.

Sound governance
An experienced Board with over 45 years combined experience of Personal Group.

Creating value for our stakeholders

Our clients
Bespoke, integrated and intuitive delivery of a broad and affordable suite of employee services to help employers to attract, motivate and retain staff.

Our customers
Peace of mind for policyholders with our fair-deal insurance products and enhanced employee access to benefits and discounts via Hapi.

Our colleagues
An engaging, supportive and challenging environment for our 224 staff.

Our shareholders
Strong financials underpin dividend payments and provide firepower for growth.

Hapi contains many features which improve employee communication and engagement beyond the provision of more traditional employee benefits

How we make our money

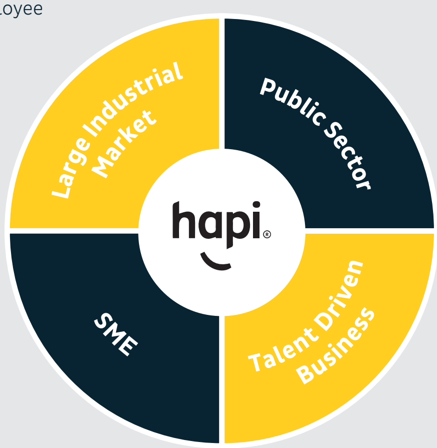
Large industrial

Employer paid Hapi subscriptions – employers pay monthly or annual subscriptions per employee for use of the Hapi platform and app.

Employee paid insurance premiums – access to our insurance products is made available through an individual's wider employee benefits offering. Premiums are paid by the employee via a weekly or monthly payroll deduction.

SME

Employer paid Hapi subscriptions – employers pay monthly or annual subscriptions per employee for use of the Hapi platform and app through an SME channel partner.



Public Sector

Employer paid home technology salary sacrifice sales – employers pay upfront for their employees' technology purchases with employees making subsequent monthly salary sacrifice payments back to their employers.

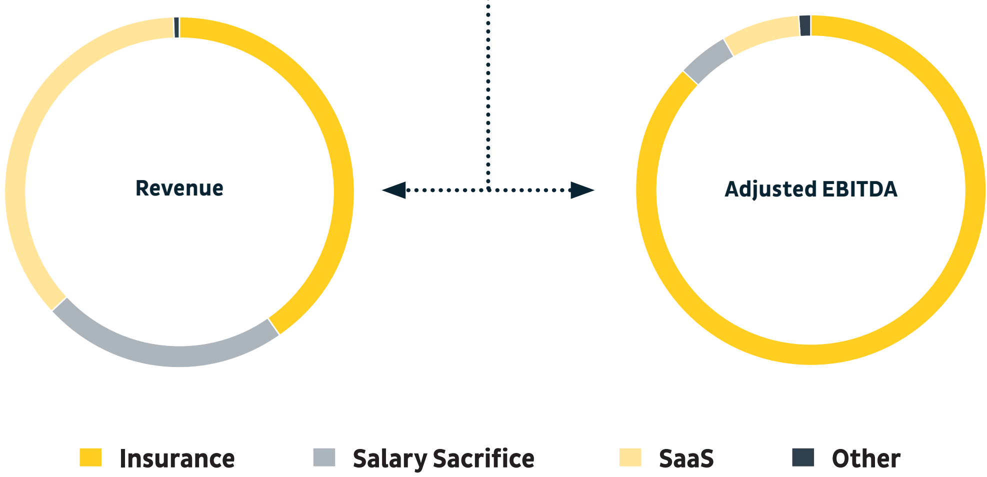
Talent Driven

Innecto consultancy income – employers pay for a full reward service – from pay benchmarking to the development of job evaluation and bonus schemes.

Innecto Digital subscriptions – employers pay an annual subscription for digital analysis and predictive SaaS tools for use in making pay decisions.

Commission on third-party transactions – we earn a margin on some of the discounted vouchers available to employees through Hapi and commission on any third-party financing arranged or employer purchases of partner solutions.

Non-revenue generating added value features of Hapi – these features drive usage of the platform by both employees and the HR function, establishing Hapi as a core component of the employers back office technology suite, which further enhances the "stickiness" of our offering to the corporate client.



Our Markets

> Our strong focus on wellbeing delivered via a mobile-first approach is proving to be invaluable to our clients."

The UK employee benefits and insurance market saw radical changes in 2020 with wellbeing, health and communication rising to the top of the agenda.

Support

In light of a difficult year, health and wellbeing became a key focus for our clients throughout 2020, combined with the need for efficient and effective communications. Personal Group has always supported the working backbone of Britain who became the celebrated "key workers" of 2020. Our clients were having to deal with split communities of staff with Head Office workers being required to work from home while production teams continued in the workplace or out on the road. Supporting these staff, wherever they were, became key and many other areas of employee benefits and reward had to take a back seat. Demonstrating this, use of Employee Assistance Programmess (EAP) increased over the year with a 65% uptick in legal queries coupled with 41% of calls relating to mental health concerns. With 72% of UK managers naming wellbeing as a top priority in 2021[2], and 40% of employees putting health insurance at the top of their benefits wish list[3], Personal Group is perfectly placed to offer solutions on all of these areas.

As 2020 progressed, many businesses' worries on Britain's exit from the EU on 31 January 2020 became overshadowed by the COVID-19 pandemic. With the transition period in place until 31 December 2020 many companies chose to focus on the pandemic issues first, turning their attention to the effects on their workforce of new rules in the latter half of 2020. Latest Government figures (up to January 2021) show just over five million EU Settlement Scheme applications had been received with 4.7 million being concluded. Therefore, whilst it may not have been top of the agenda this year, Brexit remains an important issue and employers still face having to compete harder than ever before to attract, retain and engage the best staff. Now they have an increased focus on the wellbeing of those staff as well. Benefits and wellbeing packages continue to play a big part in helping to boost the total financial package offered to staff, making it more attractive, but also addressing their need to feel safe and supported by their employer.

With the threat of severe illness pervasive across the year, our mission to 'Protect the Unprotected' and 'Connect the Unconnected' with our insurance offerings has resonated strongly. COVID has undoubtedly changed people's perception of risk, and we are therefore committed to taking advantage of our new routes to market for our insurance products, continuing to provide simple and effective policies to as many workers as possible.

Our Approach

The Personal Group family provides a unique market proposition which enables us to leverage each brand within the Group to different sectors. While our insurance segment continues to focus on the working backbone of the UK, PG Let's Connect (our technology salary sacrifice business) has developed a strong offering in the public sector market and, in particular, the NHS. Alongside this, the Innecto brand is able to leverage the product and service offerings of both our insurance offering and PG Let's Connect to their market as part of their wider Innecto Digital offering. Finally, the SME sector is addressed via our Sage partnership which has seen increased growth in 2020 following a focused marketing campaign by Sage offering freemium trials of the platform.

This combined approach allows us to address every sector of UK business and offer relevant, timely and price appropriate benefits and services.

Our digital delivery strategy supports the increased awareness of wider wellbeing issues in the workplace with increased demand for services such as EAP and Online GP provision. The other big change in 2020 was in employers using Hapi as a communications tool as remaining engaged with a disparate workforce became critical. 46% of the UK workforce were working remotely in Lockdown One[4] meaning communication became key, As a result, we saw a 635% increase in the use of push notifications through the platform again, driving increased use and engagement overall.

As employers struggle with balancing their payroll and supporting their staff, our insurance products come to the fore. Offering employees access to our simple, low-cost protection plans creates a much wider benefits offering at no cost to the employer whilst reducing presenteeism. Similarly, salary sacrifice schemes for technology products are very popular with the workforce and help drive engagement while being entirely cost neutral to the employer. Helping workforces be well across all aspects from mental, physical, financial, and social enables employers and business to do well. We continue to drive this message by leveraging the strength of the Personal Group family.

2. https://issuu.com/cmi_/docs/management_transformed
3. Personal Group research
4. Office for National Statistics (ONS), 'Homeworking in the UK labour market', March 2020

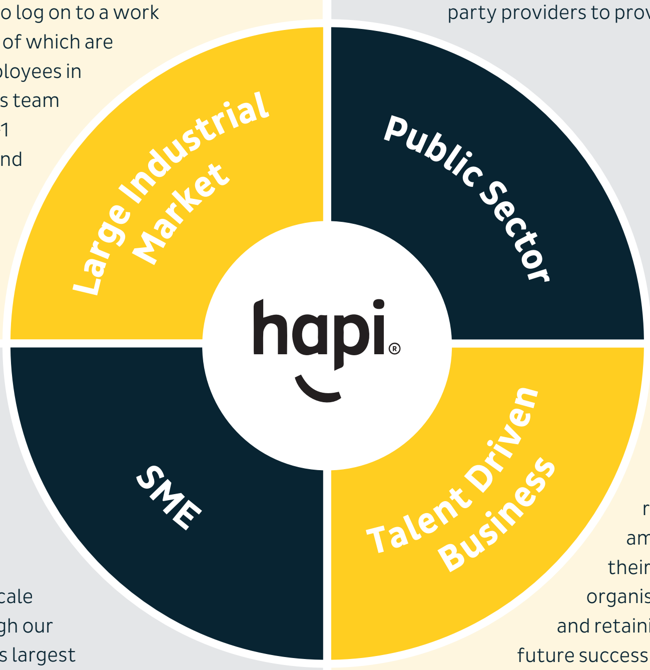
> "Now more than ever, with workforces split between front-line and homeworking, communication and wellbeing have never been more in demand."

Large Industrial

Our core market is made up of the industrial heartlands of the UK, typically organisations where many employees don't sit behind a desk, are often lower paid, and may not get the benefits package offered in other sectors. These roles in social care, food manufacturing, transport and logistics and warehousing form the working backbone of the UK and made up much of the celebrated "key workers" of 2020. We are proud to offer a benefits package and fair-value employee paid insurance protection to ensure that these employees can cope with the financial impact of unexpected events through our Hospital Cash Plan, Convalescence Plan and Death Benefit Plan. Our benefits platform is available on mobile phones, which means employees don't need to log on to a work intranet via a work email, both of which are common access issues for employees in our core sectors. Our field sales team meet with individuals on a 1-2-1 basis to help them download and access the app and offer our insurance products at work.

Public Sector

The NHS generally has better paid employees than our core markets, but little spare budget to invest in benefit platforms. This means that NHS employees can miss out on the discounts and offers that others take for granted, as well as salary sacrifice home technology, bikes, and cars. Our NHS offer is a customised platform, providing easy access to core NHS benefits like pension and employee helplines, all in one place, on a mobile phone. Salary sacrifice schemes in the NHS create a small pension saving for the employer too which releases NHS Trusts' budget for other investment. We are providing a discounted platform for the NHS Trusts we are working with which provides access for PG Let's Connect and other third-party providers to provide salary sacrifice benefits.



SME

The start of 2020 saw 16.6m employees working in companies with fewer than 250 employees (source ONS). The SME market in the UK is vast but fragmented. Reaching small employers at scale can be cost-prohibitive. Through our partnership with Sage, the UK's largest provider of payroll and accounting software for small businesses, we can reach significant numbers of smaller companies in the UK. We also have plans for widening our partnership offer to other organisations which work extensively with the SME market such as business services and membership organisations.

Talent Driven

Innecto work with organisations across sport, media, fin-tech, scientific research, and technology among others. Typically their clients are fast-growth organisations, where attracting and retaining scarce talent is key to their future success. Innecto's blend of flexible, intelligent thought-leadership has built a strong reputation for consultancy and digital analysis solutions which help organisations understand their reward position better. They also provide consultancy in gender pay and other legislative-led transparency changes to reporting. With Innecto Digital re-platformed onto Personal Group's technology platform, we provide advice and services for larger businesses with the same high standards of data protection and security, and benefit from improved reporting tools. Innecto's clients typically are C-suite decision makers in HR, Finance, or the Chief Executive.

Our Strategy

We have a clear strategy for delivering long-term sustainable growth

Growth aspirations

To have one million users of the Group's Hapi platform

To double EBITDA in the mid-term
(from £11.0m)

Our strategic aims

- To widen the footprint of the business into the SME, talent-led and public sectors, thereby hugely expanding the addressable customer base.
- To win new clients in our existing heartlands, re-invigorate growth in insurance policyholders, and to achieve better penetration within existing clients.
- Drive greater return on the Group's SaaS products, such as Hapi, the Sage Employee Benefits platform and Innecto Digital.

To be achieved by

- Leveraging partnerships
- Encouraging cross-selling across the Group
- Continual innovation and improvement of the products and services we offer
- Improving market awareness
- Consistent focus on retention
- Acquisition

For more details see **pages 22-23 (overleaf)**

40%

of employees put health insurance top of their benefits wish list

Successful launch of Sage Employee Benefits, targeting the SME Sector

Significant new wins with Royal Mail Group and Kingfisher

72%

of UK managers naming wellbeing as a top priority in 2021

Strategic Progress

“Refocusing our strategy in the wake of COVID-19.”

Strategic area	Employee benefits & insurance
Our client proposition	• Our Hapi employee benefits solution is a fully customisable market-leading platform. Designed with ease of use and accessibility in mind, Hapi’s app-first technology enables employees to access their benefits and wellbeing services wherever and whenever they need to. • Our employee-paid insurances are specifically helpful where employers are unable to provide financial support for unexpected events – a stay in hospital or a bereavement. Our fair-value products are simple, single rated, with no medical adjudication required and cost about the same as a cup of coffee each week. • Finally, we join the dots for employers, driving engagement and adoption of their benefits offering – our specialist field sales team sit down with employees face-to-face, connecting them to their benefits platform and talking to them about protecting them and their families.
2020 Progress	• Despite the onset of COVID-19 we secured a three year deal with Royal Mail Group to enable roadshows and face-to-face visits for insurance sales. At the start of 2021, we also signed a deal with Kingfisher for provision of their benefits platform and voluntary employee insurance. These two contracts alone will widen our insurance available market by over 180,000 employees in 2021. • Whilst lockdown impaired our ability to sell insurance through our traditional face-to-face methods in 2020, we developed and adapted our model to incorporate virtual visits and telesales. We have also developed the capability to implement a digital insurance distribution solution, embedded in Hapi for SaaS only clients. • Entry into the contingent worker economy progressed with a benefits-only solution developed and rolled out to a client for their agency workers, temporary employees and contractors. Capability to provide insurance to the contingent workforce of existing clients also now fully developed and available. • Our goal in 2019 was to develop policyholder retention strategies and the change of environment enforced on us by COVID-19 led to even more focus on this area in 2020. Initiatives included the introduction of ‘Breathing Space’, a three month payment holiday to help those in temporary financial difficulties, a widening use of Keep My Cover (ability to move from payroll deduction to direct debit when leaving the employment of one of our clients), and a more proactive contact strategy with policyholders whose premium payments through payroll cease without explanation. As a result, we have seen year-on-year retention rates increase to over 80%. This was augmented by a successful campaign to former policyholders. • The terms and conditions of our Hospital, Convalescence and Death Benefit plans were all enhanced to better meet our policyholders’ needs, and we supplemented these changes with the provision of an online GP service made available for all policyholders.
2021 plans	• Expand our addressable market into other industry sectors through provision of a more rounded wellbeing offer in line with our wellbeing proposition “Be well, Do well”. • Consider the development of new insurance products to appeal to different industry sectors. • Progress proposition for gig economy. • Broaden opportunities for the Hapi platform by developing its functionality. • Refine and develop existing retention strategies to extend to policyholders in the first year of their policy.

Diversifying our earnings

Doubling our EBITDA

PG Let's Connect

- Our benefit proposition provides employees with the opportunity to exchange some of their salary each month for the latest technology devices from leading manufacturers.
- Employees are able to save national insurance – up to 12% – and proves very popular, as they are able to spread the cost over a fixed period of time.
- Employers value how the benefit drives employee engagement and helps them create an excellent employee value proposition, which both attracts and retains staff.
- Other benefits include having access to the latest devices for remote working, communications and learning.

- Three year extension of contract with Royal Mail Group, an "always on" scheme, secured.
- Public sector framework access through G-Cloud, ESPO, NOECPC (North of England Commercial Procurement Collaborative) and Crown Commercial Service to help us drive public sector business.
- Introduction of an extended product range, including outdoor equipment, to match demand during COVID-19 lockdown.

- Develop relationships with other benefit providers for client introductions.
- Transfer of a higher proportion of clients onto an 'always on' scheme, bringing forwards access to restricted products for clients' employees once supply availability returns.
- Final development and implementation of a PG Let's Connect 'shop' to enable direct sale of technology products to the Hapi client base for those clients who do not run a PG Let's Connect salary sacrifice scheme.
- Expand the offer further to include white goods.

SME

- We offer an employee benefit package through our partner Sage for companies of 250 or fewer people.
- Competitively priced, it offers employees of smaller companies access to our discounts and offers, an online GP, Cycle to Work and an Employee Assistance Programme.

- Sage Employee Benefits initially promoted to a section of Sage's existing client base on a six month free trial from June 2020, with further trials of different lengths. Initial uptake encouraging with Personal Group's own sales team directly involved in customer onboarding to help enforce the value of product.
- Sage agreed to guarantee £400,000 of income to contribute to the cost of the platform in 2020.

- Free trial offer model client acquisition model to be extended to further segments of Sage's client base.
- Sage to continue to underwrite Personal Group's platform costs in 2021 until the benefits of paid for provision start to come through.
- Ongoing product development and digital insurance offer integrated to Sage platform during 2021.

Innecto

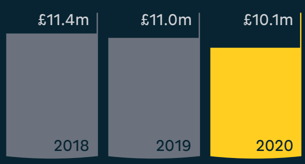
- Innecto is the largest independent pay and reward consultancy in the UK.
- We offer a comprehensive suite of consultancy services including reward strategy, pay structures, pay benchmarking, job evaluation, gender pay and executive remuneration.
- 2020 clients include the Francis Crick Institute, Bristol Airport, Arsenal Football Club and The British Library.
- Innecto has also developed a suite of digital analysis and predictive SaaS tools for use in making pay decisions.

- Launched Amplify, a premium version of Hapi alongside the wellbeing proposition of "Be well, Do well".
- Consultancy income in year directly impacted by clients being in lockdown but several new clients still secured in the year and five clients now on monthly retainer for consultancy.
- Operational progress made in developing the Innecto Digital product range.

- Innecto's client base appears to be resurging in early 2021 as clients return to consider the strategic impact of COVID-19 on their business.
- Innecto Digital development continues to offer new products in 2021 which enhance the functionality and connectivity of the platform and offer new opportunities for client expansion.
- A focus on Responsible Reward tied to ESG measures has seen an uplift in Gender and Ethnicity Pay assignments.

Key Performance Indicators

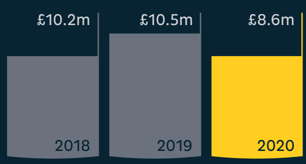
The Group uses a number of alternative performance measures as well as other KPIs when reviewing overall business performance



EBITDA

£10.1m

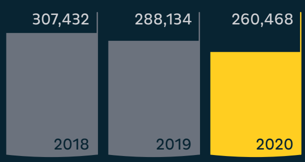
2019: £11.0m



Profit before tax

£8.6m

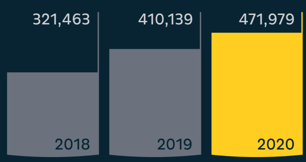
2019: £10.5m



Number of policies in force

260,468

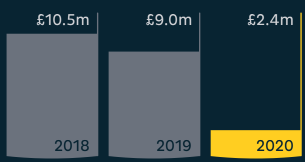
2019: 288,134



Activated employees on HAPI

471,979

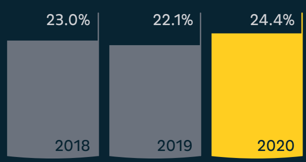
2019: 410,139



Annualised new business

£2.4m

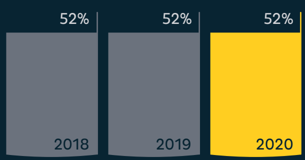
2019: £9.0m



Claims ratio

24.4%

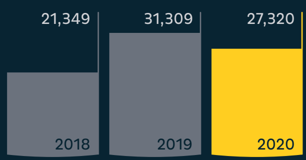
2019: 22.1%



Enrolled to presented %

52%

2019: 52%



LC Shipments

27,320

2019: 31,309

A reconciliation from PBT to this Adjusted EBITDA can be seen on **page 27**

Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures when reviewing performance of the Group, evidenced by executive management bonus performance targets being measured in relation to Adjusted EBITDA and annualised new business insurance premiums. As such, these measures are important and should be considered alongside the IFRS measures.

In Adjusted EBITDA, the adjustments taken into account, in addition to the standard IFRS measure, are those which are considered to be non-underlying to trading activities and which are significant in size. For example, goodwill impairment is a non-cash item relevant to historic acquisitions; share-based payment expenses are a non-cash item which have historically been significant in size, can fluctuate based on judgemental assumptions made about share price and have no impact on total equity; corporate acquisition costs and reorganisation costs are both one-off items which are not incurred in the regular course of business; and the movement in the PG Let's Connect tax provision are both considered to be non-underlying items, relating to a liability inherited on acquisition of that business and have the potential to fluctuate and be of significant size.

Annualised new business premiums are a key performance indicator as, whilst no direct reconciliation to earned premiums for the year can be carried out, they are a primary driver of earned premiums in future years and, as such, are a key measure for the Group. For a weekly premium, the measure is calculated as the value of the premium (net of IPT) x 52; for a monthly premium, the value of the net premium (net of IPT) x 12.

Revisiting our KPIs

As part of our strategy for delivering long-term sustainable growth, we have identified a number of lead indicators, the improvement of which will enable us to grow both our revenue and profits and build future value for the business. These lead indicators are introduced below and will become some of the Key Performance Indicators for the Group going forwards.

Lead Indicator	Why we've chosen it	31 December 2020
Total unique client numbers	Winning new clients and retaining existing ones will be key to us being able to grow our business.	358
Number of clients served by two or more lines of business	Encouraging cross-selling across the Group will enable us to achieve increased penetration across our existing clients as well as making us an important part of clients' employee wellbeing proposition.	140
Total number of employees to whom one or more of our services are made available	Increasing the number of employees we provide services to will be fundamental to us achieving our growth aspirations as well as helping us achieve our vision of being a winning team creating a brighter future for the UK workforce.	1,263,471
Activated users on Hapi and Sage Employee Benefits	Increasing the number of activated users on Hapi and Sage Employee benefits will help us drive greater return on the Group's SaaS digitally enabled products.	484,773
Number of insurance payers	Re-invigorating growth in insurance policyholders, together with a consistent focus on retention, will help us increase the size of our insurance business. We have chosen to use payers instead of our historic measure of policies to reflect that the majority of our premiums are collected through payroll deduction and our retention rates are largely determined by the actions of the individual payer. Given the significant reduction to new insurance sales in 2020, we recognise that, in 2021 and 2022, our goal will be to reduce the decline in insurance payers ahead of us starting to see growth again.	107,567

Chief Financial Officer's Statement

We maintained our strong balance sheet through 2020 and remain well positioned for future growth

"The Group's 2020 financial performance highlights the strength of our diverse business model with its various streams of recurring revenue and repeat business."

Sarah Mace
Chief Financial Officer

Group revenue

Group revenue for the year of £71.5m (2019: £70.9m) reflects a mixed performance across the various business areas. The COVID-19 pandemic directly impacted performance on the insurance side, where our field sales team were unable to carry out their traditional face-to face approach for new insurance sales, and PG Let's Connect was affected by global supply shortages of technology products during its peak trading period. However, this was outweighed by strong revenue growth from the SaaS business, from both transactional spend through the Hapi platform and the platform subscriptions themselves. The Group undoubtedly benefitted from its high levels of recurring revenue and repeat business in a very challenging trading environment.

Group results	2020 £000	2019 £000
Revenue	71,524	70,889
Adjusted EBITDA*	10,111	10,982
Operating profit	8,630	9,350
Profit before tax	8,557	10,487
Tax	1,663	1,649
Profit for the year	6,894	8,838

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based payment expenses, corporate acquisition costs, restructuring costs and release of tax provision

A reconciliation from PBT to this Adjusted EBITDA can be seen on **page 27**

Adjusted EBITDA*

Adjusted EBITDA* for the year was £10.1m (2019: 11.0m). Performance in both SaaS and PG Let's Connect reflected the revenue trend in those respective areas, but contribution from the insurance business increased by £0.5m on the previous year, predominantly as a result of the savings in acquisition costs with our field sales team off the road. In 2020 the Group recovered £0.6m through utilisation of the Government furlough scheme, with the vast majority related to this area. The furlough scheme was the only COVID-19 Government initiative utilised by the Group.

We believe Adjusted EBITDA* remains the most appropriate measure of performance for our business, reflecting the underlying profitability of the business and removing the impact of one-off items arising from past acquisitions on the Group's reported Profit Before Tax. The definition remains unchanged from previous years.

Profit before and after tax

Profit before tax was £8.6m during the year (2019: £10.5m). This reflects both the reduction in Adjusted EBITDA* and also the fact that 2019 benefitted from a £1.3m tax provision release. The tax charge for the year was £1.7m (2019: £1.6m), and profit after tax for the year of £6.9m (2019: £8.8m).

EPS

Resulting earnings per share was 22.1p (2019: 28.4p). The calculation is detailed in Note 13.

Dividend

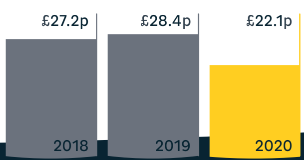
The Company paid a total dividend of 13.3p per share over the year (2019: 23.3p).

Following the outbreak of COVID-19, in May 2020 the Board took the decision to reduce its second quarter dividend as a measure of prudence amidst the uncertain trading environment resulting from the pandemic. In November 2020, the Company also announced that, in light of further national lockdown restrictions and ongoing uncertainty at that time, any payment of its fourth and final dividend in respect of its financial year ending 31 December 2020 would be made following publication of its audited full year results in March 2021.

As noted with the release of these accounts, a final dividend of 5.1p will be paid on 12 May 2021.

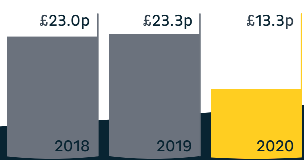
Also as announced in November 2020, from 2021 the Board has decided to adopt a more typical dividend payment profile with two dividends scheduled each year following the respective half- year and full year financial reporting periods. This revised profile will enable the Board to have greater clarity on operational results for the period, prior to declaring the amount to be paid. The Board seeks to continue dividend payments in line with the historic pay-out ratio over the past three years.

Profit before tax	2020 £000	2019 £000
Profit before tax	8,557	10,487
Finance costs	73	131
Depreciation	1,003	970
Acquisitions – amortisation of intangible assets	205	224
Amortisation (other)	265	265
Share-based payment expense	8	19
Corporate acquisition costs	–	145
PG Let's Connect – release of tax provision	–	(1,259)
Adjusted EBITDA*	10,111	10,982



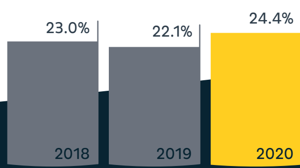
Earnings per share

22.1p
2019: 28.4p



Dividend per share

13.3p
2019: 23.3p



Claims ratio

24.4%
2019: 22.1%

Chief Financial Officer's Statement continued

The recurring revenue from the SaaS business continued to show year-on-year growth

Segmental results

Total Revenue	2020 £000	2019 £000
Insurance	28,826	30,208
PG Let's Connect	16,421	18,794
SaaS	25,967	21,468
Other	310	419
Total	71,524	70,889
Adjusted EBITDA		
Insurance	8,812	8,283
PG Let's Connect	469	1,748
SaaS	725	596
Other	105	355
Total	10,111	10,982

Insurance

Revenue from the Group's core insurance business in 2020 reduced by £1.4m to £28.8m (2019: £30.2m).

The lockdowns enforced on us by COVID-19 had a direct impact on our ability to write new insurance sales through our traditional face-to-face model and, whilst we were able to mitigate this in part through our adoption of virtual visits and telesales, our annualised new business insurance premiums dropped significantly to £2.4m (2019: £9.0m). This had an impact on revenue in the year but will also impact further in 2021 as the shortfall in new sales flows through. Continuing restrictions in the first quarter of 2021 will compound this in the short-term, however the additional 180,000 employees available from our 2020 new business wins, together with the c. 450,000 employees from our existing clients, gives us significant opportunities to write new insurance business over the next few years.

In contrast, our year-on-year retention rates for existing policyholders strengthened during 2020 to over 80%, helping to alleviate the shortfall from new business. This reflects the value that policyholders place on our simple, low-cost hospital, convalescence and death benefit plans, that have been particularly relevant to our policyholder base of essential and key workers during the pandemic.

Notwithstanding the short- term impact of COVID-19, the Group's insurance income remains a high quality and relatively stable revenue stream to the Group.

Claims ratios for the year remained fairly stable at 24.4% (2019: 22.1%) despite the Group paying out £0.5m, and holding a significantly increased reserve at the year-end, in relation to COVID-19 claims. We understandably saw an increase in our loss ratio for death benefit, which represents c.20% of our insurance book, but this was mitigated by an offsetting reduction for hospital and convalescence, reflective of the capacity of the NHS being largely consumed by its COVID-19 response. With NHS waiting lists having increased, we may potentially see claims for ordinary operations begin to rise as the NHS catches up on postponed procedures. We will continue to monitor for any evidence of any rises.

Despite the reduction to underwriting profit, Adjusted EBITDA was up £0.5m on the prior year at £8.8m (2019: £8.3m). This was primarily due to the savings in new insurance acquisition costs. With the majority of the field sales team and support staff furloughed for a significant portion of the year, this area of the business benefitted from temporary savings in salary costs together with the related 'on-the-road' costs. The utilisation of furlough has enabled us to keep our trained and regulated salesforce with us until they are able to return to the field post lockdown.

> We continue to see our SaaS segment growing to provide the Group with another high quality, very scalable revenue stream."

SaaS

The Group's SaaS business saw revenue increase by £4.5m in 2020 to £26.0m (2019: 21.5m).

Transactional spend and commissions through the Hapi platform, on products such as e-vouchers and reloadable cards, increased to £22.7m (2019: 18.4m). Whilst this predominantly represents pass-through revenue, it demonstrates an increased usage of the platform, validating its value to clients.

Outside of this, the recurring revenue from the SaaS business continued to show year-on-year growth. Hapi platform subscriptions increased with the addition of some new 'SaaS only' clients, combined with strong retention of existing clients, and growth in SaaS sales. We continue to see our SaaS segment growing to provide the Group with another high quality, very scalable revenue stream.

The contribution from Sage Employee Benefits (SEB), the Group's SME proposition being taken to market through its partner Sage, increased with Sage supporting the cost of the platform. During the year the product was offered to a section of Sage's client base on a free trial basis. Initial conversion rates to a per-employee monthly user fee have been encouraging and ahead of initial expectations for the small sample that have converted to date. Again, this provides opportunity for future growth.

Innecto, the Group's pay and reward subsidiary, which represents around a third of the non-transactional revenue, saw a temporary decline in its higher margin consultancy income as clients focused on their own COVID-19 activity. However, it made good operational progress developing its Innecto Digital product range and has entered 2021 with a strong pipeline of customers.

The combined impact of these resulted in Adjusted EBITDA* ending slightly ahead of the prior year at £0.7m (2019: £0.6m).

PG Let's Connect

PG Let's Connect saw revenues reduce to £16.4m (2019: £18.8m).

The business remained open and fulfilling orders throughout the year however sales in the first half the year were impacted by some clients deferring or postponing their schemes during the onset of the pandemic.

The Company benefitted from its major client, Royal Mail Group, whose contract was extended for a further three years in September 2020, continuing to run its 'always-on' scheme and had a healthy end to the year, with those schemes that chose to run for the Christmas period performing broadly in line with 2019. However nationwide stock availability issues for some key in-demand items, together with general supply chain disruption caused by COVID-19 restrictions, limited its potential performance for the year. This does provide additional opportunity for 2021 when these products become available.

Adjusted EBITDA reduced to £0.5m (2019: £1.7m) reflecting the lower revenues but also a temporary reduction in gross margin as desired products were sourced from alternative suppliers.

In addition, margin was impacted by a reduction in commissions received from third- party finance providers, in line with reduced interest rates, together with an increased cost of insurances and warranties.

Balance sheet

As at 31 December 2021 the Group's balance sheet remained strong, with cash and deposits of £20.2m (2019: £17.0m) and no debt.

The increase in cash balances reflects the Company's decision to defer the payment of its fourth and final dividend of the year until May 2021 as explained further below.

The Group's main underwriting subsidiary, Personal Assurance Plc (PA), continues to maintain a conservative solvency ratio of 308% (unaudited), with a surplus over its Solvency Capital Requirement of £8.4m. The Company has consistently maintained a prudent position in relation to its Solvency II requirement. Personal Assurance (Guernsey) Limited, the Group's subsidiary which underwrites the death benefit policy, also maintained a healthy solvency ratio of 216% under its own regime, despite the increase in death claims seen over the year.

No impairment was deemed necessary for the goodwill balances held in respect of the acquisitions of PG Let's Connect and Innecto as detailed in Note 15.

Sarah Mace
Chief Financial Officer

22 March 2021

Risk Management

The Board recognises that the effective management of risks and opportunities is key to achieving the Group's strategic objectives

It is important that there is a strong risk management culture embedded throughout the Group, and that we continue to identify, assess and appropriately mitigate the key risks to the Group achieving its objectives.

The Board is responsible for prudent oversight of the Group and ensures it is conducted in accordance with sound business principles and within applicable law, regulation and Government guidelines. The Board approves the risk appetite and tolerance levels and regularly reviews the effectiveness of the risk management system.

The risk environment is managed in a two-pronged approach: top-down risks that threaten the strategic plan and bottom-up risks identified within business areas. The risks are captured on a risk register where the gross risk and the inherent risk is identified, and the residual risk rated after identifying operational controls and mitigating actions. Responsibility to maintain the register as well as to implement and monitor mitigating actions sits with each member of the Senior Leadership Team. Each month a Risk Forum is held where the Senior Leadership Team discuss the key risks, both current and emerging. Mitigating activities and timelines for implementation are agreed so that the Group can continue to achieve its strategic objectives.

The risks facing the business are discussed at each Board meeting and in greater detail at the quarterly Risk and Compliance Committee meeting. The Board is satisfied that, through the processes set out above, it can effectively identify, assess and manage current and emerging risks.

Risk governance

In accordance with recognised good practice, the Group operates a 'three lines of defence' approach to governance. The Group's risk governance is overseen by a Risk function headed by the Head of Risk, with independence assured through direct and separate access to the Chair of the Risk and Compliance Committee.

The Group's risk management framework and Own Risk and Solvency Assessment ('ORSA') processes are proportionate to the risks that the Group faces.

The risk strategy, appetite and framework are set out in a suite of policies covering the material risks which exist in the business. Each policy is subject to annual review and approval.

Risk Management Three Lines of Defence

Risk Owner

- Identify, assess and manage the risk on a daily basis.
- Develop and implement policies and procedures.
- Ensure activities are consistent with objectives.
- Implement controls.

Risk Management Function

- Risk identification.
- Establish and develop risk management framework.
- Risk reporting to Risk Forum, Risk and Compliance Committee and to the Board.
- Providing guidance to the first line of defence.
- Assurance of the effectiveness of policies and procedures.

Internal Audit

- Independent assurance of the effectiveness of the first and second lines of defence.
- Independent reporting to the Board and to the Audit Committee.
- Advisory role.

Key to Change in risk

^ Higher

Below follows a description of the key risks the Group has dealt with during 2020:

Key risks (with an impact of £500k+ within the next year)	**Current and emerging**	**Mitigating activities**	**Change in risk**
Impact of Coronavirus (COVID-19)	The claims ratios of the Group's Hospital, Convalescence and Death Benefit plans are all being impacted by the current situation. The ongoing impact will be dependent on both the percentage of the population contracting the virus as well as the Government plans to contain the hospitalisation and death rates. Looking forward to when the NHS recommences its schedule of routine treatments, it is possible that there will be an influx of claims in relation to those routine treatments. In addition, there is an impact on the Group's ability to undertake face-to-face insurance sales as well as an impact on the PG Let's Connect and Innecto businesses.	Both our insurance subsidiaries hold significant surpluses above their capital resource requirements and scenario and stress testing has been carried out to assess the likely impact on the Group. Strong business continuity capability exists to enable the Group to maintain operational resilience to support its customers and policyholders. The Group is utilising Government initiatives where appropriate to mitigate costs e.g. furloughing of staff whose roles cannot currently be performed. Alternative routes for sale of insurance products have been launched and new partnerships are being developed.	^
Inability to undertake/ maximise workplace marketing and selling	New sales opportunities cannot be realised as the existing method of selling is challenging or no longer available. New sales opportunities cannot be realised as on-site access is restricted or prohibited by law or by the client. The risk associated to both points raised above has been increased due to the ongoing implications of COVID-19 as disclosed in the section above.	New sales channels have been introduced to include telephony workstreams and virtual sales presentations. The retention of existing clients and customers has been a focal point. Insureds who are leaving their employment now have the facility to retain their covers. New marketing materials have been developed for the B2B and B2C channels to promote the benefits of the Group's products and services.	^
Threats to information and to physical security arrangements	Poor or weak technology systems and arrangements lead to disruptive cyber-attacks, security breaches and/or fines, or restrict business innovation. Home working by all staff and the introduction new workstreams to respond to the pandemic have increased the potential threat to information security. New data processing arrangements have been introduced to facilitate homeworking and the new workstreams.	IT systems are regularly tested for security from attack. The systems are backed up regularly and hosted on third-party data centres. Disaster recovery plans are in place and tested annually. ISO 27001 accreditation is held. Awareness training and testing of staff has been increased and adapted to reflect the current environment. Legitimate interest assessments have been completed and approved by the Chief Executive, ensuring clear oversight of the new processing activities.	^

Progression on our ESG journey is a priority at Board level

> ***"With our ESG goals and targets now defined, we are delighted that the business is moving forward with a strong ESG agenda"***
>
> **Maria Darby-Walker**
> Senior Non-Executive Director

Responsible Business

Our ESG journey and commitment to stakeholders

Our business is driven by a passion and commitment to improve the wellbeing of our people, our communities and our environment. We pride ourselves on doing the right thing, a value that is shared throughout our entire organisation, and this goes beyond our day-to-day work, impacting our approach to how we operate as a business at all levels.

We feel our most material stakeholders are our policyholders, our clients, our shareholders and our employees, and we are committed to addressing their needs and ensuring we meet them through the work we do together. We are also ensuring the community in which we trade is represented in our business and that we are able to give something back to that community as an employer in the local area.

Environmental Goal

To work towards becoming net carbon neutral over 10 years.

Targets

- Reduce Head Office 2019 carbon emissions by three tonnes per annum.
- Reduce 2019 fleet CO_2 usage by 25% over three years.

Although the environmental footprint of our business is relatively small compared to others, reducing our impact on the environment remains a key focus. We are investing in renewable energy to power the building (solar) and investigating lower emission options for the fleet we operate.

Social Goals

To ensure that our business has a positive social impact on the communities where we trade and that Personal Group is an employer that strives to offer opportunity to people of all backgrounds.

Targets

- Pledge one per cent of our EBITDA to PACT (Personal Assurance Charitable Trust) per year which will increase funding as profitability increases.
- Maintaining our long-term pledge to our school project in Kenya (Memusi) and to increase the time-sharing given back to our local community through volunteering and community action.
- Continue working towards equal gender representation at each level in the organisation, maintaining the split at senior level and improving the split in more junior roles.
- To reflect the ethnic mix of the communities in which we are based, improving our outreach, ensuring our recruitment/talent management approach is inclusive and accessible.

Our purpose is helping to Protect the Unprotected and this is something that expands outside of our day-to-day work. The business has supported vulnerable people within our local community and beyond for many years now, and helping others, not just financially but by dedicating time, is something we take great pride in.

Governance Goals

Continue to ensure and reassure our stakeholders that our governance is robust and compliant with all regulatory and legal frameworks.

Targets

- Maintain current equal representation of independent Directors versus non-independent Directors.
- Maintain equal representation of men and women on the Board.
- To meet blended ethnicity representation target of 20% (taking into account the different locations we trade).

As a regulated business we take governance very seriously. Ensuring we reflect the communities that we serve and having equal gender and ethnic representation at different levels of the business are key metrics for the Board.

Corporate Social Responsibility

PACT donated

£106K

during 2020

Our People

We recognise that it has been an extremely challenging time for our staff and are proud of the resilience they have shown in the face of widespread disruption. Everyone has worked incredibly hard to adapt to new ways of working and to maintain the highest level of service for our clients and customers.

Our employees are at the heart of our business. We take being a great place to work very seriously and, despite the implications of lockdown and remote working, our employee engagement scores have increased from 2019. 87% of staff said they were happy with their work and home-life balance, and we saw excellent scores for people management and leadership, a testament to our commitment of supporting our staff and investing in their wellbeing.

In December, we offered eligible staff £500 worth of free shares in Personal Group Holdings Plc, which will be held in trust in accordance with a government-approved Share Incentive Plan. This is in recognition of our employees' fantastic contribution and will enable them to share in the success we are building together.

We have also recently formed a Diversity and Inclusion network that comprises stakeholders from a variety of functions within the business. This has been created to ensure that as an organisation, we continue to celebrate and support inclusivity and diversity within our workforce.

In addition, 2020 saw us achieve OpenCompany status on Glassdoor, verifying that our organisation embraces workplace transparency.

Supporting Our Community

PACT

Personal Assurance Charity Trust (PACT) has donated around £2m to charitable causes since it was founded in 1993. The Group has historically donated approx. £100k to PACT per year, which is then allocated in a number of ways. The Trust was refocused in 2020 to ensure the money being donated was being used effectively. This saw the Committee move from being simply fundraisers to become partners of local charities. We now work with, and allocate funds to, specific projects within many local charities with a view to continue involvement beyond pure financial support.

Key local projects around the Milton Keynes head office included:

- MK ACT – £5k towards the purchase of a new people carrier to enable their work to continue.
- MK Food Bank – £7.5k to help them meet the huge increase in demand driven by COVID-19.
- The Bus Shelter – £5k for 'moving on' packs and other neccesities required.
- MK Winter Night Shelter – £6k to support projects including COVID-19 preparedness, guest hardship and moving on supplies.
- Transitions – £6.6k which funded one year's support for two young people, expenses for 50 volunteers, food and venue hire and life planning for one young person.
- CHUMS – £5.6k to support seven young people who have been bereaved due to suicide.
- Worktree – £6.1k to support five days of consultancy plus development and licences for a new website to support career information projects for school children.

The Memusi Foundation

MEMUSI FOUNDATION

Since 2015, Personal Group has supported the Memusi Foundation – a charity that works to provide children in Kenya with access to quality education, providing a safe place for children to learn and giving support to the surrounding community. We pledged that over a decade we would provide £0.5m to build and develop a new school, known as Memusi B.

For children and families living in the town of Shompole, starvation has been a very real battle for the last year with the financial impact of lockdown driven by COVID-19 restrictions.

Outreach support given to the children of Memusi B school with materials provided for home learning with remote support given by the teaching team.

2020 saw:

- Two new classrooms completed.
- Progressed two further classroom builds.
- Progressed teachers housing for new teachers.
- Desks and in class furniture provided.
- Food aid provided to children and wider community throughout the year; both through diverting school budget and additional funding given focused on community support.
- 11,500 people supported through Memusi Outreach programme (funding supported by an ad-hoc PG donation of £3,500) – helping to provide financial support to small businesses through micro loans to keep businesses afloat; giving people the ability to feed their own families.
- Two volunteering trips were sadly cancelled due to COVID-19.

Personal Group's SECR Statement

Personal Group's SECR Directors Statement

Personal Group recognises that our operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we have upgraded our energy and carbon reporting to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

2020 Performance

Our carbon footprint for the 2020 reporting year has been calculated based on our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis our emissions are 282 tCO_2e, which is an average impact of 1.9 tCO_2e per employee (1.8 tCO_2e per employee for scope 1 and scope 2 emissions only), and on a market basis our emissions are 273 tCO_2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

As a consequence of the COVID-19 pandemic there has been a considerable reduction in scope 1 (59%) and scope 2 (30%) office related activities, compared to 2019. This is largely due to the reduction in travel of the company's car fleet due to the national lockdowns throughout the year. Whilst measures are being introduced to lower the emissions of cars utilised, the Board are aware that when the sales team are allowed to go back to their normal roles that there will be an increase in scope 1.

Energy and carbon action

In the period covered by the report, Personal Group has not undertaken any emissions and energy reduction initiatives, however, plans to put solar panels on the roof of the Group's head office are underway and will be completed in 2021.

2020 Results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version).
- DEFRA's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- UK office emissions have been calculated using the DEFRA 2019, DEFRA 2020 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of January 2020 to December 2020 and using reporting period of January 2019 to December 2019 for comparison.

Emissions and energy usage

Table 1 – Energy and carbon disclosures for reporting year.

	Emissions source	2019	2020	Variance
Scope 1	Natural gas	124	128	+3%
	Company and leased cars	387	84	-78%
Total Scope 1		511	212	-59%
Scope 2	Electricity	96	67	-30%
Total Scope 2		96	67	-30%
Scope 3	Employee cars	6	3	-50%
Total Scope 3		6	3	-50%
Total (Market Based)		605	273	-55%
Total (Location Based)		612	282	-54%
Total Energy Usage (kWh)[1]		2,653,306	1,347,526	-49%
Normaliser	tCO_2e per FTE	4.1	1.9	-54%

1 Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by the SECR regulation)

S172 Companies Act 2006

The Directors are aware of their duty under s172 of the Companies Act 2006 to act in the way they would consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of its decisions in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

The Chairman sets out the text of s172 Companies Act 2006 on every Board agenda by way of a reminder.

Strategic area	Why we engage
Our Policyholders	Our policyholders are key to the long-term success of the Group. The retention of existing, and attraction of new, policyholders is equally important. We aim to make any interaction with Personal Group as positive and easy as possible. Provision of suitable and targeted employee benefits to our relevant market sectors.
Our Clients	Our purpose is to help companies improve their effectiveness and profitability by improving their staff engagement and retention. Improving such metrics in turn improves our customer retention and encourages new business.
Our Colleagues	The Group's long-term success is predicated on the commitment of our employees to our purpose and demonstration of our values. In order to deliver great customer service and improve our already high staff engagement scores we need to ensure that we provide an appropriate environment to attract and retain great people.
Our Suppliers	Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standard of conduct that we set ourselves. Our Hapi platform contains numerous third-party offerings which add value to the overall proposition. It is important that we ensure good working relationships with those suppliers but also to choose partners that allow the Group to fulfil its day-to-day operations to deliver our products and services to the best standard possible.
Our Community and Environment	The Board recognises the importance of leading a Group that not only generates value for shareholders but also contributes to the wider society.
Our Shareholders	Our shareholders are key to the long-term success of the business. Through our investor engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we plan to deliver on them. We create value for our shareholders by generating strong sustainable profits and dividends.

How we engage	What matters to the Group
In normal times, we provide individual face-to-face presentations of our products to potential and existing policyholders at their place of work. During 2020, this method of selling was impacted by the COVID-19 pandemic and so we developed virtual and telesales methods to allow us to explain our products to customers we were otherwise unable to see. Going forward, we will look to utilise these new avenues, as well as our face-to face model, to determine the best method of reaching customers in different situations. The COVID-19 pandemic forced the Customer Relations Team to work from home for the majority of 2020 and maintaining a smooth and supportive outcome for our customers was a key focus for the Group, especially with many of our policyholders calling from a place of vulnerabilty. We implemented a new telephony system together with a new online claims process to ensure that our policyholders found it as easy to claim as possible. In 2020 our Customer Relations Team took over 55,000 calls and dealt with over 59,000 emails and online queries.	• Our products are relevant and provide cost effective protection • Fair and consistent pricing • Efficient and sympathetic processing of claims • Ease of access to customer service • Strong net promoter score • Retention rates
We engage and build relationships with our customers and clients in several ways from face-to-face interaction to holding industry and other business forums and producing white papers on topics that are relevant for their businesses. We also recognise the importance of system security for our customers and their employees and have ISO 27001 accreditation across the whole Group.	• Product range price and quality • Convenience and accessibility • Customer service • Fair marketing • Responsible use of personal data • Ethics and sustainability
We have an open, collaborative, and inclusive management structure and engage regularly with our employees. We do this through an appraisal process, structured career conversations, employee surveys, our Hapi site and company presentations. In normal circumstances we would have regular floor huddles and away days. During COVID-19 we replaced these with weekly all staff briefings and regular departmental meetings. We remunerate with market-based pay, rewards and benefits and our continued high employee engagement scores reflect our committed and passionate team.	• Fair employment • Fair pay and benefits • Training, development and career opportunities • Health and safety • Responsible use of personal data • Ethics and sustainability
We regularly engage in open and two-way conversations with our largest suppliers. Key suppliers are invited to attend and present at our client conferences or workshops. We have reviewed and updated our supplier onboarding process through the year, and as part of that process we now feel we have improved our understanding of our suppliers and are able to work together better as a result.	• Long-term partnerships • Collaborative approach • Open terms of business • Fair payment terms
We encourage all our employees to engage in the local community and work with our PACT Committee to utilise the funds in the Personal Assurance Charitable Trust to support charities at home and abroad as discussed on page 34. We are conscious of the need for our business to focus on long-term sustainability and through the Energy Savings Opportunities Scheme Assessment and Streamlined Energy and Carbon Reporting have identified a number of areas to work on in 2021 and beyond.	• Reduce environmental impact • Invest in local community • Promote environmental offerings on platform, i.e. Cycle to Work • Supporting local community by creating jobs and providing work experience and apprenticeships
Through our investor relations programme, which includes regular updates, meetings, roadshows and our Annual General Meeting, we ensure that shareholders views are brought into the Boardroom and considered in our decision making. In March 2021, we will be holding our first webinar for private investors in conjunction with the publication of our full year results.	• Financial performance • Strategy and business model • Dividend • Reputation of the Group

Corporate Governance

> "We have built on the results of Grant Thornton's review of our Board's effectiveness and initiated changes to our composition."

Chairman's Introduction

Dear Shareholder

My role as Chairman of Personal Group is to ensure that the Board is performing its role effectively. This means making sure the Directors have the capacity, ability, structure, diversity and support to respond to the opportunities being created for us, whilst having consideration of our responsibilities under s172 of the Companies Act 2006.

I also have responsibility for ensuring the robust governance of the Group through challenge and direction of the Senior Leadership Team. Good governance should enhance performance and deliver positively for our shareholders, staff, customers, suppliers and other stakeholders whilst still enabling achievement of the Group's strategic aims.

The Board continues to have a significant role to play in establishing the culture of the business, ensuring that it is consistent with our business model and suitably cascaded through the Group. This is monitored through engagement with the wider investor community, through involvement of the Board Committees and by use of the wide-ranging experience, skills and capabilities of Board members.

Following the external Board effectiveness review conducted by Grant Thornton and presented early in 2020, the Board continues to address the points raised and embed the learnings into the day-to-day operations of the Board and wider business.

We have worked on an integrated succession plan for the Board and, as noted in my Chairman's report earlier in this document, we have seen a number of Board changes (both executive and non-executive) during the year and in early 2021. Mike Dugdale and Ken Rooney have departed the Personal Group Holdings Board and I am pleased to welcome Sarah Mace (CFO and Executive Director) and Martin Bennett (Independent non-executive Director) to the Board; both bring with them a wealth of skills and experience to support the Group moving forward. Andy Lothian has also taken up a different role on the Board having relinquished his executive duties but remaining with the Board in a Non-Executive capacity.

This year has seen challenges throughout the world as a result of the COVID-19 pandemic, the Board has been focused on supporting the Senior Leadership Team in ensuring the seamless transition from the Group's normal place of work to a myriad of home working environments. Ensuring our staff have the right support, not just in terms of equipment but also with their mental health, has been a major priority for the Board during this time.

In 2020, we continued to develop our governance processes to improve adherence to the Quoted Companies Alliance (QCA) Corporate Governance Code which the Group adopted in 2018. The Board does not consider that it departs from any of the principles of the Code and we continue to monitor our performance against each of the 10 principles. The Board is able to deliver effective decision making and subsequent drive of value for shareholders, based on the quality information which it receives.

The Board met 10 times in 2020 and the number of meetings each Director attended can be seen on pages 40 and 41. In addition, the reports of the Audit, Risk and Compliance and Remuneration Committees can be seen later in this section.

Mark Winlow
Independent Non-Executive Chairman

2020 Committee Meeting dates

Board	29 Jan	24 Feb	17 Mar	29 Apr	9 June	30 Jun	23 Jul	28 Sep	22 Oct	26 Nov
Audit			12 Mar					15 Sep		26 Nov
Risk & Compliance			12 Mar			30 Jun		15 Sep		26 Nov
Remuneration	29 Jan		17 Mar				23 Jul		22 Oct	

QCA Code Compliance

Principle 1
Establish a strategy and business model, which promote long-term value for shareholders.

Personal Group provide health insurance services and a broad range of employee benefits and wellbeing products to businesses across the UK. The Group enable employers to improve employee engagement and support their people's physical, mental, social and financial wellbeing, supporting our vision of creating a brighter future for the UK workforce. Full details of our business model and strategy can be found in the Strategic Report section of our Annual Report and Accounts which is available on our company website (www.personalgroup.com).

Principle 2
Seek to understand and meet shareholders' needs and expectations.

Regular dialogue takes place with shareholders through initiatives including the Annual General Meeting, investor roadshows, regulatory announcements and the Report and Accounts. During 2020 our Chief Executive, CFO, Chairman and other Non-Executive Directors met virtually with key investors. We also hosted our first retail investor webinar in March 2021.

Principle 3
Take into account wider stakeholder and social responsibilities and their implications for long-term success.

As a Board we understand our duty to promote the success of the Company whilst considering the views of, and impact on, our wider stakeholder group of customers, policyholders, suppliers, colleagues and our community and environment as well as our shareholders. A more detailed summary of the Group's engagement with all our stakeholders can be seen on pages 36-37.

Principle 4
Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board is responsible for identifying and mitigating risks to the Group achieving its strategic objectives. It addresses risk management through an "Enterprise Risk Management Framework", and a system of risk governance, including a Risk and Compliance Committee. During 2020, a risk based internal audit function was again provided by RSM. For further details see pages 44-46.

Principle 5
Maintain the Board as a well-functioning, balanced team led by the Chair.

The Group maintains, and is satisfied that, the Board has a suitable balance of independence and knowledge, with Directors encouraged to challenge all matters. The Board meets regularly, with a formal schedule of matters for its approval. The Board is supported by regular engagement with the Senior Management Team, and a system of formal Board committees. Directors are required to devote sufficient time to carry out their role.

Principle 6
Ensure that between them the Directors have the necessary up to date experience, skills and capabilities.

The background and experience of the Board ensures there is an effective and appropriate balance of skills and knowledge. Additional training is provided where needed and Board members are encouraged to maintain their professional development. At the end of 2020 Ken Rooney stepped down from the Personal Group Board as a Non-Executive Director, however he remains on the Board of Personal Assurance Plc. where his skills will be retained by the Group.

Principle 7
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Board members are each set annual objectives, with performance feedback provided by corresponding Executive and Non-Executive members. Board evaluation is the responsibility of the Chairman. Internal Board effectiveness reviews are undertaken yearly, with independent reviews at least every three years. In 2020 the Board continued to address the points raised from the 2019 Grant Thornton Board effectiveness review. For more details see page 38.

Principle 8
Promote a corporate culture that is based on ethical values and behaviours.

The Board believes Group culture is set from the top of the organisation. The Board promotes a culture based around four values: we have fun, we run it like we own it, we are the best we can be, and we walk the walk. These values form a core part of how the business is managed, from recruitment to training, and ongoing reward and recognition. An employee satisfaction survey is carried out on an annual basis, with the results fed back to the Board. Despite lockdown and remote working, our employee engagement scores increased during 2020.

Principle 9
Maintain governance structures and process that are fit for purpose and support good decision-making by the Board.

The Board is collectively responsible for the long-term success of the Group and for setting and executing the business strategy. It fulfils this responsibility through Board and other Committee meetings held regularly throughout the year. The meetings held in 2020 for the Board and other Committees can be seen above.

Principle 10
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Group communicates through a variety of regular digital and traditional communications. These include face-to-face meetings, the Annual Report and Accounts, Interim Results, investor news announcements and information provided on the Group's website.

Board of Directors

> "The Board have a combined wealth of knowledge and experience to help the business achieve success and keep it moving forward."

			
Mark Winlow	**Maria Darby-Walker**	**Bob Head**	**Martin Bennett**
Non-Executive Chairman	Senior Non-Executive Director	Non-Executive Director	Non-Executive Director

Appointed date

May 2016 (Non-Executive October 2013)	January 2021 (previously Non-Executive Director since June 2019)	November 2016	January 2021

Experience

Over 35 years' experience in financial services in the UK and internationally, including time at Zurich Financial Services as Managing Director of Zurich's UK consumer business. Previous partner in audit and advisory firms KPMG and EY.	Starting in the financial services sector, became a Partner and Board Director of Lansons – a consumer financial PR agency. Responsible for the launch of the Churchill Insurance brand before joining Barclays as Group PR Director. Other posts include time at Rolls-Royce before forming her own consultancy business.	Over 30 years' experience in the financial services industry in the UK and internationally including co-founder of egg, first CEO of smile and Director of Prudential's International Division. More recently, interim CFO of South African Airways.	An experienced public company Director having held a number of executive and non-executive roles for companies within the consumer, technology and other sectors. Martin held the role of Chief Executive Officer UK of Homeserve plc having been Chief Financial Officer until 2012, where he led the successful strategic turnaround of Homeserve's UK business.

Skills, personal qualities and capabilities

Investor relations, regulatory knowledge, strong and effective leadership, entrepreneurship and innovation.	Technical and industry qualifications, networker, influencer, leadership coach and mentor. Merger, acquisition and brand communications specialist.	Chartered accountant as well as FCIB and ACII.	Diverse and extensive skill set, stretching across commerce, operations and finance. Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments

Non-Executive Director of Ageas, Wealthtime, Wellesley, TransRe and Starling Bank.	Board Governor at University of Central Lancashire & Non-Executive Director and Chair of Remco for Amigo Loans Plc.	Non-Executive Director at Alexander Forbes and Chair of Audit and Remcom committees at Equals Group and Mirriad.	Chairman of two privately owned technology led companies, Ventureprise plc and Foreign Currency Direct plc, together with the Association of Foreign Exchange and Payments Companies (AFEP).

Board meetings attended

10 of 10	10 of 10	10 of 10	0 of 0

Independence key:

Ⓘ Independent

Committee Membership key:

Audit Committee · Remuneration Committee · Risk and Compliance Committee · Chair of Committee

			
Andy Lothian Non-Executive Director	**Deborah Frost** Chief Executive	**Sarah Mace** Chief Financial Officer	**Damian Kane** Finance Director and Company Secretary
January 2021 (previously Executive Director since July 2017)	September 2015 (appointed CEO 28 February 2019)	January 2021 (previously interim CFO from October 2020)	October 2020 (previously Finance Controller and employee since 2015)
Career in sales with Personal Group Benefits, first as a Group Account Executive followed by Development Manager, Regional Manager and then National Sales Manager.	Co-founder and CEO of Innecto People Consulting, a specialist pay and reward consultancy. Diverse background in industry and consultancy, working for both Marks & Spencer and Nationwide Building Society before joining Towers Perrin in 2000.	Joined the Group in 2014 as Group Financial Controller & Company Secretary. Previously Head of Finance for private equity owned Chicago Leisure Ltd. Various roles in life assurance and pensions as well as Cable & Wireless Communications.	Extensive knowledge and experience in a variety of industries having held finance positions within Amtech Group Ltd and Connells Group subsequent to his professional training as an auditor for Grant Thornton UK LLP.
Sales management experience, and recently retired from Managing Director of PGB after being employed by Personal Group since 1998.	Reward and performance expert, specialism of working in high growth businesses, Chartered Fellow of CIPD.	Certified accountant, also has responsibility for the Customer Relations Team.	Chartered Accountant and holds a degree in Economics and Politics from the University of Southampton.
None	None	None	None
10 of 10	10 of 10	10 of 10 (including 8 of 8 as Company Secretary)	2 of 2

Senior Leadership Team

“An adept senior leadership team reflecting all facets of the Group.”

Deborah Frost

Chief Executive

Deborah Frost joined as Chief Executive in February 2019, bringing with her unparalleled industry knowledge, strong leadership skills, and creative commerciality. A business graduate and Chartered Fellow of the CIPD, Deborah is a respected and ground-breaking thought leader in reward, performance and high growth businesses.

Sarah Mace

Chief Financial Officer

Sarah Mace joined Personal Group in January 2014 as Group Financial Controller and Company Secretary. Previously Head of Finance for Chicago Leisure Ltd she has experience in a range of industries including roles at Cable and Wireless and various life and pensions companies. Sarah is a Fellow of the Association of Chartered Certified Accountants and has a Master's degree in mathematics from Oxford University.

Ashley Doody

Chief Information Officer

Ashley Doody joined Personal Group in 2014 as Chief Information Officer. He and his team are responsible for everything technology related, including the development of our employee engagement platform and app, Hapi. An innovative technologist by education and trade, Ashley's background is in electronic engineering and big systems development.

Karen Thornley

Chief Commercial Officer

Karen Thornley joined Personal Group as Chief Commercial Officer in March 2021, bringing over 20 years' commercial and strategic experience to the role. Karen is responsible for heading up the new business, account management and client support teams, developing innovative strategies to help grow the business. Karen is also CEO of Innecto Reward Consulting, (part of the Personal Group family of companies) and holds a BA (Hons) in Management Studies and Business Administration from Reading University, specialising in marketing.

Rebekah Tapping

Group HR Director

Rebekah Tapping has been a core part of the Personal Group team for more than five years. She is responsible for the full HR strategy, incorporating HR, ER, learning & development, recruitment, reward & benefits, health & safety as well as fleet and facilities. Rebekah is a Chartered Fellow of the CIPD and is also qualified to Psychological Society Level A & B.

Richard Thompson

Managing Director – PG Let's Connect

Richard Thompson joined Let's Connect in 2011 and brings over 20 years' experience to his role. He has a wealth of knowledge of its business operations, products and services and has led the execution of large multifaceted projects for clients. Richard has a BA (Hons) in European Business Management from Oxford Brookes University as well as German Business Studies degree from Fachhochschule Regensburg in Germany.

Risk and Compliance Committee Report

The role of the Committee is to oversee compliance in conjunction with the overall approach to governance and risk management

Dear Shareholder

I am pleased to present the Risk and Compliance Committee Report for the year ended 31 December 2020.

Objectives

The role of the Committee is to oversee compliance with Prudential Regulation Authority and Financial Conduct Authority requirements, as well as other appropriate regulations which impact the Group, in conjunction with the overall approach to governance and risk management, including setting the Group's risk appetite and monitoring and reviewing the impact of business decisions upon the capital held by the Group over and above the statutory minimums.

Composition

The Risk and Compliance Committee currently has seven members; four Independent Non-Executive Directors, one Non-Independent Non-Executive Director, the Chief Executive and the Chief Financial Officer, and is chaired by Independent Non-Executive Director, Bob Head. The Head of Risk and the Company Secretary are normally also in attendance at each meeting.

Activity during the year

The Committee's Chairman reports formally to the Board on its proceedings after each meeting and during the year the Committee met four times, overseeing significant Group-wide projects which included:

- Oversight of the Group's response to the pandemic, which included the development of new routes to markets and new sales channels.
- Oversight of the risks which arose by having all employees working from home, and the potential threats to the security of personal and business data.
- The launch of a new version of the insurance plans following the benchmarking work which was carried out in 2019.
- Updating and further developing the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc. Additional stress-testing was undertaken to confirm ongoing financial resilience during the exceptional economic and environmental issues caused by the pandemic.

In addition to the above, other work undertaken during the year comprised:

- A review of the approach to vulnerable customers. An immediate response was developed to assist financially vulnerable customers, and the strategy will be further developed in 2021.
- A review of the value insureds receive from their relationship with the Group.
- A review of the Brexit readiness plans of key partners, to inform the partner management arrangements which, of themselves, were strengthened during 2020.
- Oversight of the Health, Safety and Environment Committee, ensuring the Group continues to comply with the Government's advice during the pandemic.
- Environmental, Social and Governance criteria is being developed to help investors and other stakeholders to better determine the future financial performance of the Personal Group of Companies (return and risk).
- Oversight of the further embedding of data (specifically GDPR related) arrangements.
- The continued monitoring of the adequacy and effectiveness of the Group's risk management including emerging and focus risks being informed by data from our Treating Customers Fairly (TCF) and Conduct Risk dashboards.
- The ongoing review, consideration and approval of the existing Group policies used across the business.
- Consideration of management information which confirms levels of quality and compliance.
- As in previous years, the Committee has applied its mind to the risk logs both in terms of completeness and how risks are optimised. The Committee has also worked tightly with the Audit Committee to ensure that the Committees neither duplicate work nor allow things to slip between the gaps.

Bob Head
Non-Executive Director

Audit Committee Report

The objective of the Audit Committee is to provide oversight and governance to the Group's financial reporting process on behalf of the Board of Directors

Dear Shareholder

The Committee oversees the appointment of, and relationship with, the external auditor and ensures compliance with other regulatory requirements that are relevant to the Group, as well as gaining reassurance that the control environment is fit for purpose. The Group operates a "three lines of defence" model. The internal audit function is currently outsourced to a third-party, and the Committee is also responsible for overseeing the effectiveness of internal audit in line with the Chartered Institute of Internal Auditors (IIA's) Guidance on Effective Internal Audit.

Key responsibilities

In accordance with its terms of reference, which are reviewed annually, the Audit Committee is required, among other things, to:

- Monitor the integrity of the financial statements of the Group, reviewing any significant reporting issues and judgements.
- Ensure compliance with applicable accounting standards and review the consistency of methodology applied.
- Advise on the clarity of disclosures and information contained within the financial statements.
- Review the adequacy and effectiveness of the Group's internal controls.
- Oversee the relationship with the external auditor, confirming independence, reviewing performance and advising the Board on their appointment and remuneration.
- Agree the scope of and review internal audit's and management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management, together with monitoring management's responsiveness to their findings.

Membership and meetings

The Audit Committee comprises three Independent Non-Executive Directors and meets at least twice a year. During 2020, the Committee comprised:

- Bob Head (Chairman).
- Mark Winlow.
- Maria Darby-Walker.

The Directors' profiles and qualifications are included on page 40-41.

Risk is covered at the Risk Committee but it has the same members as the Audit Committee which ensures tight co-ordination.

"In this context we have done much the same as other years but a lot of work has been done at the Audit Committee to ensure we have carefully considered the impact of COVID-19 both for the future of the business as well as producing a set of accounts we can recommend to the Board and ultimately shareholders."

Bob Head
Non-Executive Director

Three formal meetings were held during 2020 and all committee members were in attendance. Additionally, the remaining Board members, Head of Risk and Company Secretary were present at all meetings.

The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Group, the Group's internal audit function and the appointed external auditor. The Committee meets with the internal auditors and the external auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Group's internal control and the overall quality of the Group's financial reporting. In addition, the members of the Audit Committee also meet separately to consider any issues.

Activities of the Audit Committee during the year

The Committee discussed with the Group's internal and external auditors the overall scope and plans for their respective audits. In addition, the key work undertaken by the Committee during the year under review and up to the date of this annual report included:

- Review and approval of the 2019 Annual Report and Accounts and 2020 Interim Results statement.
- Approval of Solvency and Financial Condition Report and Own Risk & Solvency Assessment.
- Review of internal audits carried out by RSM.

During 2020, RSM undertook audits, in line with the agreed scope, over areas including the insurance distribution directive, cloud computing, management information, and the internal controls of PG Let's Connect.

The Committee received reports from the internal auditors throughout the year and was satisfied with the effectiveness of internal controls and risk optimisation. It supports the recommendations made by the internal auditors and is satisfied with the plans in place and the actions taken or planned by management in response to these recommendations and monitors the clearance of the items raised to ensure that they are resolved on a timely basis.

The approach in developing the internal audit plan for 2021 was based on analysing the corporate objectives, risk profile and assurance framework of the Group, as well as other factors affecting the Group. The aim is to cover all significant risk areas at least once every three years.

The Audit Committee regularly discusses the performance of internal audit within the Committee, with management and with internal audit. Given the size of the Group we believe that an outsourced Internal Audit function gives us access to more areas of expertise than an internally resourced department.

Significant reporting issues and judgements

In fulfilling its oversight responsibilities, the Committee has reviewed and discussed the audited consolidated financial statements and the related schedules within the annual report with Group management, including a discussion of the appropriateness of the accounting principles, the reasonableness of significant judgements and the clarity of disclosures in the financial statements. With the exception of COVID-19, the areas the Audit Committee have been concerned about are similar to prior years and are listed a little later in the report.

COVID-19 has had a dramatic impact both on Group and its counterparties.

Key Group issues included:

- The amount of new business that could be written. This impact was felt in 2020 by the amount of new business that could be written but given first year profitability is marginal the full effect on profitability will be felt in future years rather than in 2020.
- With the offices closed for much of 2020 the Group successfully migrated to home working. Particular attention has been paid to cyber risks as well as operational resilience to deliver what we have promised our clients and customers.
- Consideration was given to going concern, the adequacy of capital in a variety of scenarios and the ability to pay a dividend whilst maintaining our target of two times regulatory capital.

Particular attention has been applied to our counterparties to ensure we do not suffer financial loss or an operational failure. New procedures have been put in place to increase the chances of the Group picking up a potential default or service failure and thought has been given either by thinking through issues laterally or considering events which may potentially cost the Group (for example, when insurers lost the case on business interruptions, we reviewed all our insurance and reinsurance arrangements to ensure the Group did not suffer loss).

Audit Committee Report continued

The Committee reviewed the recommendations of the finance function and received reports from the external auditor on their findings. The significant reporting matters and judgements the Committee considered during the year included:

- The carrying value of goodwill and other intangible assets to determine whether any impairment had been required. The Committee reviewed the key financial assumptions underpinning cash flow projections, the discount and long-term growth rates applied thereto and the results of sensitivity analyses. The Committee was satisfied that, considering the sufficient headroom available, no impairment was required, and appropriate disclosure has been made (see Note 15 to the financial statements for details).
- The presentation of "Adjusted EBITDA" alongside statutory profit. The Committee considered the approach adopted and was satisfied that the approach continues to help provide a clear and more balanced view of the underlying performance of the business than simply profit after tax. It also concluded that the approach is being applied consistently from year to year and the rationale is clearly presented and reconciled back to the IFRS published numbers.
- The valuation of the claims provision. Due to the ongoing COVID-19 pandemic and the nature of the Group's insurance policies the Committee has reviewed the methodology and calculations relating to the claims provisions held by the insurance entities within the Group to ensure that the incurred but not reported claims reflect not only the historical trends of the insurance policies sold but also recent data on the pandemic. The Committee was satisfied that the amount reserved for across the Group is appropriate given the data available.

External audit

EY LLP were first appointed for the 2019 financial year. We value continuity providing the Committee believe the audit is of a good quality and the Group gets value for money both for the formal reporting and the third-party assurance that the business has a good control environment.

The Committee considers a number of areas when reviewing the external auditor reappointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and their reappointment and remuneration. In addition, in order to increase the quality and value added from the audit, we are looking to encourage a more control-based approach rather than substantive where it is cost effective to do so.

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years. There is also an active, ongoing dialogue between the Committee and the external auditor on actions to improve the effectiveness and efficiency of the external audit process. In addition, the Committee considers risk areas that might inform the audit strategy and discuss this with the external auditors.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of EY LLP as auditor and will support a resolution to retain them at the forthcoming Annual General Meeting.

No non-audit services were provided by the external auditors during this financial year or since they were originally appointed.

Bob Head
Independent Non-Executive Director

Remuneration Committee Report

The Committee's objective is to align our reward strategy with the delivery of profitable sustainable growth for the benefit of all our stakeholders

Dear Shareholder

This is my first report as Chair of the Remuneration Committee having taken up the role at the beginning of 2020. It was a year where we experienced significant changes in the way the Group functioned with many staff having to work from home for much of the period, with the threat of COVID-19 hanging over us. The work of the Remuneration Committee for the year reflected these challenges and we adapted our plans accordingly.

Aims of the Remuneration Committee

The primary purpose of the Remuneration Committee is to review and make recommendations regarding the remuneration policy for the Group, specifically regarding the Group's framework of Executive Remuneration.

The Committee's overall objective is to align reward for the Executive Team with the delivery of profitable sustainable growth through the Group's remuneration framework which:

- Offers competitive salary packages that attract, retain, and motivate talented people.
- Operates straightforward, transparent, and effective reward schemes that incentivise delivery of stretching annual targets and delivery of our longer-term business strategy.

In addition, the Committee:

- Offers the chance for all employees to participate in share schemes so that everyone thinks and acts to "run it like we own it" – one of our core employee values.
- Oversees and reviews the commission and bonus arrangements for customer-facing insurance sales employees to ensure a proper balance between motivating staff whilst making sales of the highest quality (i.e. beyond simple regulatory compliance).

To that end, we currently operate the following remuneration framework:

- Annual salary and associated benefits (all employees).
- Defined contribution pension scheme and other benefits such as life cover, private medical insurance (all employees).
- Performance based annual bonus linked to delivering stretching financial and service-oriented targets (selected employees).
- Commission, bonus schemes and incentives for the customer-facing insurance teams (selected sales and sales support employees).
- Share schemes:
  - PG Share Ownership Plan (all employees);
  - Company Share Option Plan (selected employees); and
  - Long Term Incentive Plans (LTIPs) (selected employees – see page 50 for further details).

We have continued to consider comparisons of senior employees of similar sized quoted companies in related sectors when establishing the levels of packages set. Our most recent executive benchmarking exercise was undertaken in January 2020.

> ***"The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key senior staff, and ensure we hire the best talent for the business."***
>
> **Maria Darby-Walker**
> Senior Non-Executive Director

Remuneration Committee Report continued

Composition of the Remuneration Committee

The Remuneration Committee consists of the independent Non-Executive Directors, with the Chief Executive, HR Director and any non-independent Non-Executive Directors invited to be in attendance at times. The Remuneration Committee operates within defined terms of reference, which were updated last year. It met four times in 2020, with ad hoc calls taking place to reflect the changing circumstances around the pandemic.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross Directorships, or day-to-day involvement in running the business and, as such, the Committee is deemed to be independent.

The Board determines the remuneration of the Non-Executive Directors after benchmarking external market research. Non-Executive Directors do not participate in the bonus schemes or the LTIPs, or in any other share award scheme.

Performance for the year

As has been reviewed elsewhere in the report in 2020 the business had a challenging year due to the COVID-19 pandemic – we had a number of staff on furlough throughout the year, and we reduced our dividends to shareholders. As a consequence, the Remuneration Committee decided that no overall bonus would be paid to the Senior Leadership Team (SLT) which is discussed further below.

In recognition of our employees' hard work during such a difficult year and to incentivise them towards supporting the long-term growth and success of the business, the Remuneration Committee supported the decision to grant £500 of shares to each eligible employee with at least six months' service as of 1 December 2020. These shares were allocated to each individual through the existing SIP scheme and will be exerciseable on the third anniversary of the award. The Committee, and more broadly the Board, believe that by becoming shareholders, our employees' goals align with those of our shareholders as owners of the business. The Senior Leadership Team and Board opted not to take up the offer of the £500 shares recognising that this was a benefit for our employees and not senior management.

2020 annual bonus

Due to the lack of new business sales, and subsequent reduction in Group profit and dividends payable to the Group's shareholders, it was agreed that the SLT would not receive a bonus, except in exceptional circumstances. The Committee agreed that one SLT member would receive a bonus to reflect the work they had conducted in managing the COVID-19 response of the Group as a whole.

Other employees received part bonus payments for achieving their personal objectives. Further support was offered to employees by offering two days additional holiday during the year – in recognition of the stresses imposed upon them through COVID-19 and the challenges for many of working from home.

Retention bonus

Following the appointment of Deborah Frost as Chief Executive in 2019, and in the absence of an effective LTIP at that time, the Remuneration Committee agreed that a number of retention payments would be put in place to ensure a smooth transition for the Chief Executive by retaining key members of the management team within the business. These contractual payments were made in July 2020. The payments have proven effective in retaining key individuals for the key changeover period.

Other Committee activities for the year

Part of the Committee's remit is to review commission payments and scheme outcomes for insurance sales employees. The field-based employees receive commission-based payments for achieving set levels of new premium sales. Attention was paid to the criteria used to assess whether sales met the highest standards (beyond regulatory compliance) and that there were appropriate penalties to variable pay where the standards were either not met or partially not met.

Although we are fewer than 250 employees and have no formal requirement to report on gender pay gap findings, we believe that from a good governance perspective it is important to assess where improvements can be made. This work is ongoing, and we intend to conduct further analysis of how we can better recruit to reflect our local populations' ethnic mix.

Our employee engagement scores continued to remain exceptionally high – even through furlough arrangements and people working from home. The Committee regularly reviews the necessary actions the Group needs to take to preserve and enhance our employees' working environment.

Although the business is relatively small, the Committee regularly reviews succession planning at both Board and senior management level.

The year ahead

Much of the work in 2021 will reflect that of prior years. Work will continue in completing the new LTIP referred to in last year's annual report. In addition, the Committee will continue to focus on the gender pay gap as mentioned earlier to determine what action, if any, needs to be taken. Further consideration will also be given to our BAME reporting and recruitment mix. In recognition too of the growing importance of ESG reporting for businesses, we will also ensure that any long-term incentives for the business are closely linked and aligned to our ESG strategy which the Company is currently developing.

The Remuneration Committee remains focused on aligning reward with delivering long-term sustainability and growth of the business, combined with our on-going progressive dividend policy. Where any material changes are made to the Remuneration policy, we will continue to discuss our intentions with our major shareholders and give them the opportunity to comment.

Service contracts

The Executive Directors have service contracts that can be terminated on six months' notice.

These provide for termination payments equivalent to six 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 throughout the year is set out below.

The interests of the Directors and their families (including transactions committed to before the year end and shares held in the PGH employee share ownership plan) in the shares of the Company as of 31 December 2019 or date of appointment if later, and 31 December 2020, were as follows:

	Ordinary shares of 5p each in Personal Group Holdings Plc	
	At 31 December 2020	**At 31 December 2019**
Deborah Frost (Chief Executive – Independent Non-Executive until 28 February 2019)	304,919	300,042
Mike Dugdale (Chief Financial Officer – Resigned 1 October 2020)	–	41,353
Andrew Lothian (Non-Executive Director – Managing Director PGB Sales until 1 January 2021)	38,128	38,092
Mark Winlow (Independent Non-Executive Chairman)	–	–
Ken Rooney (Non-Executive Deputy Chairman – Resigned 1 January 2021)	–	2,698
Bob Head (Independent Non-Executive)	–	–
Martin Bennett (Independent Non-Executive – Appointed 1 January 2021)	–	–
Maria Darby-Walker (Independent Non-Executive)	–	–
Sarah Mace (Chief Financial Officer – Appointed 1 October 2020)	11,907	1,944

At 31 December 2020, the mid-market closing share price was 206.00p per share (31 December 2019: 335.00p).

Remuneration Committee Report continued

Directors' remuneration

The Executive Directors' remuneration packages currently include components of a basic salary, annual bonus, a company car or car allowance if applicable to the role, Long Term Incentive Plan (LTIP), non-matching pension contributions and life cover as appropriate.

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

	Salary and fees 2020 £'000	Bonus 2020 £'000	Share-based gains on exercise of options 2020 £'000	Pension contributions 2020 £'000	Total 2020 £'000	Total 2019 £'000
Deborah Frost	300	–	–	10	310	396
Mike Dugdale *	162	75	–	–	237	278
Sarah Mace *	40	–	–	2	42	–
Andrew Lothian	183	75	–	8	266	262
Mark Winlow	81	–	–	–	81	76
Ken Rooney	45	–	–	–	45	44
Bob Head	42	–	–	–	42	43
Maria Darby-Walker	41	–	–	2	43	22
Total	894	150	–	22	1,066	1,200

* Mike Dugdale resigned on 1 October 2020. On his resignation Sarah Mace was appointed to the role of Chief Financial Officer. Sarah had worked for the business as Group Financial Controller and Company Secretary previously, the values above show their salary and fees for their time as a Director of the Group

Directors' share options

On 31 December 2020 options outstanding were as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
Andy Lothian	6,026	498.00	14 February 2017
Sarah Mace	6,122	490.00	28 January 2017

Long Term Incentive Plans

LTIP 2

LTIP 2, which ended in March 2020, was designed to reward Directors and certain other senior employees in a way that aligned the interests of LTIP participants with the interests of shareholders, as well as with the Group's long-term strategic plan. LTIP 2 was Market Capitalisation based and became reward bearing above a Company Market Capitalisation of £183.7m. It also had a yearly EPS performance criterion through its life which could be adjusted by the Remuneration Committee.

As the criteria was not met, there were no awards granted under LTIP 2 in 2020.

LTIP 2021

The plan rules and heads of agreement of a new Long Term Incentive Plan are expected to be finalised in April 2021. This LTIP has been established in order to reward and incentivise the senior executives to deliver sustainable growth for the Company and to create material value for shareholders, and will replace LTIP 2 which expired in March 2020. The Remuneration Committee decided to postpone this LTIP until the uncertainties caused by COVID-19 were better understood. The scheme will accommodate performance conditions across market, financial and ESG measures which support the growth of the business.

In addition, on 23 July 2020 the Remuneration Committee approved the grant of a one-off share award of £75,000 to the Chief Executive in recognition of the fact that, due to the postponement, no LTIP had been made available to her since joining the Group. This award will be issued under the new LTIP mechanism and will be subject to forfeiture up to March 2022, but will not have performance conditions attached.

Group employee breakdown by gender as at 31 December 2020

	Male*	Female
Directors	3	3
Managers	27	28
Employees	70	93
	100	124

* Excludes the one (male) Director who is not an employee of the Group

Maria Darby-Walker
Non-Executive Director

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2020

Principal activities

The Group is principally engaged in providing employee services, including short-term accident and health insurance, SaaS products 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 26-29).

The profit from continuing operations for the year is £8,557,000 (2019: £10,487,000) before taxation of £1,663,000 (2019: £1,649,000). During the year ordinary dividends of £4,147,000 (2019: £7,244,000) were paid.

Directors

The membership of the Board at the end of the year is set out in the Remuneration Report on pages 47-51. The Remuneration Committee 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.

Political contributions

Neither the Company nor any of its subsidiaries made any political donation or incurred any political expenditure during the year (2019: £nil).

Charitable donations

Donations to charitable organisations amounted to £100,000 (2019: £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 the Audit Committee report and Note 3 of these financial statements.

Capital requirements

See Note 4 of these financial statements.

Corporate governance

The Board of Personal Group Holdings Plc supports the principles and is committed to achieving high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code in its entirety. The Board's report on the Group's corporate governance procedures is set out on pages 38-39.

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 Group'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 Group's auditor is aware of that information.

Auditor

EY LLP have expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006 a resolution to both formally appoint and reappoint EY LLP will be proposed at the Annual General Meeting to be held on Wednesday 5 May 2021.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

In arriving at their conclusion that the Group's accounts should be prepared on a going concern basis, the Directors' have considered the potential impact of COVID-19, over the next 12 months based on review of a variety of possible stress and scenario tests.

BY ORDER OF THE BOARD

S Mace
Director
22 March 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations

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 Group and parent Company 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. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they 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, relevant and reliable.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

Independent Auditor's Report

Independent Auditor's Report to the members of Personal Group Holdings Plc

Opinion

In our opinion:

- Personal Group Holdings Plc's Group financial statements and parent Company financial statements (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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Personal Group Holdings Plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2020	Balance sheet as at 31 December 2020
Consolidated balance sheet as at 31 December 2020	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 32 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 32 to the financial statements (except for the solvency capital position of the Group's regulated companies disclosed in note 4 which is marked as unaudited), including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards to the parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures.

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers 12 months ending 22 March 2022;
- obtained the financial forecasts prepared by the Group and assessed the appropriateness of assumptions applied in the modelled stress scenarios based on our understanding of the business and the Group's historical performance, including since the start of COVID-19 pandemic;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of COVID-19 on the business; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on management's assessment, we have observed that the Group is able to continue to have surplus cash and solvency above the solvency requirements within its two regulated entities in a number of extreme downside scenarios and the Group has continued to service customers and meet its commitments in the current environment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent Company's ability to continue as a going concern for the period ending 22 March 2022.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed full scope audit of four components of the Group: • UK core insurance (Personal Assurance Plc), • Guernsey core insurance (Personal Assurance (Guernsey) Limited), • IT salary sacrifice (PG Let's Connect IT Solutions Limited), • Software as a service (Personal Management Solutions Limited), and In addition, we performed audit procedures on specific balances for Innecto People Consulting Limited, included in the Group component Software as a service. • The components where we performed full or specific audit procedures accounted for 99% of the Group revenue and 99% of the Group profit before tax.
Key audit matters	• Valuation of PG Let's Connect goodwill • Valuation of Innecto goodwill and other intangible assets.
Materiality	• Overall Group materiality of £430,000 (2019: £525,000) which represents 5% (2019: 5%) of consolidated profit before tax.

An overview of the scope of the parent Company and Group audits

Tailoring the scope

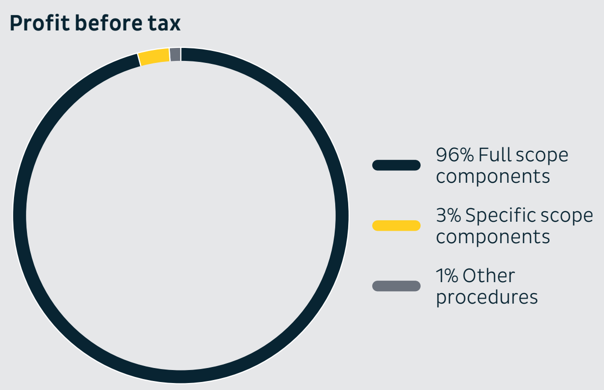
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

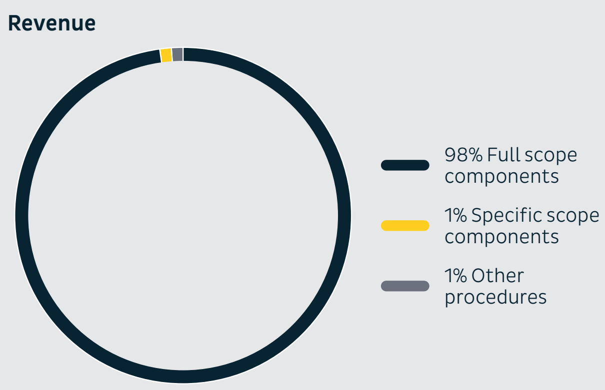
Independent Auditor's Report continued

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we identified five reporting components of the Group. Of the five components selected, we performed an audit of the complete financial information of four components ("full scope components") which were selected based on their size or risk characteristics. The full scope components are UK core insurance (Personal Assurance Plc), Guernsey core insurance (Personal Assurance (Guernsey) Limited), IT salary sacrifice (PG Let's Connect IT Solutions Limited), and Software as a service (Personal Management Solutions Limited only). In addition, for the remaining one component, Software as a service (Innecto People Consulting Limited) ("specific scope component"), we performed audit procedures on specific accounts that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

For the current year, the full scope components contributed 96% (2019: 99%) of the Group's profit before tax and 98% (2019: 99%) of the Group's revenue. The specific scope component contributed 3% of the Group's profit before tax and 1% of the Group's Revenue. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The charts below illustrate the coverage obtained from the work performed by our audit teams.





Changes from the prior year

In 2019, we performed a full scope audit of Software as a service (Innecto People Consulting Limited) component due to the risks associated with its acquisition during the year. While the acquisition related risks have reduced, a higher risk remained on the results of this component because the outbreak of COVID-19 has had a detrimental impact on its 2020 performance and therefore, our specific scope audit in 2020 focused on its revenue and expenses.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

Of the four full scope components, audit procedures were performed on three of these directly by the primary audit team, EY UK, whilst audit procedures on the remaining one component (Personal Assurance (Guernsey) Limited) were performed by the component audit team, EY Guernsey. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. We provided detailed audit instructions to EY Guernsey which included guidance on areas of focus, including the relevant risks of material misstatement, and set out the information required to be reported to us. We held discussions with the component team throughout the audit and reviewed their key working papers. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of PG Let's Connect Goodwill (2020: £10.6m, 2019: £10.6m) *We consider the risk associated with the valuation of PG Let's Connect goodwill to have increased as a result of increased uncertainty over the future cash flow projections due to the COVID-19 pandemic.* *Refer to Accounting policies (page 74); and Note 15 of the Consolidated Financial Statements (pages 92 to 94)* The PG Let's Connect goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identified assets and liabilities at the date of acquisition of PG Let's Connect in 2014. The PG Let's Connect goodwill balance as at 31 December 2020 is significant based on its size relative to the total assets of the Group. Based on our prior year experience and the updated current year considerations including the impact of the COVID-19 pandemic, we consider the following key assumptions to have the most significant impact on the PG Let's Connect goodwill valuation. • Discount rate • Future cash flow forecasts These key assumptions involve significant judgement about future events for which small changes can result in a material impact to the resultant valuation and therefore leads to a greater risk of material misstatement.	To obtain sufficient audit evidence to conclude on the valuation of PG Let's Connect goodwill, we performed the following procedures: • Examined and assessed the appropriateness of management's impairment model, including an identification of the cash generating unit ('CGU') and attributable cashflows, an assessment of discounted cash flows, and understanding of the significant assumptions used in the impairment test for the identified CGU; • Considered increased uncertainty in the underlying forecasts due to the lower revenue generation in 2020 and challenged the future cash flow projections of the CGU, including the appropriateness of the applied short-term and long-term growth rates; • Inspected the renewed contract with the material customer of PG Let's Connect (disclosed in the Strategic Report on page 29) and its impact on the future cash flow projections; • Engaged EY valuation specialists to assess the reasonableness of the discount rate by considering the CGU's specific circumstances as well as comparable companies; • Performed sensitivity analysis to assess the impact of certain key variables on levels of headroom, including discount rate and growth assumptions; and • Considered whether the applied accounting treatment is in compliance with the applicable accounting framework and the Group's accounting policy and the Group disclosure is in line with the required reporting framework and the revised auditing standard – ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures.*	We are satisfied that there is no impairment and the carrying value of the goodwill is appropriate as at 31 December 2020. However, this assumes improved future trading of PG Let's Connect following the COVID-19 pandemic. The timing and scale of the CGU's future growth is currently uncertain, particularly with respect to the speed at which the business' cash flows will revert to pre-COVID-19 levels and historical growth trends (disclosed in Note 15 of the financial statements). Delay in the post COVID-19 recovery could have a significant adverse impact on the future cash flows of the PG Let's Connect CGU and may affect the future carrying value of the goodwill.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Innecto goodwill and other intangible assets (2020: £2.8m, 2019: £2.9m) *We consider the risk associated with the valuation of Innecto goodwill and other intangible assets to have increased as a result of increased uncertainty over the future cash flow projections due to the COVID-19 pandemic.* *Refer to Accounting policies (page 74); and Note 15 of the Consolidated Financial Statements (pages 92 to 94)* The Innecto goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identified assets and liabilities at the date of acquisition of Innecto in 2019. We consider the valuation of Innecto goodwill and other intangible assets to be a significant risk for the Group. Specifically, discount rate and short-term and long-term growth rates have the most significant impact on the valuation. Management's valuation of Innecto goodwill as at 31 December 2020 assumed high growth expected, particularly in the digital platform that was conditional upon its re-platforming onto Personal Group's technology platform in 2020. While Innecto Digital re-platformed in 2020, due to COVID-19, it did not generate expected results in the current year and uncertainty related to the future cash flow projections and sensitivity to the discount rate remain. The identified key assumptions involve significant judgement about future events for which small changes can result in a material impact to the resultant valuation and therefore leads to a greater risk of material misstatement.	To obtain sufficient audit evidence to conclude on the valuation of goodwill at the year end, we performed the following procedures: • Examined aand assessed the appropriateness of management's impairment model, including an identification of the cash generating unit ('CGU') and attributable cashflows, an assessment of discounted cash flows, and understanding of the significant assumptions used in the impairment test for the identified CGU; • Considered increased uncertainty in the underlying forecasts due to the lower revenue generation in 2020 and challenged the future cash flow projections of the CGU, especially the appropriateness of short-term and long-term growth rates applied to the future cash flow projections of the newly re-platformed digital sales; • Engaged EY valuation specialists to assess the reasonableness of the discount rate and growth rates by considering the CGU's specific circumstances as well as comparable companies; • Performed sensitivity analysis to assess the impact of certain key variables on levels of headroom, including discount rate and growth assumptions; and • Considered whether the applied accounting treatment is in compliance with the applicable accounting framework and the Group's accounting policy and the Group disclosure is in line with the required reporting framework and the revised auditing standard – ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures.*	We are satisfied that there is no impairment and the carrying value of the goodwill is appropriate as at 31 December 2020. However, this assumes high growth, particularly in the digital platform (disclosed in Note 15 of the financial statements). Delay in the post COVID-19 recovery, especially in the growth of the digital platform could have a significant adverse impact on the future cash flows of the Innecto CGU and may affect the future carrying value of the goodwill.

In the prior year, our auditor's report included a key audit matter in relation to the impact of COVID-19 due to the existing uncertainties and insufficient available data at the date of approval of the 2019 financial statements. In the current year, we reflected the higher risk due to COVID-19 specifically in the key audit matters and the going concern assessment described above.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £430,000 (2019: £525,000), which is 5% (2019: 5%) of the consolidated profit before tax. The Group has been profitable over a number of years and we judge the focus of shareholders to be the Group's profitability and earnings per share. While COVID-19 has impacted the profit before tax, we consider that it remains the most appropriate basis to determine materiality for the Group.

We determined materiality for the parent Company to be £260,000 (2019: £270,000), which is 1% (2019: 1%) of the parent Company equity. We have used the capital based measure for determining materiality due to the parent Company being a holding company.

During the course of our audit, we reassessed the Group initial materiality and concluded that materiality assessed at planning stages of our audit remained appropriate.

We also reassessed initial materiality for the parent Company from £280,000 to £260,000 due to a decrease in the parent Company's equity between 30 September 2020 (upon which our initial materiality was based) and 31 December 2020. We considered the impact of this on the extent of our audit procedures.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 50%) of our planning materiality, namely £323,000 (2019: £262,000). We set performance materiality at 50% for the first year audit to address the lack of accumulated audit knowledge. As we executed the first year audit without identifying significant errors, we have increased our threshold to 75%.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £32,000 to £275,000 (2019: £26,000 to £198,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £22,000 (2019: £26,000) for the Group and in excess of £13,000 (2019: £14,000) for the parent Company, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 53, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 53, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA') and the Guernsey Financial Services Commission ('GFSC').
- We understood how the Company is complying with those frameworks by making enquiries of management, and through discussions with those charged with governance. We also reviewed correspondence between the Company and the regulatory bodies; reviewed minutes of the Board and the Risk and Compliance Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Where fraud risk, including the risk of management override, was considered to be higher, we performed audit procedures to address each identified risk. These procedures included:

  - Reviewing estimates for evidence of management bias. Supported by our valuation specialists, we assessed if there were any indicators of management bias in the valuation of goodwill.
  - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

  In addition, we considered the impact of COVID-19 on the Group, including an assessment of the consistency of operations and group-wide controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via use of videoconferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

- We designed our audit procedures to identify non-compliance with both direct and other laws and regulations including those at the components. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA, the PRA and the GFSC.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 March 2021

Notes:

1. The maintenance and integrity of the Personal Group Holdings Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Income Statement

	Note	2020 £'000	2019 £'000
Gross premiums written		29,265	30,369
Outward reinsurance premiums		(182)	(204)
Change in unearned premiums		(245)	59
Change in reinsurers' share of unearned premiums		(8)	(10)
Earned premiums net of reinsurance	5	28,830	30,214
Other insurance related income	5	138	191
IT salary sacrifice income	5	16,421	18,794
SaaS income	5	25,963	21,459
Other non-insurance income	5	98	100
Investment income	6	74	131
Revenue		71,524	70,889
Claims incurred	7	(7,031)	(6,670)
Insurance operating expenses	8	(13,504)	(15,964)
Other insurance related expenses		(266)	(210)
IT salary sacrifice expenses	5	(16,057)	(17,157)
SaaS costs	5	(25,458)	(20,930)
Share-based payment expenses	22	(8)	(19)
Charitable donations		(100)	(100)
Amortisation of intangible assets	16	(470)	(489)
Expenses		(62,894)	(61,539)
Operating profit		8,630	9,350
Finance costs		(73)	(131)
Release of provisions		–	1,259
Share of profit of equity-accounted investee net of tax		–	9
Profit before tax		8,557	10,487
Tax	11	(1,663)	(1,649)
Profit for the year		6,894	8,838

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

Earnings per share		Pence	Pence
Basic	13	22.1	28.4
Diluted	13	22.1	28.4

There is no other comprehensive income for the year and, as a result, no statement of comprehensive income has been produced.

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

Consolidated Balance Sheet

at 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Goodwill	15	12,696	12,696
Intangible assets	16	1,254	1,301
Property, plant and equipment	17	5,456	5,984
		19,406	19,981
Current assets			
Financial investments	18	2,587	2,565
Trade and other receivables	19	18,346	18,549
Reinsurance assets	20	78	121
Inventories	12	861	746
Cash and cash equivalents	21	17,589	14,476
Current tax assets		55	-
		39,516	36,457
Total assets		58,922	56,438

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

Consolidated Balance Sheet continued

at 31 December 2020

	Note	2020 £'000	2019 £'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	1,561	1,561
Share premium	22	1,134	1,134
Capital redemption reserve		24	24
Other reserve		(21)	(230)
Profit and loss reserve		38,076	35,526
Total equity		40,774	38,015
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	399	302
Trade and other payables	24	352	290
Current liabilities			
Trade and other payables	24	14,274	15,043
Insurance contract liabilities	25	3,123	2,104
Current tax liabilities		–	684
		17,397	17,831
Total liabilities		18,148	18,423
Total equity and liabilities		58,922	56,438

The financial statements were approved by the Board on 22 March 2021.

S Mace
Chief Financial Officer

D Frost
Chief Executive

Company number: 3194991

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

Company Balance Sheet

at 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	26	25,045	25,041
		25,045	25,041
Current assets			
Trade and other receivables	19	1,278	3,070
Cash and cash equivalents	21	92	165
		1,370	3,235
Total assets		26,415	28,276
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	1,561	1,561
Share premium	22	1,134	1,134
Capital redemption reserve		24	24
Other reserve		(21)	(230)
Profit and loss reserve		23,142	24,601
Total equity		25,840	27,090
LIABILITIES			
Current liabilities			
Trade and other payables	24	575	1,186
Total liabilities		575	1,186
Total equity and liabilities		26,415	28,276

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 £2,885,000 (2019: £15,080,000).

The financial statements were approved by the Board on 22 March 2021.

S Mace
Chief Financial Officer

D Frost
Chief Executive

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 2020

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2020	1,561	1,134	24	(230)	35,526	38,015
Dividends paid	–	–	–	–	(4,147)	(4,147)
Employee share-based compensation	–	–	–	–	8	8
Proceeds of SIP* share sales	–	–	–	–	26	26
Cost of SIP shares sold	–	–	–	231	(231)	–
Cost of SIP shares purchased	–	–	–	(22)	–	(22)
Transactions with owners	–	–	–	209	(4,344)	(4,135)
Profit for the year	–	–	–	–	6,894	6,894
Total comprehensive income for the year	–	–	–	–	6,894	6,894
Balance as at 31 December 2020	1,561	1,134	24	(21)	38,076	40,774

* PG Share Ownership Plan (SIP)

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 2019

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2019	1,544	–	24	(210)	33,937	35,295
Dividends paid	–	–	–	–	(7,244)	(7,244)
Employee share-based compensation	–	–	–	–	19	19
Proceeds of SIP* share sales	–	–	–	–	20	20
Cost of SIP shares sold	–	–	–	44	(44)	–
Cost of SIP shares purchased	–	–	–	(64)	–	(64)
Shares issued in the year	17	1,134	–	–	–	1,151
Transactions with owners	17	1,134	–	(20)	(7,249)	(6,118)
Profit for the year	–	–	–	–	8,838	8,838
Total comprehensive income for the year	–	–	–	–	8,838	8,838
Balance as at 31 December 2019	1,561	1,134	24	(230)	35,526	38,015

* PG Share Ownership Plan (SIP)

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 2020

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2020	1,561	1,134	24	(230)	24,601	27,090
Dividends paid	–	–	–	–	(4,147)	(4,147)
Employee share-based compensation	–	–	–	–	8	8
Proceeds of SIP* share sales	–	–	–	–	26	26
Cost of SIP shares sold	–	–	–	231	(231)	–
Cost of SIP shares purchased	–	–	–	(22)	–	(22)
Transactions with owners	–	–	–	209	(4,344)	(4,135)
Profit for the year	–	–	–	–	2,885	2,885
Balance as at 31 December 2020	1,561	1,134	24	(21)	23,142	25,840

* PG Share Ownership Plan (SIP)

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 2019

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2019	1,544	–	24	(210)	16,770	18,128
Dividends paid	–	–	–	–	(7,244)	(7,244)
Employee share-based compensation	–	–	–	–	19	19
Proceeds of SIP* share sales	–	–	–	–	20	20
Cost of SIP shares sold	–	–	–	44	(44)	–
Cost of SIP shares purchased	–	–	–	(64)	–	(64)
Shares issued in the year	17	1,134	–	–	–	1,151
Transactions with owners	17	1,134	–	(20)	(7,249)	(6,118)
Profit for the year	–	–	–	–	15,080	15,080
Balance as at 31 December 2019	1,561	1,134	24	(230)	24,601	27,090

* PG Share Ownership Plan (SIP)

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

Consolidated Cash Flow Statement

	Note	2020 £'000	2019 £'000
Net cash from operating activities (see next page)		8,100	8,668
Investing activities			
Additions to property, plant and equipment	17	(341)	(734)
Additions to intangible assets	16	(424)	(266)
Proceeds from disposal of investment property		–	188
Proceeds from disposal of property, plant and equipment		382	398
Purchase of financial assets		(22)	(34)
Interest received	6	74	131
Dividends received from equity accounted investee		–	59
Acquisition of subsidiary, net of cash acquired		–	(2,714)
Net cash from investing activities		(331)	(2,972)
Financing activities			
Proceeds from the issue of shares		–	1,151
Interest paid		(2)	(2)
Purchase of own shares by the SIP*		(22)	(64)
Proceeds from disposal of own shares by the SIP*		26	20
Payment of lease liabilities	30	(511)	(229)
Dividends paid	14	(4,147)	(7,244)
Net cash used in financing activities		(4,656)	(6,368)
Net change in cash and cash equivalents		3,113	(672)
Cash and cash equivalents, beginning of year	21	14,476	15,148
Cash and cash equivalents, end of year	21	17,589	14,476

* PG Share Ownership Plan (SIP)

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

	Note	2020 £'000	2019 £'000
Operating activities			
Profit after tax		6,894	8,838
Adjustments for			
Depreciation	17	1,003	970
Amortisation of intangible assets	16	470	489
Profit on disposal of property, plant and equipment		(150)	(127)
Profit on disposal of investment property		–	(60)
Interest received		(74)	(131)
Interest charge		73	131
Share of profit of equity-accounted investee, net of tax		–	(9)
Share-based payment expenses	5	8	19
Taxation expense recognised in income statement	11	1,663	1,649
Changes in working capital			
Trade and other receivables		247	(1,520)
Trade and other payables		384	1,406
Provisions		–	(1,259)
Inventories		(115)	(103)
Taxes paid		(2,303)	(1,625)
Net cash from operating activities		8,100	8,668

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

Company Cash Flow Statement

	Note	2020 £'000	2019 £'000
Net cash from operating activities (see below)		70	(10,055)
Investing activities			
Dividends received		4,000	16,000
Proceeds from disposal of investment property		–	188
Net cash used in investing activities		4,000	16,188
Financing activities			
Proceeds from share issue		–	1,151
Purchase of own shares by the SIP*		(22)	(64)
Proceeds from disposal of own shares by the SIP*		26	20
Dividends paid		(4,147)	(7,244)
Net cash used in financing activities		(4,143)	(6,137)
Net change in cash and cash equivalents		(73)	(4)
Cash and cash equivalents, beginning of year	21	165	169
Cash and cash equivalents, end of year	21	92	165
Operating activities			
Profit after tax		2,885	15,080
Changes in working capital			
Trade and other receivables		1,792	(2,912)
Trade and other payables		(607)	(6,163)
Dividends received		(4,000)	(16,000)
Profit on disposal of investment property		–	(60)
Net cash from operating activities		70	(10,055)

* PG Share Ownership Plan (SIP)

The parent Company has cash and cash equivalents at 31 December 2020 including £7,000 (2019: £88,000) of Company's own cash and £85,000 (£77,000) relating to the purchase and sale of SIP shares by the employee benefit trust.

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 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 22 March 2021.

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2020. The financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of Companies Act 2006.

The Group is aware that IFRS 17 – Insurance Contracts is potentially going to be effective for periods from 1 January 2023. Based on a review of the current public information it is not believed that the accounting for the Group's insurance contracts will change materially due to the short tail nature of those contracts although further disclosures are likely to be required.

2.1 Basis of preparation

The functional and presentational currency of the Group is sterling. These statements and the prior year comparatives have been presented to the nearest thousand, unless otherwise stated.

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

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Agent vs principal (Note 2.22) – whether the sale of discounted vouchers should be treated as a principal or agency transaction.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2020 is included in the following notes:

- Goodwill valuation (Note 15) – key assumptions underlying recoverable amounts.
- Establishing the value of claims outstanding (Note 25); – key assumptions regarding the provisions for claims.

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 over the next twelve months ending 22 March 2022. Various stress and scenario tests have taken place to assess the potential impact on the Group of COVID-19, considering the potential impact on premiums, claims and solvency ratios for the insurance subsidiaries, together with liquidity and other non-insurance activities for the wider Group. 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 over the next 12 months ending 22 March 2022.

Having prepared and considered these stress scenarios 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.

Notes to the Financial Statements continued

2 Accounting policies continued

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.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from these transactions, are eliminated on consolidation.

2.3 Goodwill and acquired intangibles

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.

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

2.4 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.

Whilst IFRS 15 considerations have been noted for the most significant revenue streams to which it is applicable, the insurance premium revenue stream is out of scope for IFRS 15.

Earned premium

Earned premium is recognised in the period in which the Group is legally bound through a contract to provide insurance cover, which is typically a week or a month in length and renews on an evergreen basis. It represents the earned amount of gross written premiums receivable under the contract. The remainder of gross written premiums are deferred as a provision for unearned premiums until recognised as revenue computed on a monthly or daily pro-rata basis. The unearned premium reserve is typically small as a large proportion of policies are weekly renewals.

Net earned premiums are stated net of amounts passed to reinsurers. Premiums are shown before deduction of commission and exclude any sales-based taxes or duties.

Other Insurance related

Commission receivable on the renewal of previously sold financial services are recognised by the Group as the renewal takes place with the underwriter.

IT Salary sacrifice

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

IFRS 15 – IT Salary Sacrifice Income	
Performance Obligations	Provision of IT goods to employer companies. Goods are acquired by the Group from various suppliers and held as inventory until sold to customers at an agreed price.
Transaction Price	Purchase price varies dependant on product purchased but is clearly indicated.
Allocation of Price	Prices are allocated by product, volumes and values.
Satisfaction of Obligations	Revenue is recognised on dispatch as Group has met its performance obligation as per the contracts in place.

SaaS income

SaaS 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.

IFRS 15 – SaaS Income

Performance Obligations	Ongoing access to Hapi platform with each relevant month access is provided being considered a separate performance obligation.
Transaction Price	Prices are set on a by employee rate and are agreed with each client individually.
Allocation of Price	Price allocated evenly to each period/performance obligation.
Satisfaction of Obligations	Recognised straight-line over period of agreement of service as the performance obligation is deemed to be met each month as the contract progresses.

Voucher income, which is also included in SaaS income, derives from customers ordering retail vouchers through the Hapi platform. E-vouchers are fulfilled and made available instantly to the customer while, for reloadable cards, customers receive these several working days after placing the order. Income from the sale of reloadable cards and e-vouchers is recognised as orders are fulfilled by the Group. In the vast majority of these transactions the Group acts as principal. Refer to 2.22 for further details of agent vs principal assessment.

IFRS 15 – Voucher Income

Performance Obligations	Provision of voucher to individuals/ companies.
Transaction Price	Prices are based on each retailer's discount on purchase into the Group.
Allocation of Price	Whole price allocated to the sole performance obligation.
Satisfaction of Obligations	Recognised on dispatch of voucher as this is the point at which the Group has fulfilled its part of the agreed contract.

The Group receives income from its provision of HR consultancy services to corporate clients. Consultancy income is recognised in the profit and loss account at the relevant charge out rates of the consultants and based on the chargeable time spent on each client project.

IFRS 15 – Consultancy Income

Performance Obligations	Provision of consultancy services, typically based on an agreed number of consultant hours.
Transaction Price	Prices are based on each contractual client agreement, dependant on the level and duration of consultant hours spent.
Allocation of Price	Each chargeable hour will have an agreed price dependant on the level and experience of the consultant.
Satisfaction of Obligations	Each consultant hour charged is considered a separate performance obligation and recognition is recorded periodically (typically monthly) based on chargeable hours in that period.

Other income

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

Government grants

Grants are accounted for under the accruals model as permitted by IFRS. Grant income relating to the job retention scheme is recognised in line with furlough costs incurred, and therefore the accrued element of the grant is included in debtors as accrued income.

Grants are recognised in the Income Statement in the same period as the related expenditure and netted off against payroll costs within administrative costs.

Costs incurred to fulfil a contract

Costs incurred to fulfil a contract under IFRS 15 are recognised as an asset under certain conditions laid out in IFRS 15.95. The capitalised contract costs are amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in the profit or loss. There are no contracts in the Group for which these conditions are met and, as such, no assets have been recognised.

Investment income

Interest income is recognised on an effective interest rate method.

Notes to the Financial Statements continued

2 Accounting policies continued

2.5 Reinsurance

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 is 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.

2.6 Claims recognition and claims provisions

The provision for claims represents the gross estimated liability arising from claim episodes in the current and preceding financial years which have not given rise to claims paid. The provision includes an allowance for claims management and handling expenses.

The provision for claims is estimated based on current information, and the ultimate liability may vary as a result of subsequent information and events.

Adjustments to the amount of claims provision for prior years are included in the income statement in the financial year in which the change is made.

In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence set is one that provides an appropriate degree of confidence.

The liability adequacy test 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.

2.7 Property, plant and equipment and intangible assets

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

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, and has the technical ability and sufficient resources to, complete development, future economic benefits are probable and if the Group 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, external consultancy costs and salary costs where a distinct product has been created. 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:

Freehold properties	50 years
Motor vehicles	3 – 4 years
Computer equipment	2 – 4 years
Furniture, fixtures and fittings	5 – 10 years
Computer software and development	2 – 4 years
Internally generated intangibles	3 – 5 years
Intangible assets	3 – 5 years
Right of Use Assets	Term of Lease

2.8 Leases

Under IFRS 16, with the exception of short-term or low value leases, all operating and finance leases are accounted for in the balance sheet. On inception of the lease, the future payments, including any expected end of life costs, are discounted based on the implicit interest rate in the specific lease. A "Right of Use" asset is created at an equal value depreciated over the life of the lease which is determined by the contract with any break clauses being reviewed as to the expected use at the time of inception and at each following year end. Payments made to the lessor are debited to the balance sheet and the income statement is charged with monthly depreciation and interest which is included as finance costs in the accounts.

Low value leases or short life leases of less than one year are expensed directly into the income statement account on a straight line over the life of the lease.

2.9 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.

2.10 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.

2.11 Financial assets

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

A financial asset is measured at amortised cost if it is both: held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise to cash flows that are solely payments of principal and interest on the amount outstanding. For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition, and “interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument, including any terms which may affect the timing or amount of contractual cash flows.

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 and loss following the sale of the equity investments.

In assessing impairment requirements on financial assets, the Group considers the rate of historic losses on similar assets in conjunction with expected future losses and credit losses as a result of potential defaults. This will, as mandated by IFRS 9, continue to be reassessed as and when further information becomes available or when conditions change.

Notes to the Financial Statements continued

2 Accounting policies continued

2.11 Financial assets continued

A financial asset is de-recognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for de-recognition. 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 de-recognition 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.

Impairment of financial assets

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised costs. The Group calculates the lifetime ECL as a practical expedient for short-term receivables. A loss allowance is recognised for such losses at each reporting date. The Group measures ECL on each balance sheet date according to a three stage ECL impairment model:

Stage 1 – from initial recognition of the financial asset to the date on which the asset has experienced a significant increase in credit risk ("SICR") relative to its initial recognition, a loss allowance is equal to the credit loss expected to result from default occurring over 12 months following the reporting date.

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset. Where an SICR is no longer observed, the instrument will move back to Stage 1.

Stage 3 – when the financial asset is considered to be credit impaired, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset. Interest and revenue is calculated based on the gross carrying amount of the asset, net of the loss allowance.

The measurement of the ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Insurance receivables, which are outside the scope of IFRS 9, are subject to a lapse provision calculated based on historic loss data.

2.12 Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition.

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 de-recognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

2.13 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 2.11 fixed interest rate bank deposits with the maturity date of three months or more from the date of acquisition are classified as financial assets.

2.14 Investments in subsidiary undertakings

Company investments in subsidiary undertakings and joint ventures held in the Company Balance Sheet are shown at cost less impairment provisions.

Impairment testing is completed on an annual basis or as and when an indicator for impairment under IAS 36 arises.

2.15 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium account" represents the amount paid on issue for equity shares in excess of their nominal value.
- "Capital redemption reserve" represents the nominal value of its own equity shares purchased, and then cancelled, by the Company.
- "Other reserve" represents the investment in own Company shares by the Employee Benefit Trust.
- "Profit and loss reserve" represents retained profits.

2.16 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.

2.17 Share-based payment

Equity-settled share-based payment

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.

2.18 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 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. Any profit or loss on allocation of shares to individuals is taken directly to the "other reserve" within equity.

2.19 Shares held in an employee benefit trust

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore, reflected in these financial statements.

2.20 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.21 Provisions

A provision is recognised in the balance sheet when the Group has a present legal, or constructive, obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.22 Agent vs Principal

The sale of discounted vouchers, be it physical or electronic, represents the majority of SaaS revenue for the Group. The Group has a mixture of relationships with retailers and third-party suppliers, depending on the offering. Some offerings require purchasing inventory in advance while others require the maintaining of cash floats with suppliers and others require the settlement of supplier invoices as they are received.

Notes to the Financial Statements continued

2 Accounting policies continued

2.22 Agent vs Principal continued

Depending on the contractual relationship and the nature of the transactions with the relevant suppliers, the Group has made a judgement on whether the offerings constitute agency or principal transactions. This judgement is significant in nature as it has a material impact on the revenue and cost of sales of the Group.

In the majority of circumstances, the Group, either physically or via its IT systems, takes possession and ownership of the vouchers, has control over their use and resale price and, as a result, these transactions are deemed to be principal in nature. In such cases, the sale of vouchers, and their relevant cost of sales, are presented gross in the income statement for the year.

Where a contractual relationship exists with the supplier that classifies the relationship as that of an agency, this is deemed to supersede the factors discussed above. As a result, the voucher sale and their relevant cost of sales have been presented net as agency income in the income statement for the period.

3 Risk management objectives and policies

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 identify, assess and appropriately mitigate the key risks to the Group achieving this strategy.

To achieve its objectives as well as sustainable profitability, the Group may pursue the opportunities that gave rise to risk. Therefore, we have adopted an Enterprise Risk Management Framework as part of our decision making and business management process. 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 change environment and, each year, after the approval of the Group's strategy and business plans.

The most significant financial risks to which the Group and Company are exposed under normal circumstances are described in this section.

In addition to those risks identified, the ongoing COVID-19 outbreak is continuing to impact operations of the business. As noted throughout these accounts, the Government imposed lockdowns have limited the ability to undertake face-to-face insurance sales, the primary route to market for the insurance business. The impact on claims has seen the Group's Hospital and Convalescence plans claim ratio fall, as non-emergency NHS treatments were delayed nationwide, whilst the Death Benefit plans loss ratio has unfortunately increased due to the outbreak. Whilst it is hoped that by the end of 2021 the Group will see a return to 'normal' trading in its insurance business the impacts of COVID-19 are expected to continue through, at least, the first half of the year.

The impact of COVID-19 on the salary sacrifice business was seen by way of certain schemes not running due to uncertainty surrounding the pandemic. However, of schemes that did run, many performed strongly due to increased demand caused by those working from home.

The SaaS segment of the business has remained largely unaffected by the pandemic.

The Group has been able to mitigate the lack of new insurance sales due to its strong balance sheet and improved retention rates, proving the value of the products held by those to whom the Group had been able to sell previously. In addition, the Group is currently utilising Government initiatives, such as the Job Retention Scheme, where appropriate to mitigate costs and to retain staff.

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		Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Insurance receivables	2,295	2,701	–	–
Reinsurance assets	78	121	–	–
Trade debtors	14,712	14,240	–	–
Accrued interest	6	6	–	–
Cash and cash equivalents	17,589	14,476	92	165
Bank deposits	2,587	2,565	–	–
	37,267	34,109	92	165

A large proportion of the Group's revenue is generated from the sale of insurance policies to individual customers, with most of the premiums collected, and paid over to the Group, by the individuals' employer via payroll deduction. The vast majority of employers pay over payroll deductions made, within one month, on a regular basis, thereby minimising the credit risk exposure to the Group. With very few exceptions, COVID-19 has not had an impact on debtor recovery across the Group.

Due to the seasonal nature of the PG Let's Connect business, the year end receivables balance is heavily weighted towards salary sacrifice technology. These receivables are due from the employers of the individuals who place the order. The vast majority of these employers pay the receivable balance within two months of receiving the consolidated invoice for their scheme. Included within trade debtors are £10.1m (2019: £10.8m) relating to PG Let's Connect sales.

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 2020 the counterparties were as follows: The Co-operative Bank plc, Santander UK plc, Bank of Scotland Plc, HSBC Bank Plc, Lloyds Bank Plc, Close Brothers Ltd, and Clydesdale Bank Plc. Long-term rate credit ratings for these counterparties range from AA to B (ratings sourced from Fitch, and Standard & Poor's) (2019: A to B- rating range).

The Group is also exposed to the recoverability of receivables from reinsurers. At 31 December 2020, the Group utilised two reinsurances counterparties, namely, Swiss Re Europe S.A., United Kingdom Branch and AXA XL Insurance Life Syndicate 3002. 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 Director of Personal Group Holdings on each of the larger subsidiary companies' Boards and 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

3 Risk management objectives and policies continued

Interest rate risk

The Group is not exposed to any financial liabilities with an interest element aside from the interest element intrinsic in leases.

At 31 December 2020, bank deposits and cash and cash equivalents exceeded borrowings by £20,176,000 (2019: £17,041,000). If UK interest rates increased by 2%, net finance income would increase by approximately £404,000 with a corresponding increase to equity.

Liquidity risk

Cash balances are managed internally by the Financial Controller 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.

As at 31 December 2020, 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 2020					
Trade and other payables	14,356	83	–	187	14,626
Insurance Contract Liabilities	2,428	–	–	695	3,123
	16,784	83	–	882	17,749
At 31 December 2019					
Trade and other payables	14,431	156	509	237	15,333
Insurance Contract Liabilities	1,654	–	–	450	2,104
	16,085	156	509	687	17,437
Company					
At 31 December 2020					
Amounts owed to Group undertakings	249	–	–	–	249
	249	–	–	–	249
At 31 December 2019					
Amounts owed to subsidiary undertakings	904	–	–	–	904
	904	–	–	–	904

* Non-cash items relate to unearned premiums or unearned revenue across the different business segments

Currency risk

The Group is not exposed to any currency risk as all business is conducted in GBP and all bank accounts were held in GBP in both 2020 and 2019.

Insurance claim and related risks

During the year, Personal Assurance Plc (PA) underwrote two categories of business and Personal Assurance (Guernsey) Ltd (PAGL) a third, which are described in detail below:

Hospital cash plans and other personal accident and sickness policies

These have been PA's core products since 1984 and, at 31 December 2020, represent 99.8% (2019: 99.3%) 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 PGH on behalf of the employer. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2020 was 19.2% (2019: 20.9%). 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 (2019: £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 2020 was 193,465 (2019: 214,945) and the total annualised premium value of these policies was £21,336,000 (2019: £24,442,000). The average amount paid per claim in 2020 was £191 (2019: £159).

Voluntary Group Income Protection policies (VGIP)

In July 2012 PA commenced the underwriting of VGIP policies. In order to manage this 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 2020 these policies represent 0.2% (2019: 0.7%) of PA's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2020 was 38.1% (2019: 22.2%). The total number of these individual policies in force at 31 December 2020 was 860 (2019: 978) and the average amount paid per claim in 2020 was £9,910 (2019: £6,898).

Death benefit policies

Death benefit policies have been underwritten by PAGL since March 2015. These policies are sold primarily to individuals at their place of work in the same way as the hospital cash plans.

The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2020 was 30.7% (2019: 21.7%). A stop loss reinsurance policy is in place to cover claims over £3,000,000 at any given location. The total number of these individual policies in force at 31 December 2020 was 66,143 (2019: 72,211) and the average amount paid per claim in 2020 was £9,504 (2019: £6,127).

Group Loss Ratio

For the year ended 31 December 2020 the gross claims ratio of the Group was 24.0% (2019: 22.0%). A 2% increase in the claims ratio would increase claims incurred by approximately £585,000.

There are no material individual claims and open claims over 12 months old are also immaterial. As a result, the Group has elected to not disclose claims development tables.

4 Capital management and requirements

The Group's capital management objective is to maintain sufficient capital to safeguard the Group's ability to continue as a going concern and to protect the interests of all of its customers, investors, regulator and trading partners while also efficiently deploying capital and managing risk to sustain ongoing business development. The Group manages its capital resources in line with the Group's Capital Management Policy, which is reviewed on an annual basis. The Group's capital position is kept under constant review and is reported monthly to the Board.

Since 1 January 2016, Personal Assurance Plc (PA) has been subject to the requirements of the Solvency II ("SII") Directive and must hold sufficient capital to cover its Solvency Capital Requirement ("SCR"). In addition, PA maintains a buffer in excess of this capital requirement, specified in line with the capital risk appetite agreed by the Board. The SCR is calculated in accordance with the Standard Formula specified in the SII legislation.

At least annually, the Group undertakes the Own Risk and Solvency Assessment (ORSA). This process enables the Group to assess how well the Standard Formula SCR reflects the Group's actual risk profile, and comprises all the activities by which PA establishes the level of capital required to meet its solvency needs over the planning period given the Company's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA Report which is reviewed by the Risk Committee, approved by the Board and submitted to the Prudential Regulation Authority (PRA) at least annually.

Notes to the Financial Statements continued

4 Capital management and requirements continued

PA's unaudited Eligible Own Funds, determined in accordance with the SII valuation rules, were £12.4m (2019: £10.8m) which was in excess of the estimated SCR of £4.0m (2019: £4.2m). This represented an estimated solvency coverage ratio of 308% (2019: 259%). The movement year on year remains consistent and is in line with the Board's risk appetite.

Other than disclosed above there have been no changes to what is managed as capital or the Group's capital management objectives, policies or procedures during the year.

At 31 December 2020, the requirements of the Group's regulated companies were as follows:

	Relevant regulatory body	Capital resources requirement unaudited £'000	Capital resources unaudited £'000	Surplus over capital resources requirement unaudited £'000
Company				
Personal Assurance Plc	FCA,PRA	4,025	12,404	8,378
Personal Assurance Services Limited	FCA	54	4,631	4,577
Personal Group Benefits Limited	FCA	44	1,473	1,430
Berkeley Morgan Limited	FCA	25	102	77
Personal Assurance (Guernsey) Limited	GFSC	685	1,481	796

In order to maintain its capital resources requirement, Personal Assurance Plc maintains the majority of its assets in cash and 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.

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

The Group's capital comprises all components of equity.

The Group's regulated entities have complied with all externally imposed capital requirements during the year.

5 Segment analysis

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

1) Core Insurance

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

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

This operating segment derives the majority of its revenue from the underwriting by PA and PAGL of insurance policies that have been bought by employees of host companies via bespoke benefit programmes. During 2020 PAGL began underwriting employee default insurance for a proportion of LC customers.

2) IT Salary Sacrifice

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

3) SaaS

Revenue in this segment relates to the annual subscription income and other related income arising from the licensing of Hapi, the Group's employee benefit platform, and voucher income (Note 2.22). This includes sales to both the large corporate and SME sectors. Also included in this segment, is consultancy and licence income derived from selling Innecto digital platform subscriptions.

4) Other

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

	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Group £'000
Operating segments					
2020					
Revenue					
Earned premiums net of reinsurance	28,826	–	4	–	28,830
Other insurance related income	–	–	–	138	138
Other income – IT salary sacrifice	–	16,421	–	–	16,421
Other income – Platform	–	–	3,229	–	3,229
Other income – Transactional and Commission	–	–	22,734	–	22,734
Other income	–	–	–	98	98
Investment income	–	–	–	74	74
Total revenue	28,826	16,421	25,967	310	71,524
Net result for year before tax	7,909	288	271	89	8,557
Amortisation – Acquisition Intangibles	–	–	205	–	205
Interest	47	14	12	–	73
Share-based payments	–	–	–	8	8
Depreciation	674	106	215	8	1,003
Amortisation (other)	182	61	22	–	265
Adjusted EBITDA*	8,812	469	725	105	10,111
Segment assets	26,573	11,748	6,020	14,581	58,922
Segment liabilities	7,566	6,937	3,645	–	18,148
Depreciation and amortisation	856	167	442	8	1,473

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based payment expenses, corporate acquisition costs, restructuring costs and release of tax provision

Notes to the Financial Statements continued

5 Segment analysis continued

4) Other continued

	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Group £'000
Operating segments					
2019					
Revenue					
Earned premiums net of reinsurance	30,205	–	9	–	30,214
Other insurance related income	3	–	–	188	191
Other income – IT salary sacrifice	–	18,794	–	–	18,794
Other income – Platform	–	–	3,104	–	3,104
Other income – Transactional and Commission	–	–	18,355	–	18,355
Other income	–	–	–	100	100
Investment income	–	–	–	131	131
Total revenue	30,208	18,794	21,468	419	70,889
Net result for year before tax	7,322	2,764	219	182	10,487
PG Let's Connect – Tax provision	–	(1,259)	–	–	(1,259)
Amortisation – Acquisition Intangibles	–	53	171	–	224
Acquisition costs	–	–	–	145	145
Interest	91	23	17	–	131
Share-based payments	–	–	–	19	19
Depreciation	791	112	58	9	970
Amortisation (other)	79	55	131	–	265
Adjusted EBITDA*	8,283	1,748	596	355	10,982
Segment assets	25,195	12,023	4,669	14,551	56,438
Segment liabilities	7,948	7,045	3,430	–	18,423
Depreciation and amortisation	870	220	360	9	1,459

	IT Salary Sacrifice £'000	SaaS £'000
2020		
Non-insurance related expenses		
Cost of sale – IT salary sacrifice	14,325	–
Cost of sale – Platform	–	377
Cost of sale – Transactional and Commission	–	22,905
Cost of sale – Consultancy	–	4
Admin expenses	1,626	1,957
Depreciation and amortisation	106	215
Total expenses	16,057	25,458

	IT Salary Sacrifice £'000	SaaS £'000
2019		
Non-insurance related expenses		
Cost of sale – IT salary sacrifice	15,519	–
Cost of sale – Platform	–	360
Cost of sale – Transactional and Commission	–	18,445
Cost of sale – Consultancy	–	7
Admin expenses	1,526	2,059
Depreciation and amortisation	112	59
Total expenses	17,157	20,930

5) Gross transactional value

Gross transactional value represents the total value of revenue generated from both principal and agency arrangements. Gross transactional value from the sale of goods and vouchers is recognised at the net value when significant risks and rewards of ownership of the goods and vouchers have been passed to the buyer, usually on the dispatch of the goods and vouchers. The Company is considered to be an agent for voucher sales of £3,692,000 (2019: £3,213,000) of the total transaction value of £26,143,000 (2019: £21,343,000).

	2020 £'000	2019 £'000
Voucher revenue recognised as principal	22,463	18,130
Voucher resale for revenue recognised as agency	3,692	3,213
Gross transactional value	26,155	21,343

Notes to the Financial Statements continued

6 Investment income

	2020 £'000	2019 £'000
Interest income from cash on deposit	74	131
	74	131

7 Claims incurred

	2020 £'000	2019 £'000
Claims paid	5,588	6,148
Reinsurers' share of claims paid	(90)	(87)
Claims handling expenses paid	731	708
	6,229	6,769
Increase in claims provision	767	(155)
Reinsurers' share of movements in claims provision	35	56
	802	(99)
	7,031	6,670

8 Insurance operating expenses

	2020 £'000	2019 £'000
Incurred acquisition costs	5,100	7,455
Administration expenses	8,404	8,509
	13,504	15,964

Total commission incurred during the year in respect of direct insurance was £879,000 (2019: £1,130,000).

9 Directors' and employees' remuneration

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

	2020 £'000	2019 £'000
Wages and salaries	9,976	10,413
Share-based payments expense	8	19
Social security costs	1,003	1,222
Other pension costs	489	455
	11,476	12,109

During the year the Group received £595,000 from the job retention scheme. These government grants have been offset against the salary costs in the table above.

Average number of employees through the year was as follows:

	2020 Number	2019 Number
Administration	139	135
Sales and marketing	89	100
	228	235

b) Directors' remuneration:

	2020 £'000	2019 £'000
Emoluments	1,002	1,133
Amounts paid to third parties in respect of Directors' services	42	43
Pension contributions to Group and self-invested personal pension schemes	22	25

During the year, four Directors (2019: two Directors) participated in Group and self-invested personal pension schemes.

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.

	2020 £'000	2019 £'000
Emoluments	300	387
Share-based payments gains on exercise of options	–	–
Pension contributions to Group and self-invested personal pension schemes	10	10
	310	397

Details of individual Director's remuneration are given in the Remuneration Report on pages 47-52. 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 Leadership Team (SLT). Key management personnel remuneration includes the following expenses:

	2020 £'000	2019 £'000
Short-term employee benefits:		
Salaries including bonuses	1,638	1,696
Social security costs	226	234
Share-based payments expense	–	–
	1,864	1,930
Post-employment benefits:		
Defined contribution pension plans	47	54
Total remuneration	1,911	1,984

Notes to the Financial Statements continued

10 Profit before tax

	2020 £'000	2019 £'000
Profit before tax is stated after:		
Auditor's remuneration (inclusive of non-recoverable VAT):		
Audit services:		
Audit of Company financial statements – Current Year	124	78
Audit of Company financial statements – Prior Year	40	–
Audit of subsidiary undertakings	122	114
Non-audit services	–	–
Depreciation of property, plant and equipment	1,003	970
Amortisation of intangibles	470	489
Rental income receivable	97	99

11 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 19% (2019: 19%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2020 £'000	2019 £'000
Profit before tax	8,557	10,478
Share of loss of equity-accounted investee net of tax	–	9
Profit before tax excluding equity-accounted investee	8,557	10,487
Tax rate	19%	19%
Expected tax expense	1,626	1,992
Adjustment for non-deductible expenses	251	130
Adjustment for tax exempt revenues	(58)	(479)
Other adjustments		
Tax credit in respect of prior years	(151)	32
Adjustment for previously non-deductible expenses	(5)	(26)
Actual tax expense	1,663	1,649
Continuing operations	1,663	1,649
Current tax expense	1,717	1,569
In respect of prior year	(151)	31
Deferred tax		
Origination and reversal of temporary differences	97	49
	1,663	1,649

On 16 March 2016 the UK Governement announced that the UK corporation tax rate will be reduced to 17% with effect from 1 April 2020. On 11 March 2020 the UK Government announced that the UK corporate tax rate will remain at 19% from 1 April 2020. On the 3 March 2021 Budget, it was announced that the rate of corporation tax will increased to 25% from April 2023.

12 Inventories

Inventories in the Group relate primarily to salary sacrifice technology products held for sale as part of the PG Let's Connect IT sacrifice business and vouchers (both digital and physical) held for sale in the SaaS division of the business.

Inventories held are classified as the below:

	2020 £'000	2019 £'000
Finished Goods	861	746
Total	861	746

13 Earnings per share

	2020			2019		
	Earnings £'000	Weighted average number of shares	Pence per share	Earnings £'000	Weighted average number of shares	Pence per share
Basic	6,894	31,164,809	22.1	8,838	31,118,589	28.4
Dilutive effect of shares in Employee Share-based schemes	–	7,911	(0.0)	–	3,547	(0.0)
Diluted	6,894	31,172,720	22.1	8,838	31,122,136	28.4

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

14 Dividends

	2020 Pence per share	2019 Pence per share	2020 £'000	2019 £'000
Equity dividends				
Ordinary shares paid in year				
March	5.900	5.825	1,842	1,814
June	1.500	5.825	469	1,814
September	5.900	5.825	1,842	1,814
December	0.000	5.825	–	1,813
	13.300	23.300	4,153	7,255
Less: amounts paid on own shares			(6)	(11)
	13.300	23.300	4,147	7,244

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:

	PG Let's Connect £'000s	Innecto £'000s	Total £'000s
Cost			
At 1 January 2020	10,575	2,121	12,696
Additions in the year	–	–	–
Disposal	–	–	–
At 31 December 2020	10,575	2,121	12,696
Impairment charged			
At 1 January 2020	–	–	–
Impairment charge for year	–	–	–
At 31 December 2020	–	–	–
Net book value at 31 December 2020	10,575	2,121	12,696

	PG Let's Connect £'000s	Innecto £'000s	Total £'000s
Cost			
At 1 January 2019	10,575	–	10,575
Additions in the year	–	2,121	2,121
Disposal	–	–	–
At 31 December 2019	10,575	2,121	12,696
Impairment charged			
At 1 January 2019	–	–	–
Impairment charge for year	–	–	–
At 31 December 2019	–	–	–
Net book value at 31 December 2019	10,575	2,121	12,696

The net carrying values at 31 December 2020 have been reviewed for impairment.

PG Let's Connect

The first cash generating unit (CGU) considered was the PG Let's Connect business as a whole and its recoverable amount was based on value in use, determined by discounting the future cash flows to be generated from continued trading of PG Let's Connect. As the value in use was found to be in excess of the carrying amount of £10,575,000, no impairment was recorded in the year.

For the purpose of the value in use model, the CGU value is comprised of the Goodwill allocated, the carrying value of the intangible asset recognised on acquisition and the assets of the CGU such that the carrying amount of the CGU has been determined on a basis consistent with the way the recoverable amount of the CGU is determined.

Five years of future cash flows were included in the discounted cash flow model. The long-term growth rate into perpetuity was determined as 2.5% (30-year average of UK consumer price index). The cash flows were then discounted using a post-tax discount rate of 13% (2019; 13%) based on PG Let's Connect weighted average cost of capital, using the capital asset pricing model.

In line with previous years, an expected cash flow approach, based on five different scenarios, was used, as management believe this method to most appropriately address the fact that the timing and scale of Let's Connect's future growth currently remains uncertain. Each of the scenarios was given a probability expectation, based on management's best view and historic performance, and the weighted average net present value (NPV) derived from these calculations was then determined as the value in use. Budgeted EBITDA was based on expectations of future outcomes considering past experience as well as existing contracts in place.

Key Assumptions

Given that NPV is sensitive to several key assumptions which have been used, the following have been highlighted as being the most sensitive with sensitivities performed.

Discount Rate

Management's approach to determining the 13% discount rate to apply to the value in use model is explained above.

Cash flow revenue projections

Management applied an expected cash flow approach to the value in use model for revenue forecasting, using the weighted average of a number of scenarios to determine the expected future revenues of Let's Connect. The scenarios used, and the probabilities applied, take into account the current market conditions with regards to COVID-19 and represent the possible future outcomes and management's best estimate as to their likelihood.

In assessing the sensitivity of this assumption, it was found that when gross income was assumed to be 5% lower than the weighted average income of the scenarios, an impairment was still not required. Management consider the cash flow scenarios used sufficient to address the risks surrounding the business currently and that this sensitivity further supports the valuation of the CGU. The drop in sales experienced in 2020 is expected to be a one-off occurrence as schemes which were unable to run due to COVID-19 related issues return alongside new business wins in 2021.

Gross Profit Margin

Management applied an expected gross margin of 12.8% on its future revenue projections, a slight increase on actual results for the year ended 31 December 2020 where stock availability limitations had an impact on costs of sales. This margin is still, however, significantly lower than the pre-COVID-19 comparative margins of 2018 and 2019.

The recoverable amount was based on value in use, determined by discounting the future cash flows to be generated from continued trading of Let's Connect. As the carrying amount of £10,575,000 was lower than the recoverable amount, no impairment was deemed necessary.

While there is a much better understanding now than there was a year ago, the ultimate impact of COVID-19 is yet to be determined and, as discussed earlier in these financial statements, PG Let's Connect's future trading, depends in part to the ability to recover from COVID-19, creating an increased level of uncertainty on the future cash flows projections than would normally be the case.

Notes to the Financial Statements continued

15 Goodwill continued

Below is a table showing the sensitivity of the key assumptions and the impact of changes in various key assumptions (in base percentage point terms) have on the headroom.

Sensitivity Analysis – Impact on Headroom	- % £'000s	Base £'000s	+ % £'000s
Discount Rate (+/- 2%)	4,838	2,156	362
Gross Income (+/- 5%)	971	2,156	3,620
Gross Profit Margin (+/- 2%)	(1,010)	2,156	5,323

Innecto

The second cash generating unit (CGU) considered was the Innecto business as a whole. For the purpose of the value in use model, the CGU value is comprised of the goodwill allocated, the carrying value of the intangible assets recognised on acquisition and the assets of the CGU such that the carrying amount of the CGU has been determined on a basis consistent with the way the recoverable amount of the CGU is determined.

An expected cash flow approach, similar to that applied to PG Let's Connect, was used applying multiple scenarios and affixed probabilities that were deemed to be appropriate under management's best understanding of the business.

Key Assumptions

Five years of future cash flows were included in the discounted cash flow model including a long-term growth rate of 2.5% (30-year average of UK consumer price index), identical to the rate used in PG Let's Connect workings. These cash flows were then discounted using a risk mitigating post-tax discount rate of 25.2% (2019: 49.5%) based on Innecto's weighted average cost of capital, using the capital asset pricing model with a risk premium in line with the risks associated with the uncertainties around the forecasted growth. The decrease in the discount rate year on year reflects the additional certainty within the Group around the operations of Innecto as well as the significant decrease in the risks incorporated into the future cash flows modelled when calculating the value in use of the CGU.

Sensitivity

While management are confident that Innecto will generate forecasted income, they recognise that there is an inherent uncertainty within the forecasted cash flows used in the impairment model due to the expected growth, particularly in the digital platform. In addition, the outbreak of COVID-19, as discussed earlier in these financial statements, has had a detrimental impact on Innecto's 2020 performance and, as with Let's Connect, there is inherent uncertainty over its recovery.

Below is a table showing the sensitivity of the key assumptions and the impact of various changes (in base percentage point terms) has on the headroom.

Sensitivity Analysis – Impact on Headroom	- % £'000s	Base £'000s	+ % £'000s
Discount Rate (+/- 3%)	749	161	(262)
Variable Proportion of Costs (+/- 10%)	268	161	54
Terminal Growth Rate (+/- 1%)	67	161	262

Management are confident that there is no cause for an impairment in either PG Let's Connect or Innecto. In addition to the future benefits built into each CGU, there are benefits of each to the wider Group as a result of improved market penetration, marketing expertise and additional cross-selling opportunities made available.

16 Intangible assets

For the year ended 31 December 2020

	Customer value £'000	Innecto Customer value and tradename £'000	Innecto Technology £'000	Computer software and development £'000	Internally Generated Computer Software £'000	WIP £'000	Total £'000
Cost							
At 1 January 2020	1,648	726	298	973	506	124	4,275
Transfers	–	–	–	259	–	(259)	–
Additions	–	–	–	288	–	135	424
Disposals	–	–	–	–	–	–	–
At 31 December 2020	1,648	726	298	1,520	506	–	4,698
Depreciation							
At 1 January 2020	1,648	121	50	688	467	–	2,974
Provided in the year	–	145	60	234	31	–	470
Disposal	–	–	–	–	–	–	–
At 31 December 2020	1,648	266	110	923	498	–	3,444
Net book amount at 31 December 2020	–	460	188	598	8	–	1,254
Net book amount at 31 December 2019	–	605	248	285	39	124	1,301

For the year ended 31 December 2019

	Customer value £'000	Innecto Customer value and tradename £'000	Innecto Technology £'000	Computer software and development £'000	Internally Generated Computer Software £'000	WIP £'000	Total £'000
Cost							
At 1 January 2019	1,648	–	–	855	506	–	3,009
Acquisition	–	726	298	–	–	–	1,024
Additions	–	–	–	142	–	124	266
Disposals	–	–	–	(24)	–	–	(24)
At 31 December 2019	1,648	726	298	973	506	124	4,275
Depreciation							
At 1 January 2019	1,595	–	–	602	312	–	2,509
Provided in the year	53	121	50	110	155	–	489
Disposal	–	–	–	(24)	–	–	(24)
At 31 December 2019	1,648	121	50	688	467	–	2,974
Net book amount at 31 December 2019	–	605	248	285	39	124	1,301
Net book amount at 31 December 2018	53	–	–	253	194	–	500

Notes to the Financial Statements continued

16 Intangible assets continued

The Innecto customer values, trademark and technologies are being amortised through the consolidated income statement over a five-year period. The net carrying value at 31 December 2020 has been assessed for impairment and no impairment was deemed necessary. The assets form part of the SaaS reportable segment and as such was reviewed in conjunction with the goodwill value in Note 15.

17 Property, plant and equipment

For the year ended 31 December 2020

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Lease Improvements £'000	Right of use assets £'000	WIP assets £'000	Total £'000
Cost								
At 1 January 2020	5,290	102	831	2,357	38	1,432	–	10,050
Transfers	–	–	–	–	–	–	–	–
Additions	–	55	260	26	–	367	–	708
Disposals	(253)	–	(6)	(80)	–	(340)	–	(679)
At 31 December 2020	5,037	157	1,085	2,303	38	1,459	–	10,079
Depreciation								
At 1 January 2020	1,713	77	612	881	29	754	–	4,066
Provided in the year	87	25	166	251	5	469	–	1,003
Eliminated on disposals	(58)	–	(4)	(68)	–	(316)	–	(446)
At 31 December 2020	1,742	102	774	1,064	34	907	–	4,623
Net book amount at 31 December 2020	3,295	55	311	1,239	4	552	–	5,456
Net book amount at 31 December 2019	3,577	25	219	1,476	9	678	–	5,984

For the year ended 31 December 2019

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Lease Improvements £'000	Right of use assets £'000	WIP assets £'000	Total £'000
Cost								
At 1 January 2019	5,478	213	716	1,022	38	1,088	844	9,399
Transfers	44	–	(37)	1,332	–	–	(1,339)	–
Acquisition	–	–	13	–	–	–	–	13
Additions	–	–	202	37	–	446	495	1,180
Disposals	(232)	(111)	(63)	(34)	–	(102)	–	(542)
At 31 December 2019	5,290	102	831	2,357	38	1,432	–	10,050
Depreciation								
At 1 January 2019	1,694	115	536	640	22	352	–	3,359
Acquisition	–	–	5	–	–	–	–	5
Provided in the year	95	21	126	261	7	460	–	970
Eliminated on disposals	(76)	(59)	(55)	(20)	–	(58)	–	(268)
At 31 December 2019	1,713	77	612	881	29	754	–	4,066
Net book amount at 31 December 2019	3,577	25	219	1,476	9	678	–	5,984
Net book amount at 31 December 2018	3,784	98	180	382	16	736	844	6,040

Included within fixed assets during the year was work in progress relating to a refurbishment of the Company's head office. This was completed in Q1 of 2020 and transferred between land and buildings, fixtures and fittings and leasehold improvements in accordance with the bill of works schedule relating to the project.

In line with IFRS 16, right of use ("ROU") assets relate to Motor Vehicles and Building leases, a breakdown for which can be found in Note 30.

Notes to the Financial Statements continued

18 Financial investments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank deposits	2,587	2,565	–	–
	2,587	2,565	–	–

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

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

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

19 Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans and receivables:				
Insurance receivables	2,295	2,701	–	–
Other receivables due within one year	14,712	14,240	–	–
Amounts due from subsidiary undertakings	–	–	1,107	2,918
Accrued interest	6	6	–	–
Other prepayments and accrued income	1,333	1,602	171	152
	18,346	18,549	1,278	3,070

All of the Group's insurance receivables and other receivables due within one year have been reviewed for indicators of impairment. IFRS 9 compliant credit loss provisions have been made where applicable and the values shown above are net of those provisions.

A weighted average ageing of the expected loss provision is shown below:

	2020			2019		
	Trade/Insurance Debtor £'000	**Weighted Average Provision**	**Credit Loss Provision £'000**	**Trade/Insurance Debtor £'000**	**Weighted Average Provision**	**Credit Loss Provision £'000**
Not Invoiced	7,851	0.3%	19	3,817	0.3%	9
Current	6,983	0.0%	2	12,548	0.1%	9
30 Days	1,691	1.0%	17	273	1.0%	3
60 Days	177	2.1%	4	208	2.1%	4
90 Days	207	5.7%	12	152	5.9%	9
150 Days	212	28.4%	60	80	35.6%	28
Total	17,121	0.7%	114	17,078	0.4%	62

Credit Loss Provision	**2020 £'000**	**2019 £'000**
Stage 1	–	–
Stage 2	91	62
Stage 3	23	–
Total	114	62

Set out below is the movement in the allowance for expected credit losses of trade receivables and contracted assets:

	2020 £'000	**2019 £'000**
At 1 January	62	95
Provision for expected credit losses	114	45
Provision release	(62)	(78)
At 31 December	114	62

Insurance receivables and other receivables are also held at amortised cost and the carrying amount is a reasonable approximation of fair value which in the case of the insurance receivables contains a lapse provision of £120,000.

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.

Notes to the Financial Statements continued

20 Reinsurance assets

	2020 £'000	2019 £'000
Reinsurers share of claims incurred	18	53
Reinsurers share of unearned premiums	60	68
	78	121

21 Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash at bank and in hand	13,183	10,476	92	165
Short-term deposits	4,406	4,000	–	–
	17,589	14,476	92	165

22 Share capital

	2020 £'000	2019 £'000
Authorised 200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid 31,219,207 (2019: 31,219,207) ordinary shares of 5p each	1,561	1,561
Share Premium	1,134	1,134

Each ordinary share is entitled to one vote in any circumstance.

The total number of own shares held by the Employee Benefit Trust at 31 December 2020 was 87,366 (2019: 87,366). Of this amount, there are 80,781 (2019: 35,198) SIP shares that have been unconditionally allocated to employees.

As at 31 December 2020, the Group maintained one 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 three-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:

	2020		2019	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	161,657	446.0	134,539	472.50
Options granted in year	43,902	205.0	34,284	350.00
Options exercised in year	–	–	–	–
Options cancelled or lapsed	–	–	(7,166)	486.50
Outstanding at 31 December	205,559	394.5	161,657	446.00

The weighted average exercise price of 120,873 (2019: 120,873) share options exercisable at 31 December 2020 was 471.83 pence per share (2019: 471.83).

The fair values of options which were granted during 2020 were determined by using the Black-Scholes valuation model. The fair value of these options was 34 pence per share. Significant inputs into the calculation include a weighted average share price of 205p and exercise prices as illustrated above. Furthermore, the calculation takes into account future dividends of 6.5% and a volatility rate of 40%, based on expected share price. Risk-free interest rate was determined at 0.3%. The options are exercisable between three and ten years after the date of the grant and have an exercise price of 205 pence per share.

The weighted average remaining contracted life of outstanding options at 31 December 2020 was five years and ten months (2019: five years and nine 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, £5,000 of employee compensation by way of share-based payment expense has been included in the consolidated income statement for 2020 (2019: £nil). The corresponding credit is taken to equity. No liabilities were recognised due to share-based transactions.

b) Long Term Incentive Plan (LTIP)

LTIP 2

LTIP 2 was 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 was the case with LTIP 1, LTIP 2 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.

The scheme closed at the end of March 2020 having made no awards. An amount of £3,000 (2019: £19,000) has been charged to the income statement in 2020 for this scheme based on the fair values determined by using a Log-normal Monte-Carlo stochastic model.

In addition to the charges above the related employer's national insurance charge of £nil (2019: £nil) has been classified as share-based expenses on the face of the income statement.

On 23 July 2020 the Remuneration Committee approved the grant of a one-off share award of £75,000 to the Chief Executive in recognition of the fact that no LTIP had been made available to her since joining the Group. This award will be issued under the new LTIP mechanism, as noted on page 51, and will be subject to forfeiture up to March 2022, but will not have performance conditions attached.

Notes to the Financial Statements continued

23 Deferred tax

	2020		2019	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Non-current assets and liabilities				
Property plant and equipment	20	314	24	187
Accruals	–	–	5	–
Intangible assets	–	105	–	144
	20	419	29	331
Offset	(20)	(20)	(29)	(29)
	–	399	–	302

	2020 £'000	2019 £'000
At 1 January	(302)	(102)
Movement in provisions credited to income statement (see Note 11)	(97)	(49)
Acquisition of Innecto	–	(151)
Movement in provisions direct to reserves	–	–
At 31 December	(399)	(302)

At 31 December 2020 the Group had tax losses of £950,000 (2019: £955,000) 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 whether they will be utilised given the trade is no longer a significant component of the Group.

24 Trade and other payables

	Group		Company	
Current	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost:				
Amounts owed to subsidiary undertakings	–	–	249	904
Other creditors	10,062	10,040	38	78
Right of use creditor	304	483	–	–
Accruals	3,103	4,114	288	204
Deferred income	805	406	–	–
	14,274	15,043	575	1,186

	Group		Company	
Non-Current	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Right of use creditor	352	290	–	–
	352	290	–	–

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

25 Insurance contract liabilities

	2020 £'000	2019 £'000
Provision for claims	2,336	1,569
Claims settlement expenses	92	85
Unearned premiums	695	450
	3,123	2,104

The provision for claims represents the gross estimated liability arising from claim episodes in the current and preceding financial years which have not given rise to claims paid. It is estimated based on current information, and the ultimate liability may vary as a result of subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the Income Statement in the financial year in which the change is made.

The valuation of the provision for claims outstanding in the Group's subsidiary, Personal Assurance Plc, of £1,485,000 (2019: £1,119,000) is estimated by using a Chain Ladder method and the main assumption underlying this technique is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. A change of 5% in the past claims development experience would result in a change of £74,000 (2019: £56,000) in the provision of outstanding claims for Personal Assurance Plc.

Due to the COVID-19 pandemic the Group has adjusted its claims provisions to include an uplift associated with the increase in both hospitalisations and death claims experienced by the country in the latter part of 2020.

It is estimated that the majority of all claims will be paid within 12 months and therefore claims development information is not disclosed.

In setting the provision for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence set is one that provides an appropriate degree of confidence.

a) Claims

	2020			2019		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Provision for claims at 1 January	1,569	(53)	1,516	1,724	(109)	1,615
Claims paid during the financial year	(5,588)	132	(5,456)	(6,148)	87	(6,061)
Increase/(decrease) in liabilities:						
Arising from current year claims	6,325	(9)	6,316	6,347	(50)	6,297
Arising from prior year claims	30	(88)	(58)	(354)	19	(335)
Total movement	767	35	802	(155)	56	(99)
Provision for claims at 31 December	2,336	(18)	2,318	1,569	(53)	1,516

Notes to the Financial Statements continued

25 Insurance contract liabilities continued

b) Unearned premiums

	2020			2019		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
At 1 January	450	(68)	382	567	(78)	489
Increase in the financial year	29,265	(182)	29,083	30,369	(204)	30,165
Release in the financial year	(29,020)	190	(28,830)	(30,486)	214	(30,272)
Movement in the financial year	245	8	253	(117)	10	(107)
At 31 December	695	(60)	635	450	(68)	382

26 Company investment in subsidiary undertakings and joint venture

	Shares in subsidiary undertakings	
	2020 £'000	2019 £'000
Cost		
At 1 January	37,939	37,920
Acquired in the year	–	–
Share-based expenses	4	19
At 31 December	37,943	37,939
Amounts written off		
At 1 January	12,898	12,898
Impairment provision in year	–	–
At 31 December	12,898	12,898
Net book amount at 31 December	25,045	25,041

At 31 December 2020 the Company held 100% of the allotted share capital of the following trading companies, all of which were incorporated in England and Wales, with the exception of Personal Assurance (Guernsey) Limited which is incorporated in Guernsey, and have been consolidated in the Group financial statements. The registered address of all Group entities is John Ormond House, 899 Silbury Boulevard, Central Milton Keynes, MK9 3XL, with the exception of Personal Assurance (Guernsey) Limited whose registered address is Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ.

	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
Personal Assurance (Guernsey) Limited*	Death insurance underwriting services
Let's Connect IT Solutions Limited*	Employee benefits salary sacrifice technology products
Innecto People Consulting Limited*	HR consultancy and technology providers
Multiplelisting Limited	Dormant
Mutual Benefit Limited	Dormant
John Ormond House Limited	Dormant
Partake Services Limited	Dormant
Personal Assurance Financial Services Plc	Dormant
Berkeley Morgan Healthcare Limited+	Dormant
B M Agency Services Limited+	Dormant
Berkeley Morgan Property Limited+	Dormant
Summit Financial Solutions Limited+	Dormant
Summit Financial Holdings Plc+	Dormant
Berkeley Morgan Trustees Limited+	Dormant
Personal Group Mobile Limited*	Dormant
Universal Provident Limited+	Dormant

* 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

\# Exempt from audit under parental guarantee

The following subsidiaries of the Group are exempt from the requirements of the Companies Act 2006 ("the Act") relating to the audit of individual accounts by virtue of s479A. The parent undertaking, Personal Group Holdings Plc, gives a guarantee to these subsidiaries under section 479C in respect of the year ending 31 December 2020.

- Personal Assurance Services Limited – 3194988.
- Personal Group Benefits Limited – 3195037.
- Berkeley Morgan Group Limited – 3456258.

On the 13 October 2020 Abbeygate Developments (Marlborough Gate 2) Limited was dissolved via a voluntary strike-off.

Notes to the Financial Statements continued

27 Capital commitments

The Group has no capital commitments at 31 December 2020 and 31 December 2019.

28 Contingent liabilities

There were no contingent liabilities at 31 December 2020 and 31 December 2019.

29 Pensions

Group and self-invested personal pension schemes.

The Group operates a defined contribution Group personal pension scheme for the benefit of certain Directors and employees. The scheme is administered by Aegon UK plc and the funds are held independent of the Group. In addition, the Group 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.

30 Leasing commitments and rental income receivable

Amounts recognised in the balance sheet

Following the adoption of IFRS 16 the balance sheet at 31 December 2020 includes assets and liabilities relating to Right of Use (ROU) assets as detailed below:

2020 – Right of use Assets & Lease Liabilities

	Net Book Value of Assets £000's	Lease Liability £000's
Motor Vehicles	224	327
Buildings	328	329
Total	552	656

2019 – Right of use Assets & Lease Liabilities

	Net Book Value of Assets £000's	Lease Liability £000's
Motor Vehicles	568	631
Buildings	110	142
Total	678	773

The initial valuation of the asset is equal to the discounted lease liability on the inception of the lease and this is depreciated over the shorter of either the life of the asset or the lease term.

Amounts recognised in the consolidated statement of profit or loss

	Depreciation Charges £000's	Interest Expense £000's
Motor Vehicles	417	63
Buildings	52	10
Total	469	73

Total operating lease payments due until the end of the lease, or the first break clause, total £418,000 (2019: £899,000).

An analysis of these payments due is as follows:

	2020 £'000	2019 £'000
Total lease payments falling due:		
Within one year	211	609
Within one to two years	102	206
Within two to five years	105	84
	418	899

Total operating rent receivable payments due until the end of the lease or the first break clause, total £14,000 (2019: £124,000). An analysis of these receivable payments due is as follows:

	2020 £'000	2019 £'000
Future minimum lease payments:		
Within one year	14	110
Within one to two years	–	14
Within two to five years	–	–
	14	124

Below is a reconciliation of changes in liabilities arising from financing activities:

	1 January 2020 £'000	Cash Flows £'000	New leases £'000	Other £'000	31 December 2020 £'000
Current lease liabilities	483	(511)	31	302	304
Non-current lease liabilities	290	–	336	(274)	352
Total liabilities from financing activities	773	(511)	367	27	656

The "Other" column includes the effect of reclassification of non-current leases to current due to the passage of time, the effect of the disposal of lease assets with their related creditors and the effect of the unwinding of the discounted ROU creditors over time.

Notes to the Financial Statements continued

31 Related party transactions

Personal Group Holdings Plc holds a bank account with Lloyds bank PLC which it uses for payments to Group company specific creditors. During 2020 and 2019 the Company paid its own dividends and expenses.

A list of intercompany balances that are outstanding at the balance sheet date with subsidiary undertakings is as follows:

	2020		2019	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Personal Assurance Plc	–	–	–	118
Personal Assurance Services Limited	–	–	–	2
Personal Assurance Financial Services Plc	–	137	–	137
Multiplelisting Limited	–	100	–	100
Personal Management Solutions Limited	–	–	–	8
Mutual Benefit Limited	–	12	–	12
Partake Services Limited	3	–	3	–
Personal Group Limited	1,103	–	2,915	527
	1,106	249	2,918	904

All balances are repayable on demand. None of the balances are secured. All balances relate to intercompany funding balances.

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 until the end of February 2019 when he vacated the property. The lease is on the same commercial terms as similar flats in the building and generated income to Personal Group Holdings Plc of £nil (2019: £1,387). At year end no money was due to Personal Group.

Ken Rooney invoiced the Group for consulting services in relation to contractual issues being dealt with by the Group. The total expense to PGH of this consulting was £nil (2019: £4,500) in 2020.

32 Post balance sheet events

There have been no post balance sheet events.

Company Information

Company registration number:

3194991

Registered office:

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MK9 3XL

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www.personalgroup.com

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M Winlow – Non-Executive Chairman
D Frost – Chief Executive
M Bennett – Non-Executive Director
S Mace – Chief Financial Officer
B Head – Non-Executive Director
M Darby-Walker – Senior Non-Executive Director
A Lothian – Non-Executive Director

Secretary:

D Kane

Solicitor:

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