

Interim Results Statement

Introduction

The first six months of 2017 have been as we forecast, with the business performing in-line with management's expectations. The Group's core insurance income continued to perform well, complemented by a solid performance from PG Let's Connect and an encouraging start to the SME offer under the Group's extended strategy.

Through recent investments, particularly in the Hapi technology platform, the Company remains well placed to extend its products into a much wider market. With our combined market proposition, including SME, public sector and large corporate, we believe that our serviceable market has expanded from 6 million to 30 million employees in the U.K. alone.

The Hapi platform not only simplifies Personal Group's product offering through a single portal, making it easier to use for the customer, it has also enabled us to evolve into a technologically enabled employee services provider. This offering is underpinned by a long-standing, solid insurance business, with a delivery system and a flexibility that allows us to continue to meet ever-changing market demands.

Business Review

The insurance business performed well, delivering solid new sales KPIs, despite a lower number of sales executives in the field. The core insurance revenue remained strong and slightly ahead of the first half last year. The number of sales executives was increased as we entered the second half of the year.

PG Let's Connect product proposition experienced uncertainty last year as a consequence of HMRC's consultation regarding the salary sacrifice market. During this period of uncertainty, the Group focused on minimising the potential adverse impact to the PG Let's Connect business. With the ratification of the Finance Bill in April, there is now clarity around the HMRC's tax treatment for salary sacrifice technology. The treatment is also now far simpler, which supports a better client experience and understanding. PG Let's Connect has quickly adjusted its systems and product offer to reflect the changes resulting from the Finance Bill and is now fully certified with a clearer offering to customers.

The Company's SME product began an additional rollout, through Sage's standard payroll product, in early June. This was based on further development of Hapi and the expansion of the relationship with Sage. We are seeing greater penetration of the Sage Employees Benefits (SEB) product across Sage's extensive payroll client base with in excess of 1,200 additional corporate customers now having SEB in place. This process provides a portion of the Sage client's employees with SEB and with an option to extend it to all. This process of extending the offer to all employees is not due to begin until next year but the initial deployment is well under way.

The first half of the year also saw a marked increase in direct SaaS sales of the Hapi platform, up 28% on last year. This result is due to a growing recognition across corporate clients of the value provided by the platform to support productivity and reduce costs across their business, through a happier and better engaged workforce.

As part of our drive to keep the wider offer relevant and up to date, we have expanded our wellness offer to include a financial education and well-being product. This includes fairer rate loans, typically with a 3.9% to 9.9% APR. We have begun our first roll out of these products, with more customers in the pipeline.

Financial Performance

As expected, revenue was broadly in-line with the first half of last year at £19.6m. This was driven by a solid top line performance across the business, with both the insurance business and PG Let's Connect performing

consistent with the first half of 2016, supported by a small but growing contribution from SME and the SaaS subscriptions business units.

The Company continues to closely monitor costs, which during the six months were broadly in-line with last year, despite the broadening of the product offer through the launch of the SEB product. With the addition of new recruits joining the business, to support both sales and back office functions, the headcount, as planned, will increase in the second half of the year.

EBITDA was in-line with management's expectations at £3.7m. This result was driven by the impact of early losses in the ramp up of the SME product and a lower contribution from Let's Connect.

Profit before tax was in line with the same period last year at £3.0m.

In-line with its progressive dividend policy, the Company again increased its dividend by 3.2% to 11.35p per share during the first half. The third dividend for the year, of 5.675p, will be paid on the 28th of September 2017.

Market

The market need for employee services is continuing to evolve. This is being driven by an increased recognition, particularly amongst corporates, of the value that an employee services programme can bring to their businesses.

This evolution is creating demand for well thought through, well managed and appealing programmes that drive direct business benefits, supporting improved productivity and reducing cost through better employee retention and engagement.

Reflecting this change, we are seeing a continued fall in 'single offer' providers, in favour of those looking to offer a more comprehensive 'one stop' solution. Furthermore, the Company is also seeing the traditional approach to customer engagement changing, with greater focus on the buyer experience and the flexibility to access the product whilst on the go through the Hapi app. The manifestation of this has been to make the products and offer far easier to understand, compare and access; more akin to a traditional consumer product.

We believe that Personal Group is well placed to take advantage of this change. Having invested ahead of the market and getting that investment right in the Hapi technology platform, we are able to offer the 'one-stop' solution to corporates. The platform also provides the flexibility needed to ensure our offer remains up to date and relevant.

Outlook

Personal Group's H1 2017 was in-line with management's expectations. The insurance and Let's Connect businesses have performed well and we have had an encouraging start to the SME offer as part of continuing relationship with Sage. The board has confidence that the Group continues to trade in-line with market expectations for the full year.

Looking beyond 2017, we expect the market to continue to evolve, which, given the breadth and flexibility built into our offer, places Personal Group in a strong position to make continued solid progress as the leading provider of employee services in the UK.

Mark Winlow
Non-Executive Chairman

Mark Scanlon
Chief Executive

26 September 2017

Consolidated income statement

	Note	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Continuing Operations				
Gross premiums written		15,033	15,654	31,393
Outward reinsurance premiums		(146)	(138)	(310)
Change in unearned premiums		442	1	160
Change in reinsurers' share of unearned premiums		(8)	(19)	(20)
Earned premiums net of reinsurance		15,321	15,498	31,223
Other insurance related income		159	264	555
IT salary sacrifice income		3,141	3,196	20,069
Platform subscriptions and other income		949	749	1,621
SME income		14	-	-
Investment property		-	30	59
Investment income		60	61	93
Revenue		19,644	19,798	53,620
Claims incurred		(3,738)	(3,739)	(7,318)
Insurance operating expenses		(6,471)	(6,428)	(12,689)
Other insurance related expenses		(174)	(352)	(712)
IT salary sacrifice expenses		(3,908)	(3,616)	(18,281)
Platform subscriptions and other expenses		(1,433)	(1,691)	(2,795)
SME operating expenses		(341)	-	(741)
Share based payment expenses		(156)	(540)	(222)
Charitable donations		(50)	(50)	(100)
Amortisation of intangible assets		(329)	(253)	(505)
Expenses		(16,600)	(16,669)	(43,363)
Operating profit from continuing operations		3,044	3,129	10,257
Release of provision		-	-	270
Share of profit/(loss) of equity-accounted investee net of tax		(17)	(12)	(6)
Profit before tax from continuing operations		3,027	3,117	10,521
Tax	4	(516)	(473)	(1,479)
Profit for the period from continuing operations		2,511	2,644	9,042
Profit/(loss) from discontinued operation		23	(1,181)	(1,758)
Profit for the period after tax		2,534	1,463	7,284

Consolidated income statement (continued)

	6 months ended 30 June 2017 Unaudited	6 months ended 30 June 2016 Unaudited	12 months ended 31 December 2016 Audited
Earnings per share as arising from total operations	Pence	Pence	Pence
Basic	8.2	4.8	23.9
Diluted	8.1	4.5	23.4
Earnings per share as arising from continuing operations			
Basic	8.2	8.9	29.7
Diluted	8.0	8.2	29.0

Consolidated statement of comprehensive income

	6 months ended 30 June 2017 Unaudited	6 months ended 30 June 2016 Unaudited	12 months ended 31 December 2016 Audited
	£'000	£'000	£'000
Profit for the period	2,534	1,463	7,284
Other comprehensive income			
Available for sale financial assets:			
Valuation changes taken to equity	56	(81)	(6)
Reclassification of (gains)/losses on available for sale financial assets on derecognition	(26)	19	24
Income tax on unrealised valuation changes taken to equity	(6)	8	(8)
Total comprehensive income for the period	<u>2,558</u>	<u>1,409</u>	<u>7,294</u>

Consolidated balance sheet at 30 June 2017

		At 30 June 2017 Unaudited	At 30 June 2016 Unaudited	At 31 December 2016 Audited
	Note	£'000	£'000	£'000
ASSETS				
Non-current assets				
Goodwill	6	10,575	10,575	10,575
Intangible assets	7	1,233	1,321	1,478
Property, plant and equipment	8	4,921	5,080	5,096
Investment property		1,070	1,070	1,070
Equity-accounted investee	11	627	634	639
Financial assets	9	6,219	8,139	6,137
Deferred tax asset		27	550	3
		<u>24,672</u>	<u>27,369</u>	<u>24,998</u>
Current assets				
Trade and other receivables		6,029	9,711	20,200
Reinsurance assets		290	307	310
Inventories		169	1,304	428
Cash and cash equivalents		11,112	7,608	7,206
		<u>17,600</u>	<u>18,930</u>	<u>28,144</u>
Total assets		<u><u>42,272</u></u>	<u><u>46,299</u></u>	<u><u>53,142</u></u>

Consolidated balance sheet at 30 June 2017

	At 30 June 2017 Unaudited	At 30 June 2016 Unaudited	At 31 December 2016 Audited
	£'000	£'000	£'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings plc			
Share capital	1,540	1,527	1,540
Capital redemption reserve	24	24	24
Amounts recognised directly into equity relating to non-current assets held for sale	54	(34)	30
Other reserve	(303)	(309)	(330)
Profit and loss reserve	30,166	29,070	31,061
Total equity	<u>31,481</u>	<u>30,278</u>	<u>32,325</u>
LIABILITIES			
Current liabilities			
Provisions	1,905	2,190	1,912
Trade and other payables	5,681	10,589	15,426
Insurance contract liabilities	2,721	3,143	3,239
Current tax liabilities	484	99	240
	<u>10,791</u>	<u>16,021</u>	<u>20,817</u>
Total liabilities	<u>10,791</u>	<u>16,021</u>	<u>20,817</u>
Total equity and liabilities	<u>42,272</u>	<u>46,299</u>	<u>53,142</u>

Consolidated statement of changes in equity for the six months ended 30 June 2017

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2017	1,540	24	30	(330)	31,061	32,325
Dividends	-	-	-	-	(3,490)	(3,490)
Employee share-based compensation	-	-	-	-	85	85
Proceeds of AESOP* share sales	-	-	-	-	28	28
Cost of AESOP shares sold	-	-	-	52	(52)	-
Cost of AESOP shares purchased	-	-	-	(25)	-	(25)
Nominal value of LTIP** shares issued	-	-	-	-	-	-
Transactions with owners	-	-	-	27	(3,429)	(3,402)
Profit for the period	-	-	-	-	2,534	2,534
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets classified as held for sale	-	-	56	-	-	56
Transfer to income statement	-	-	(26)	-	-	(26)
Current tax on unrealised valuation changes taken to equity	-	-	(6)	-	-	(6)
Total comprehensive income for the period	-	-	24	-	2,534	2,558
Balance as at 30 June 2017	1,540	24	54	(303)	30,166	31,481

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2016	1,518	24	20	(386)	30,687	31,863
Dividends	-	-	-	-	(6,697)	(6,697)
Employee share-based compensation	-	-	-	-	213	213
Proceeds of AESOP* share sales	-	-	-	-	103	103
Cost of AESOP shares sold	-	-	-	95	(95)	-
Cost of AESOP shares purchased	-	-	-	(39)	-	(39)
Nominal value of LTIP** shares issued	22	-	-	-	(22)	-
Transactions with owners	22	-	-	56	(6,498)	(6,420)
Profit for the year	-	-	-	-	7,284	7,284
Deferred tax reserve movement	-	-	-	-	(412)	(412)
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets classified as held for sale	-	-	(6)	-	-	(6)
Transfer to income statement	-	-	24	-	-	24
Current tax on unrealised valuation changes taken to equity	-	-	(8)	-	-	(8)
Total comprehensive income for the year	-	-	10	-	6,872	6,882
Balance as at 31 December 2016	1,540	24	30	(330)	31,061	32,325

Consolidated statement of changes in equity for the six months ended 30 June 2016

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2016	1,518	24	20	(386)	30,687	31,863
Dividends	-	-	-	-	(3,338)	(3,338)
Employee share-based compensation	-	-	-	-	296	296
Proceeds of AESOP* share sales	-	-	-	-	66	66
Cost of AESOP shares sold	-	-	-	95	(95)	-
Cost of AESOP shares purchased	-	-	-	(18)	-	(18)
Nominal value of LTIP** shares issued	9	-	-	-	(9)	-
Transactions with owners	9	-	-	77	(3,080)	(2,994)
Profit for the period	-	-	-	-	1,463	1,463
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets classified as held for sale	-	-	(81)	-	-	(81)
Transfer to income statement	-	-	19	-	-	19
Current tax on unrealised valuation changes taken to equity	-	-	8	-	-	8
Total comprehensive income for the period	-	-	(54)	-	1,463	1,409
Balance as at 30 June 2016	1,527	24	(34)	(309)	29,070	30,278

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

Consolidated cash flow statement

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Net cash from operating activities (see opposite)	7,489	4,810	6,395
Investing activities			
Additions to property, plant and equipment	(70)	(412)	(828)
Additions to intangible assets	(85)	(214)	(624)
Proceeds from disposal of property, plant and equipment	17	117	231
Purchase of financial assets	(97)	(35)	(139)
Proceeds from disposal of financial assets	105	984	3,177
Interest received	14	47	53
Dividends received	20	10	20
Net cash from investing activities	(96)	497	1,890
Financing activities			
Purchase of own shares by the AESOP	(25)	(18)	(39)
Proceeds from disposal of own shares by the AESOP	28	66	66
Dividends paid	(3,490)	(3,338)	(6,697)
Net cash used in financing activities	(3,487)	(3,290)	(6,670)
Net change in cash and cash equivalents	3,906	2,017	1,615
Cash and cash equivalents, beginning of period	7,206	5,591	5,591
Cash and cash equivalents, end of period	<u>11,112</u>	<u>7,608</u>	<u>7,206</u>

Consolidated cash flow statement

	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Operating activities			
Profit after tax	2,534	1,463	7,284
Adjustment for:			
Depreciation	225	215	448
Amortisation of intangible assets	329	253	505
Profit on disposal of property, plant and equipment	2	7	61
Realised and unrealised net investment losses/(profits)	(60)	31	17
Interest received	(14)	(47)	(53)
Dividends received	(20)	(10)	(20)
Share of (profit) / loss of equity-accounted investee, net of tax	12	12	6
Share-based payments	85	296	222
Taxation expense recognised in income statement	516	474	1,479
Changes in working capital:			
Trade and other receivables	14,191	12,264	1,772
Trade and other payables	(10,269)	(8,816)	(4,171)
Inventories	259	(914)	(38)
Taxes paid	(301)	(418)	(1,117)
Net cash from operating activities	7,489	4,810	6,395

Notes to the consolidated financial statements

1 General information

The Group is principally engaged in transaction employee services, including insurance products and the provision of salary sacrifice technology products in the UK.

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

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

The condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

The financial information for the year ended 31 December 2016 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2016 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

These consolidated interim financial statements have been approved for issue by the board of directors on 25 September 2017.

2 Accounting policies

These June 2017 interim consolidated financial statements of Personal Group Holdings Plc are for the six months ended 30 June 2017. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

Notes to the consolidated financial statements

These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 31 December 2016.

The principal accounting policies have remained unchanged from the year ended 31 December 2016.

3 Segment analysis

The Group operates the following four continuing operating segments:

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.

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

2) IT Salary Sacrifice

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

3) SME

SME has been classified as a separate segment as the development and expansion into the SME market is currently managed and maintained as a separate activity to Core Insurance and Other. Revenue in this sector is based on a SaaS model for products that combines insurance and employee benefit platform income or employee benefit platform income only.

4) Other

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

PMS is an employee benefit company that offers a variety of employee incentive schemes normally via annual subscriptions and includes income generated from the Hapi platform.

BMG was acquired by PGH in January 2005 and generates commission via financial services and private medical insurance. On 9 February 2016 the Group signed an agreement with AXA PPP healthcare to transfer the PMI business over to them in a phased approach between July 2016 and June 2017. The group continued to underwrite policies until each policy's renewal date, from which date AXA PPP healthcare now provides continuous cover.

Notes to the consolidated financial statements

The discontinued segment is:

Mobile

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

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

Operating segments	Core Insurance £'000	IT Salary Sacrifice £'000	SME £'000	Other £'000	Group Continuing Operations £'000	Discontinued - Mobile £'000
6 months to June 2017						
Revenue						
Earned premiums net of reinsurance	15,321	-	-	-	15,321	-
Other insurance related income	(28)	-	-	187	159	-
Non-insurance related income	-	3,141	14	949	4,104	56
Investment property	-	-	-	-	-	-
Investment income	-	-	-	60	60	-
Total revenue	15,293	3,141	14	1,196	19,644	56
Net result for period before tax	3,641	(949)	(340)	675	3,027	23
LC – Amortisation of intangibles	-	165	-	-	165	-
Share based payments	-	-	-	156	156	-
Depreciation	127	14	75	9	225	-
Amortisation (other)	147	17	-	-	164	-
EBITDA	3,915	(753)	(265)	840	3,737	23
Segment assets	22,748	4,707	-	14,788	42,243	29
Segment liabilities	6,190	3,113	-	1,223	10,526	265
Depreciation and amortisation	274	196	75	9	554	-

Notes to the consolidated financial statements

Operating segments	Core Insurance £'000	IT Salary Sacrifice £'000	SME £'000	Other £'000	Continuing- Group £'000	Discontinued – Mobile £'000
2016						
Revenue						
Earned premiums net of reinsurance	31,223	-	-	-	31,223	-
Other insurance related income	(14)	-	-	569	555	-
Non-insurance related income	-	20,069	-	1,621	21,690	2,024
Investment property	-	-	-	59	59	-
Investment income	-	-	-	93	93	-
Total revenue	31,209	20,069	-	2,342	53,620	2,024
Net result for year before tax	8,399	1,712	(741)	1,151	10,521	(1,758)
PG mobile – Reorganisation costs	-	-	-	-	-	571
LC – Tax provision	-	(270)	-	-	(270)	-
LC – Amortisation of intangibles	-	330	-	-	330	-
Share based payments	-	-	-	222	222	-
Depreciation	376	18	4	21	419	30
Amortisation (other)	136	16	22	-	174	-
EBITDA	8,911	1,806	(715)	1,394	11,396	(1,157)
Segment assets	21,931	16,345	521	14,320	53,117	125
Segment liabilities	6,483	13,353	-	899	20,735	139
Depreciation and amortisation	512	364	26	21	923	30

Notes to the consolidated financial statements

Operating segments	Core Insurance £'000	IT Salary Sacrifice £'000	SME £'000	Other £'000	Continuing - Group £'000	Discontinued - Mobile £'000
6 months to June 2016						
Revenue						
Earned premiums net of reinsurance	15,498	-	-	-	15,498	-
Other insurance related income	(5)	-	-	269	264	-
Non-insurance related income	-	3,196	-	749	3,945	1,165
Investment property	-	-	-	30	30	-
Investment income	-	-	-	61	61	-
Total revenue	15,493	3,196	-	1,109	19,798	1,165
Net result for period before tax	3,769	(426)	-	(226)	3,117	(1,181)
PG mobile – Reorganisation costs	-	-	-	-	-	260
LC – Amortisation of intangibles	-	165	-	-	165	-
Share based payments	-	-	-	540	540	-
Depreciation	177	9	-	10	196	19
Amortisation (other)	82	6	-	-	88	-
EBITDA	4,028	(246)	-	324	4,106	(902)
Segment assets	24,371	6,219	-	14,573	45,163	1,136
Segment liabilities	7,406	6,069	-	1,809	15,284	705
Depreciation and amortisation	259	180	-	10	449	19

Income is derived from the UK and Guernsey

4 Taxation

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

The Group's consolidated effective tax rate in respect of continuing operations for the six months period ended 30 June 2017 was 17.0% (six months period ended 30 June 2016: 15.2%).

Notes to the consolidated financial statements

5 Earnings per share and dividends

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

	6 months ended 30 June 2017	EPS Pence	6 months ended 30 June 2016	EPS Pence	12 months ended 31 December 2016	EPS Pence
Basic	30,741,056	8.2	30,350,608	4.8	30,442,426	23.9
Diluted	31,397,670	8.1	32,790,147	4.5	31,189,872	23.4

During the first six months of 2017, Personal Group Holdings Plc paid dividends of £3,490,000 to its equity shareholders (six months to 30 June 2016: £3,338,000, twelve months to 31 December 2016: £6,697,090). This represents a payment of 11.35p per share (six months to 30 June 2016: 11.00p, twelve months to 31 December 2016: 22.00p).

In the statement of changes in equity and the cash flow statement dividends are stated net of amounts paid on treasury shares and unallocated shares held by Personal Group Trustees Limited as follows:

	6 months ended 30 June 2017	6 months ended 30 June 2016	12 months ended 31 December 2016	6 months ended 30 June 2017	6 months ended 30 June 2016	12 months ended 31 December 2016
	Pence per share			£'000	£'000	£'000
Equity dividends						
Ordinary shares paid in period						
March	5.675	5.500	5.50	1,748	1,670	1,671
June	5.675	5.500	5.50	1,748	1,675	1,674
September	-	-	5.50	-	-	1,683
December	-	-	5.50	-	-	1,683
				3,496	3,345	6,711
Less: amounts paid on own shares				(6)	(7)	(14)
	11.35	11.00	22.00	3,490	3,338	6,697

Notes to the consolidated financial statements

6 Goodwill

For the six months ending 30 June 2017

	BMG	Let's	Total
	£'000	Connect	£'000
		£'000	
Cost			
At 1 January 2017	9,433	10,575	20,008
Additions in the year	-	-	-
	<u>9,433</u>	<u>10,575</u>	<u>20,008</u>
At 30 June 2017	<u>9,433</u>	<u>10,575</u>	<u>20,008</u>
Amortisation and impairment			
At 1 January 2017	9,433	-	9,433
Impairment charge for year	-	-	-
	<u>9,433</u>	<u>-</u>	<u>9,433</u>
At 30 June 2017	<u>9,433</u>	<u>-</u>	<u>9,433</u>
Net book value at 30 June 2017	<u>-</u>	<u>10,575</u>	<u>10,575</u>
Net book value at 31 December 2016	<u>-</u>	<u>10,575</u>	<u>10,575</u>

7 Intangible assets

For the six months ending 30 June 2017

	LC	Computer	Internally	Total
	Customer	software and	Generated	
	Value	website	Computer	£'000
	£'000	development	Software	
		£'000	£'000	
Cost				
At 1 January 2017	1,648	665	428	2,741
Additions in the year	-	85	-	85
Disposals	-	(89)	-	(89)
	<u>1,648</u>	<u>661</u>	<u>428</u>	<u>2,737</u>
At 30 June 2017	<u>1,648</u>	<u>661</u>	<u>428</u>	<u>2,737</u>
Amortisation and impairment				
At 1 January 2017	935	316	12	1,263
Amortisation charge for period	165	93	71	329
Disposals in the Period	-	(88)	-	(88)
	<u>1,100</u>	<u>321</u>	<u>83</u>	<u>1,504</u>
At 30 June 2017	<u>1,100</u>	<u>321</u>	<u>83</u>	<u>1,504</u>
Net book value at 30 June 2017	<u>548</u>	<u>340</u>	<u>345</u>	<u>1,233</u>
Net book value at 31 December 2016	<u>713</u>	<u>349</u>	<u>416</u>	<u>1,478</u>

Notes to the consolidated financial statements

8 Property, plant and equipment

For the six months ended 30 June 2017

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Leasehold improve- ments £'000	Total £'000
Cost						
At 1 January 2017	5,478	214	1,090	1,179	31	7,992
Additions	-	-	26	44	-	70
Disposals	-	-	(272)	(12)	-	(284)
At 30 June 2017	5,478	214	844	1,211	31	7,778
Depreciation						
At 1 January 2017	1,505	42	754	580	15	2,896
Provided in the period	47	18	95	63	2	225
Eliminated on disposals	-	-	(255)	(9)	-	(264)
At 30 June 2017	1,552	60	594	634	17	2,857
Net book amount at 30 June 2017	3,926	154	250	577	14	4,921
Net book amount at 31 December 2016	3,973	172	336	599	16	5,096

Notes to the consolidated financial statements

9 Financial assets

	At 30 June 2017 Unaudited £'000	At 30 June 2016 Unaudited £'000	At 31 December 2016 Audited £'000
Bank deposits	5,386	7,449	5,365
Investment Bond	100	100	100
Financial assets:			
Available for sale	733	590	672
	<u>6,219</u>	<u>8,139</u>	<u>6,137</u>

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

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

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

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

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

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

Notes to the consolidated financial statements

10 Long Term Incentive Plan (LTIP)

LTIP 1:

During 2012 the company adopted a discretionary Long Term Incentive Plan (LTIP 1) for the benefit of selected Directors and senior employees of Personal Group.

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

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

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

As LTIP 1 started to mature at the end of 2016, in July 2015 a further scheme (LTIP 2) was put in place from 30 July 2015 (see below). In conjunction with the introduction of this scheme LTIP 1 was amended to:

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

A further amendment to the scheme was made in November 2016 when the duration was extended from 5 years to 6 years for Mark Scanlon and Andy Lothian, who had entered the scheme in November 2011. In addition, during 2017, the end date of the scheme was extended to 30 April 2018 for both Andy Lothian and a further senior employee who entered the scheme in July 2012.

An amount of £nil has been charged to the profit and loss account for this scheme in the six months ended 30 June 2017 (six months ended 30 June 2016: £296,000) based on estimating the future share price of the company over the duration of the plan. Estimates of future share prices have been used for the remaining payments to calculate the expense for each individual under their remaining tranches, taking into account the maximum cap on the payout to all individuals in the scheme. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share-based payment.

Notes to the consolidated financial statements

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

- If the share price were to increase at a quicker rate than assumed the charge for the period would have reduced by £147,000
- If the share price were to increase at a slower rate than assumed the charge for the period would have increased by £nil

LTIP 2:

As with LTIP 1, LTIP 2 is designed to reward Directors and certain other senior employees in a way that aligns the interest of the LTIP participants with the interests of shareholders, as well as with the Group's long term strategic plan. As is 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.

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

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

An amount of £76K has been charged to the profit and loss account in the six months ended June 2017 (six months ended June 2016: £90,000) for this scheme based on the fair values determined by using a Log-normal Monte-Carlo stochastic model. Significant inputs to the model include the closing share price at grant date, a risk free rate of return of 1.32%, a dividend yield of 4.49% and a share price volatility of 15.78%. 10,000 iterations of the model were run to accurately represent the log-normal nature of returns to equity investments. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share based payment.

In addition to the charges above the related employers national insurance charge has been classified as share based expenses on the face of the profit and loss account.

Notes to the consolidated financial statements

11 Equity-accounted investment

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

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

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

Profit and loss account	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Rent receivable	24	11	38
Administration expenses	(58)	(35)	(55)
Operating loss	<u>(34)</u>	<u>(24)</u>	<u>(17)</u>
Loss on ordinary activities before taxation	(34)	(24)	(17)
Tax on profit on ordinary activities	-	-	4
Loss for the financial period retained	<u>(34)</u>	<u>(24)</u>	<u>(13)</u>
Personal Group Holdings share of loss	<u>(17)</u>	<u>(12)</u>	<u>(6)</u>

Notes to the consolidated financial statements

Balance sheet	6 months ended 30 June 2017 Unaudited £'000	6 months ended 30 June 2016 Unaudited £'000	12 months ended 31 December 2016 Audited £'000
Current assets			
Inventories	1,082	1,126	1,123
Debtors	198	338	183
	<u>1,280</u>	<u>1,464</u>	<u>1,306</u>
Creditors: amounts falling due within one year	(27)	(197)	(28)
	<u>1,253</u>	<u>1,267</u>	<u>1,278</u>
Net current assets			
	<u>1,253</u>	<u>1,267</u>	<u>1,278</u>
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	1,253	1,267	1,278
	<u>1,253</u>	<u>1,267</u>	<u>1,278</u>
Shareholders' funds			
	<u>1,253</u>	<u>1,267</u>	<u>1,278</u>
Personal Group Holdings share of net assets	627	634	639
	<u>627</u>	<u>634</u>	<u>639</u>

12 Financial calendar for the year ending 31 December 2017

The company announces the following dates in its financial calendar for the year ending 31 December 2017:

- Preliminary results for the year ending 31 December 2017 - March 2018
- Publication of Report and Accounts for 2017 - March 2018
- AGM - April 2018