Personal Group

Annual Report and Accounts

2017

Our impact could equate to a 13% pay rise for the average UK employee*

* See page 15 for full details

Our impact on a sample employer with 1,000 employees is equivalent to £125,000 cost saving each year*

* See page 16 for full details

View our latest investor relations at:
personalgroup.com/investors

2017 Financial Highlights

Revenue*
£45.2m
2016: £53.6m

EBITDA*/**
£10.8m
2016: £11.4m

Profit before tax*
£9.5m
2016: £10.5m

Earnings per share
26.9p
2016: 23.9p

* Continuing operations

** 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, write back of contingent consideration and release of tax provision. This definition applies to all references to EBITDA within this document. Details of the adjustments can be seen on page 29 and a reconciliation from PBT to this adjusted EBITDA can be seen on page 31.

At a Glance

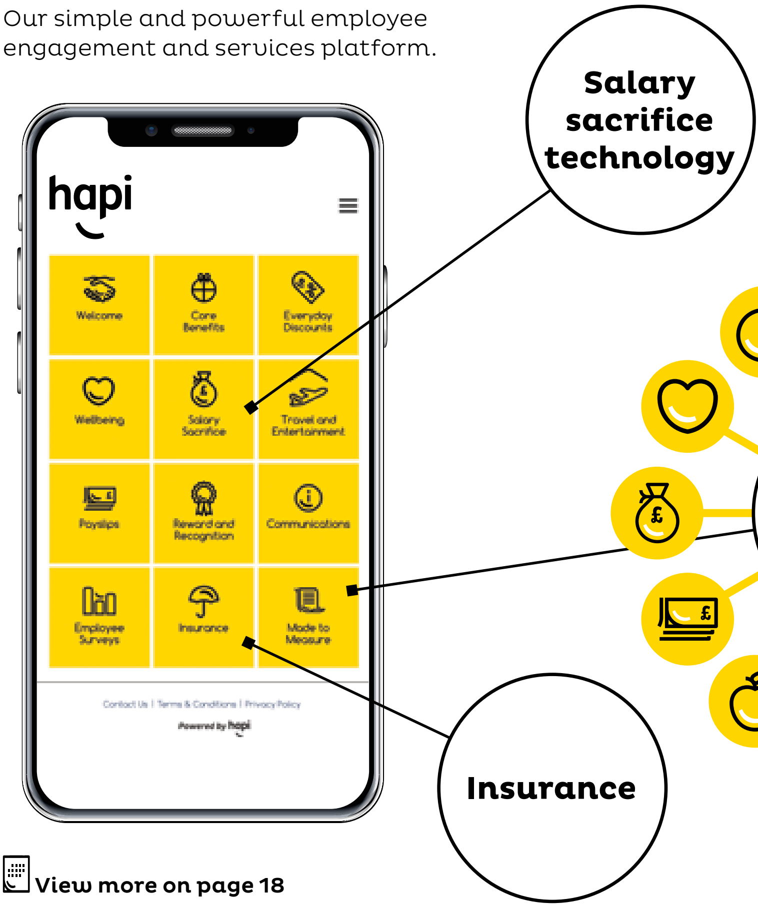
A strong platform for growth

What we do

We are a technology enabled employee services business which works with employers to build employee engagement, improve retention and drive productivity. Our suite of in-house employee services is complemented by a range of third party propositions.

Hapi platform

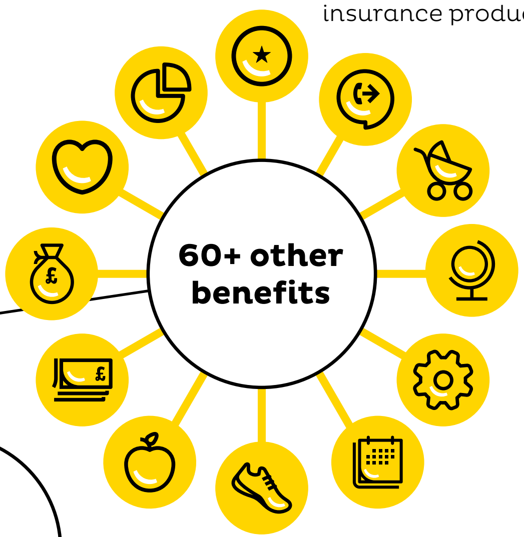
Our simple and powerful employee engagement and services platform.



View more on page 18

Employee services

Employee services are the things you do for your employees every day. Things like employee benefits, health and wellbeing programmes and employee related insurance products.



Established technology platform, Hapi, targeting a UK workforce of 32 million employees

Solid insurance business supports income, cashflows and future growth opportunities

Underpinned by 34 years' market experience, proven management team and strong balance sheet with no debt

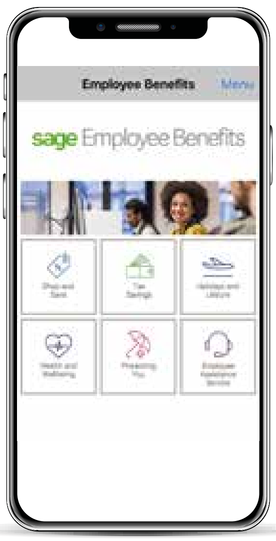
Large and Public Sector Employers

Configurable and customised employee engagement platforms used by large employers to engage staff and improve productivity.

Configurable
Insurance
Salary Sacrifice
Reward & Recognition
Health & Wellbeing
Discounts
Employee Communications

Every SME client

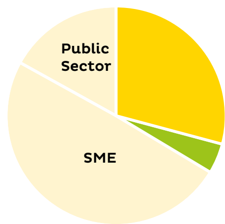
SME employers compete for labour against much larger organisations and employee benefits which were once the preserve of large corporates are now available to all.



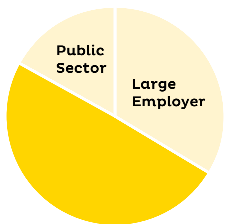
Off the Shelf
Employee Assistance
Cycle to Work
Health & Wellbeing
Discounts

Addressable Markets

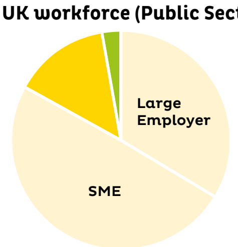
UK workforce (Large Employer - 10.7m)



UK workforce (SME - 15.6m)



UK workforce (Public Sector - 5.3m)



● **Available employees**
(Source: ONS Data 2016)
● **Employees we already serve**

In recent years the Company has transformed itself from supplying insurance products, to offering employee benefits, to now providing employee services

Chairman's Statement

2017 was a good year for the Group

2017 was a good year for Personal Group, with the Company making solid progress on most of its objectives.

In this report, I begin with a quick introduction to the Group and where we have come from to give new and longstanding investors the context for understanding how the Company has performed; I then summarise how we did last year and last I outline our long-term plans and how I see our prospects.

Introduction

Personal Group is a provider of employee services to both corporate clients and their employees. Our offer supports our employer clients in engaging their staff and retaining key skills, thereby improving returns through a more engaged, valued and productive workforce.

Some time ago, Personal Group identified changes taking place in our market as employers increasingly recognised the benefits of investing in and retaining staff - both key to driving better returns and improved productivity. Consequently, we invested ahead of the market. The focus of the investment was to drive new revenue streams, while continuing to nurture the insurance business, which has been core to the Group since its inception.

This foresight and investment has placed us in a uniquely strong position and we are now beginning to see our rewards.

In recent years the Company has transformed itself from supplying insurance products, to offering employee benefits, to now providing employee services. The fundamentals of how we needed to adapt are now in place and the balance of focus has increasingly shifted to rolling out our offers across existing and new clients.

Personal Group gives its clients a wide choice of employee services that include insurance and employee benefits through our sales team as well as through our Hapi platform. We complement those services with consumer technology offered by PG Let's Connect and we now go to market under our own brand as well as with partners such as Sage.

A Year in Review

2017 saw Personal Group deliver ahead of the market's profit expectations, against a lower revenue than was planned. This was a solid performance. The financial details of our performance are covered fully elsewhere in this report so rather than duplicate them here, I provide more colour on our performance. In particular we had some marked successes and, again, some frustrating external challenges.

Last year we had another year of growth in the insurance business. This is a remarkable result given the challenges of selling regulated insurance products to workforces that have seen little increase in their wages. It bears out the importance and peace of mind our core insurance products bring and also reflects the professional approach our sales team takes. The ability of the sales team to up their game and productivity in the first half of the year ensured that, despite a smaller team, business again exceeded the prior year's numbers.

Another area of success has been the acceleration in the growth of revenue from our technology proposition, Hapi. This SaaS (Software as a Service) revenue represents real penetration across the SME market, with a considerable number of small and medium sized enterprises (SMEs) now having access to Personal Group's Hapi platform. The Company reworked its approach to the SME market and extended its relationship with Sage, our SME channel partner, and as a result we saw the SME business recover from a quiet start and take off in the second half of the year.

As has been the case in recent years, 2017 was not without its challenges and, hopefully for the last time for a while, external events outside the Company's direct control have impacted the business.

Chairman's Statement continued

One or two of our larger PG Let's Connect clients postponed running schemes toward the end of the year impacting our revenues and reminding us of the inherent volatility of such revenue. We have also continued to see PG Let's Connect impacted by the HMRC review. Our offer and systems have been refined and improved to ensure the business is in the best possible position to thrive as normal conditions resume.

Over
160,000
customers seen face-to-face in 2017

I am pleased to add a postscript to 2017 that we now have the new, normal conditions!

These achievements, and the challenges that have been so successfully overcome, are a testament to the quality of the team and leadership we have in place. It is also a reflection of the dedication of everyone at Personal Group to the business and ensuring it's a success story for today and beyond.

Long-term plans

The Company's goal is to be the first choice, de-facto provider of employee services. The position we are now in has been supported by getting several fundamental decisions right at the outset. In doing so, the Company is built on solid foundations which creates a spring board for growth and will continue to serve the business well into the future.

We have been careful to maintain business models that have worked well for us and will continue to do so in the future. An example of this is our unique approach to customer engagement which combines both technology and face to face meetings; we see over 160,000 employees per year. It's an approach that drives a sales adoption rate of over 50%, supports a rate of registration and participation in our technology platform that far exceeds our closest competitors and helps manage our client's engagement, satisfaction and our claims ratio.

Key amongst recent decisions was that to invest in a proprietary technology platform, which we call Hapi – it is through this platform that we have been able to expand our product offer to meet the current needs of different clients. From the outset, we adopted, what was at the time, cutting-edge technology. That decision has served us well ever since and is the foundation of a proprietary platform that has the flexibility to maintain our client offer for the long term. It is also a technology with inherent strength in security, which in today's world is of ever growing importance and comfort to all our stakeholders.

The platform has also enabled us to move into new markets, which had previously been uneconomical for us to service. Only four years ago we had only five million potential customers, those employed by large corporates, ie companies with 5,000 employees and above. Today, the market available to us is virtually every employee across the UK.

This position offers the Company significant potential opportunity to drive new revenue streams, through traditional products and services, as well as growing SaaS revenue from the platform itself. It also offers a wealth of opportunity to

Given the decisions taken in recent years, Personal Group's offer is unique and better placed to meet client demands than ever before

meet demand across different markets, from our traditional large business customers, to public sector, and now SME. These new markets for us have traditionally been poorly served, if at all, by our competitors. Entering these markets is important since SMEs are under ever growing pressure to retain staff in a competitive environment with near full employment.

The strategy and change that has been adopted has been underpinned by the strength of the Company's client base and recurring revenues and cashflows from the insurance business. We serve many household names, public sector businesses and SMEs and have strength in many sectors, including transport, food and logistics where our offer is considered 'mandatory'. Combined, this underpinning ensures Personal Group is well placed to support shareholder income and invest in new opportunities to meet client needs and drive exceptional shareholder value.

Prospects

Given the decisions taken in recent years, Personal Group's offer is unique and better placed to meet client demands than ever before. The changes we're seeing in the market and needs of clients give us encouragement that we've moved in the right direction and are ahead of the market in what we offer and deliver. As you should expect, there are likely be short term challenges along the way. Uncertainties will need addressing and a degree of measured risk will need taking to grow the business and establish long term shareholder value. Personal Group has a strong executive team and Board that have demonstrated ability to cope with the challenges thrown at the business and to make decisions that address pressing needs and longer-term opportunities.

I would once again like to take the opportunity to thank all our staff, whose dedication is key to making the business a continuing success. Furthermore, I would like to thank our shareholders for their ongoing support, along with our clients, partners and suppliers. I would also like to thank my fellow Board members for their work and support throughout the year.

The Board is confident that the Company is well placed to realise the long-term benefits of the sizable and growing market opportunity that is emerging for employee services. The foundations of the business are strong, with the investments made in recent years building a solid platform for growth. Our offer is second to none and ahead of the market. In short, Personal Group is in good shape and there is much more to play for.

Mark Winlow
Non Executive Chairman
20 March 2018

Strategic Report

Our Markets

Our unique combination of products and services give us a competitive advantage in the evolving 'employee services' market

Our unique combination of products and services give us a competitive advantage in the evolving 'employee services' market. We are seeing continued growth in overall demand for employee services, driven by a number of macro-economic factors. In addressing this, Personal Group's offer is unique. Whilst it does compete against others, on a product by product basis, there are no other companies serving the UK employee services or benefits market that provide the same offer or service. Personal Group's market position offers a wealth of opportunities.

The Employee Services Market

The employee benefits market in the UK, which includes the rise of employee services, has seen significant growth in recent years. The market is being driven by several factors. These include changes in corporate culture, increasing pressure in the employment market, and a growing understanding by corporates that investing in their employee engagement and wellbeing makes a tangible difference to profit.

The change in corporate culture is based on the recognition of the commercial value of employee services through improved retention, attraction and productivity of staff. Tightness in the labour market is being driven by high employment rates, creating more intense competition for staff. This competition, combined with the impact of Britain's forthcoming exit from the European Union, has resulted in a significant drop in net migration over the last year. With added pressures imposed by limited corporate and public service budgets for wage growth, corporates are being driven to compete for staff at a non-wage level. With inflation once again gaining momentum, this is a situation that is likely to get more difficult in the years ahead.

Against these changing market dynamics and the opportunities they create, it is Personal Group's ambition to become the de-facto provider for UK business.

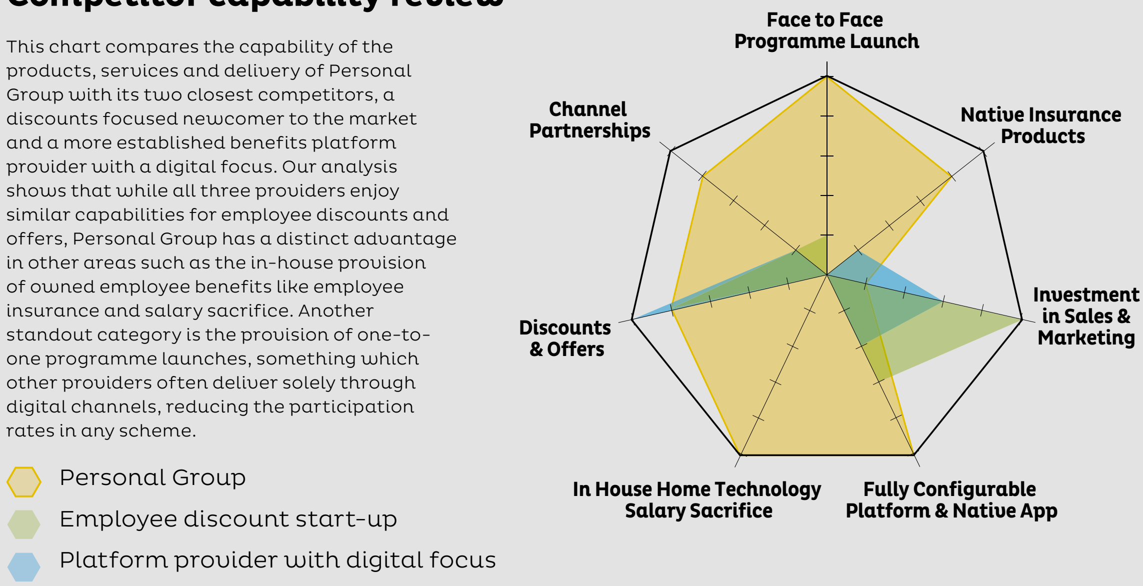
Market Dynamic

When Personal Group first became a public company in 1996, most benefit programmes were introducing the employee discount scheme. Since then the market has changed, with discounts now only a small part of what clients are looking for. In line with that, client interest has moved away from procuring single products, from individual providers to working with multi-product providers or aggregators.

A fundamental change is how employee benefits are perceived within a company, by both employer and employee. It has become far more central to the way the corporate client runs their business, providing tangible business solutions that impact the bottom line, rather than simply a benefits package that is a 'nice to have'. To the employee, many employee services that were 'new' 10 years ago are now expected as standard.

Competitor capability review

This chart compares the capability of the products, services and delivery of Personal Group with its two closest competitors, a discounts focused newcomer to the market and a more established benefits platform provider with a digital focus. Our analysis shows that while all three providers enjoy similar capabilities for employee discounts and offers, Personal Group has a distinct advantage in other areas such as the in-house provision of owned employee benefits like employee insurance and salary sacrifice. Another standout category is the provision of one-to-one programme launches, something which other providers often deliver solely through digital channels, reducing the participation rates in any scheme.



Another market dynamic is the consumerisation of the employee experience. Employees are increasingly being treated as consumers, with greater expectation for simple, seamless interactions made possible by technology. This drives better awareness, understanding and in turn penetration and usage of their employee services, consequently generating greater value for both the corporate and its employees.

These changes reflect the growing importance of the employee services package to employers and how they manage their business profitably on a day to day basis. The offer has become a central feature of boardroom discussion and management, with close involvement of the whole board as well as the Human Resources Director.

Competition and Peer Group

At a product level, competition ranges from large household names, which provide more traditional benefits, to the sole product providers who specialise in a single niche employee benefit product such as cycle to work schemes.

In recent years, the market has seen growth in digital platform providers. Whilst their growth has been swift and enjoys broad market access, the offer provided by these companies varies greatly, with many only acting as agent or consolidator for third party provided benefits products and employee services.

The focus of different digital platform offers also varies, with some primarily aimed at the corporate, as a means of better managing their staff and HR systems, and others aimed mainly at the employees of client companies via the benefits provided. Combining our proprietary technology, owned products and third party employee services, ensures Personal Group is better placed to control quality and delivery, whilst retaining the flexibility to bring in third party products to ensure the overall proposition has the strength and depth needed to have broad and consistent market appeal.

This provides advantages in being able to configure and adapt our native platform to consistently meet various client specific needs or market changes. It has also allowed the Company to build an offer that provides real value, giving support and solutions to both the corporate client and their employees; making the overall proposition far more valuable to both audiences.

By delivering its services online and face to face, Personal Group enjoys exceptionally high participation rates. Online and face to face is a powerful combination. It builds trust in the brand, which supports sales and client retention, and drives corporate and employee engagement in the platform to a level that would otherwise not be possible.

Our Impact

Employee benefits are good for business

Employee benefits can save a company with 1,000 employees

£125,000 per year

and save each employee over

£3,000 per year

Let's explore the impact that we can have

The average UK Employee

WAGES
Earns £27,600*

DEBT
Has household debt of £11,306†

FAMILY
Has 2 children#

HOLIDAYS
Spends £1,300
on household holidays per year§

HEATING & FUEL
Has household spend of £314
per month on heating & fuel^

CLOTHING
Has household spend of £101
per month on clothing^

FOOD
Has household spend of £244
per month on food^

RECREATION
Has household spend of £295
per month on recreation^

SOURCE
* incometaxcalculator.org.uk (per FTE)
† (Excluding mortgage & student loans) DNA of Financial Wellbeing, Neyber, 2017
§ thisismoney.co.uk
^ ONS Average Household Numbers, 2015/16
# ONS statistics 2014

Our Impact

EQUIVALENT TO A

13% pay rise

VIA SAVINGS OF OVER £3,000

EVERYDAY DISCOUNTS

Save £1,080

on household spend per year via shopping & recreation discounts*

CHILDCARE

Save £930

per year on childcare costs (under childcare voucher scheme) or up to £2,000 per child via Tax Free Childcare†

FAIR VALUE LOAN

Save £1,695

per year on debt interest payments (based on 5% APR versus 20% APR)§ on average household debt

SOURCE
* ONS Average Household Numbers, 2015/16 & Personal Group client statistics, 2016
† Sodexo, 2017
§ DNA of Financial Wellbeing, Neyber, 2017

BUT REMEMBER...

This doesn't account for the impact of an EAP on employee wellbeing, peace of mind from employee insurance or our other benefits

Our Impact

EQUIVALENT TO OVER

£125,000†

COST SAVINGS EACH YEAR

PAYSLIPS

£12,000

saving

per year via e-payslips*

HEALTH & WELLBEING

5%

(0.3 days)

improvement of the current absence rate*

SALARY SACRIFICE

Tax

savings

through provision of cycle to work and holiday buy/sell*

ATTRITION

5%

improvement of current attrition from 15% to 14.25%*

SOURCE

* Personal Group client statistics, 2016

† Based on 1% uptake of cycle to work and only 2% of employees purchasing 1 week additional holidays. Employer savings exclude cost of platform

BUT REMEMBER...

This doesn't account for additional tax savings from car salary sacrifice schemes, further cost savings if employee usage is more than 1% for cycle to work & 2% holiday buy/sell, or the average lost productivity of £25,000 during the first 28 weeks of each new hire

A sample UK Employer

EMPLOYS
1,000 employees

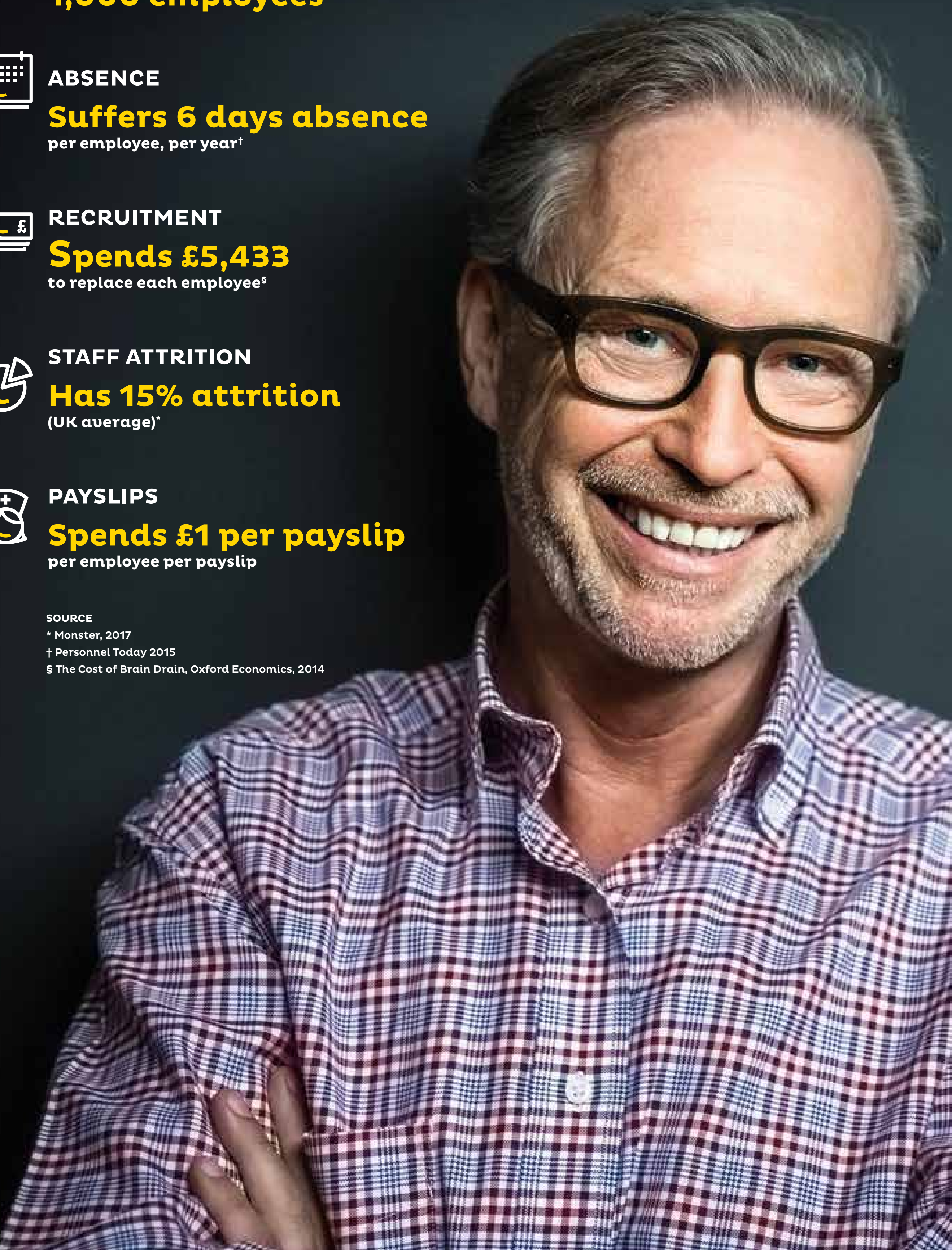
ABSENCE
Suffers 6 days absence
per employee, per year[†]

RECRUITMENT
Spends £5,433
to replace each employee[§]

STAFF ATTRITION
Has 15% attrition
(UK average)[*]

PAYSLIPS
Spends £1 per payslip
per employee per payslip

SOURCE
* Monster, 2017
† Personnel Today 2015
§ The Cost of Brain Drain, Oxford Economics, 2014



Our Business Model

1. What we do

Hapi platform

Our simple and powerful employee engagement and services platform.

Employee services

Employee services are the things you do for your employees every day. Things like employee benefits, health and wellbeing programmes and employee related insurance products.

3. Our key strengths

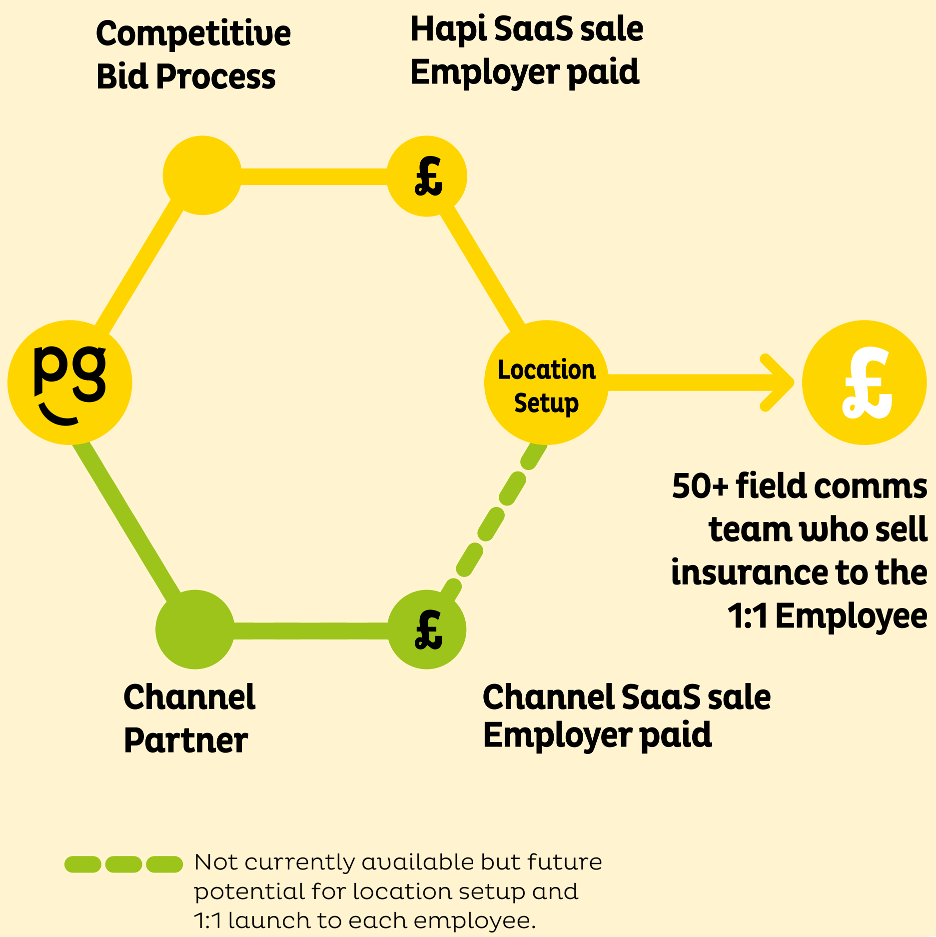
Our technology:
Industry leading proprietary Software as a Service (SaaS) platform supports secure and easy customer access from multiple devices to a market leading employee services offer.

Our proposition:
Premium market offer that caters for all and retains value to employers and employees though adaptability and being consistently ahead of market trend.

Our market reach:
Reach across the entire 32m UK workforce. Underpinned by 34 years of experience, trusted relationships, strength of partners and a flexible business model.

Our approach:
Unique engagement approach ensuring our value is recognised by employer and employee alike. Combining the flexibility of technology with the strength of face to face contact.

2. How it works



Post a competitive bid process, large organisations enter into a multi-year SaaS agreement for the Hapi platform. During programme launch our field comms team work as an extension to the employer's own HR function, introducing each member of staff to their new employee services platform,and the various employee benefits contained within it, one to one. It is during this roll out that additional insurance benefits are made available direct to the employee. For the SME market, all sales go via our channel partner who markets, promotes and contracts with the SME employer for a standard SaaS platform and App.

4. How we create value

An established income producing insurance business combined with growth opportunities created through adoption of technology, results in a combination of recurring and transactional revenues.

Insurance:

Premiums are paid for by the employee, via monthly or weekly payroll deduction.

Salary sacrifice technology:

Personal Group earn a margin on technology product sales, plus commission on any 3rd party financing arranged. Employers pay upfront for their employees' salary sacrifice purchases, while employees pay via monthly payment to their employer.

SaaS income:

Clients, including large enterprises and SMEs, pay monthly or annual SaaS subscriptions per employee for use of the Hapi platform.

Our Strategy

With the proposition complete and technology refined, the focus is increasingly on client delivery

The Group's aim continues to be to achieve mass adoption of its employee services platform. We have established our business model so that in addition to our insurance income there will be an increasing subscription component to our revenues. No other single company in our market has the breadth or depth of capability that Personal Group provides.

Client proposition

The offer is focused on providing tangible business support to corporates and value enhancing benefits to their employees. This approach ensures the offer adds material value to a client's business, including: reduced cost, better employee retention and improved productivity, which in turn supports profit.

Personal Group's aim is for its offer to always remain inline or ahead of the market, ensuring it retains its relevance, appeal and value. Post recent investments in developing the offer, the primary focus is now on delivery across existing and new clients.

Personal Group is now in the advantageous position of being able to pick and choose the products and services that are included. Individual products and services, whether owned or third party, are also updated to ensure they remain consistent with market demands.

The offer is tailored to suit the market or individual client. This is achieved through the flexibility afforded by the Company's proprietary technology platform, Hapi.

Impactful communication

Personal Group's aim is to deliver its offer in such a way that it maximises value to both the corporate and their employees. This is achieved by combining technology and face to face client engagement and management, which maximises usage and penetration of the offer at both the corporate and employee level.

Technology makes the offer readily accessible, with mobile 'Apps' allowing the end employee to access the platform via the free and established infrastructure of the employees own smartphones. One to one engagement ensures the end user is comfortable, understands the technology and appreciates the value it brings to them, either in doing their job or personally.

Market penetration

Personal Group's focus is on maximising its addressable market. Over recent years, the addressable market has grown from 5m to 32m employees across the UK. This has been achieved by a combination of acquisition, technology and channel partners.

Acquisitions, such as PG Let's Connect, have enabled the Company to gain direct access to the public sector, with established clients that offer cross selling opportunities. Technology has substantially changed the delivery economics, allowing profitable access to new markets, such as the SME market.

Penetration of markets is achieved either directly or through channel partners. Direct penetration is achieved via a combination of marketing, direct and indirect sales. Channel Partners are chosen when they offer immediate market access, through an established position, and there is a natural incentive for that partner to support the product offer.

2017 Progress	2018 Plan
• Evolution from benefits provider to an employee services business is now complete • Now have an offer that is relevant to all 32m employees in the UK workforce • Hapi underpins the whole client proposition • Creation of e-Vouchers and direct discount offers • Inclusion of a financial well being affordable loan offer an employee can pay directly from their salary • Simplification and update of the PG Let's Connect offer which is now accessed via Hapi • Adaption of the SME offer with Sage	• Launch of further propositions in Hapi including online GP services • Take greater control of the supply chain including collecting card details in Hapi rather than via a third party, enhancing data security • Development and launch of a new Hapi App
• Investing in expanding the face to face sales force & improved productivity • Further improved system security • Investment in client relations team to support better client management • Migration of the PG Let's Connect offer and systems to the Hapi platform • Progress on a new 'Hapi' App • Simplification of PG Let's Connect management structure	• Launch Sage employee benefits as a stand-alone product • Development of a system of 'secondary payments' for collection of insurance premiums allowing continuity of cover when an employee leaves their employer
• Growth across the SME market • Expansion across the NHS and wider public sector • 20 additional large enterprise clients • Substantial increase in SaaS clients and income • Investment in marketing capacity, materials and sales • Implementation of the 'Braze' digital marketing tool • Increased sector specialisation and client penetration	• Appointment to the Crown Commercial Service Framework increasing the public sector opportunity • Leverage investment in marketing to support greater lead generation • Roll out of sector specialisation across key functions • Continue to drive SaaS revenue

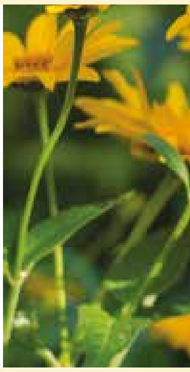
Our Strategy in Action

Sandwell & West Birmingham Hospitals NHS Trust

Engaging staff through technology

For more information go to **www.personalgroup.com**

With 7,200 staff serving a population of 530,000, Sandwell and West Birmingham Hospitals NHS Trust provides a vital service to the region. Amongst budget cuts and nurse shortages, the Trust collaborated with Personal Group and PG Let's Connect to implement 'SWBH Benefits', an innovative and cost-neutral employee engagement package which contributed to a £500,000 reduction in sickness costs and £510,000 in additional savings.



Sage Employee Benefits

Opening up new markets

For more information go to **www.personalgroup.com**

Sage, the market leader for integrated accounting, payroll and payment systems, continued to extend the partnership with Personal Group in 2017. From launching Sage Employee Benefits (SEB), designed specifically for the SME market, to including it alongside other key SME products as part of a bundle.

Sage Employee Benefits was a first-of-its-kind product to be integrated into Sage's product portfolio, and is positioned to directly serve the nearly 16 million people who are employed in Small and Medium Sized Enterprises in the UK.

ArrowXL

Supporting reward and recognition

For more information go to **www.personalgroup.com**

ArrowXL, the UK's leading two-person home delivery expert, has launched our platform and App to enhance how it communicates with its employees. Designed to improve employee engagement by providing colleagues with the latest company news and announcements, quick access to relevant forms and documentation, as well as a range of benefits, the Hub will also be used to launch future schemes and programmes that promote and support reward and recognition across the business. Previously, this employee base was inaccessible but our App offers an opportunity to communicate to them.

Merseyrail

Improving retention and driving engagement

For more information go to **www.personalgroup.com**

About 40% of Merseyrail's staff are hopping on and off trains during the working day so being connected to the platform while on the move was essential, both in terms of access to benefits but also for Merseyrail's broader internal communications.
Since the launch, retention rates and engagement scores have increased: employee turnover has reduced from 4.2% to 2.8%, and the organisation's engagement survey scores improved from 665 to 705. Merseyrail also saw the total number of employees registering on the benefits site double since the introduction of the Hapi mobile App.

Saving over **£510,000**

"The response to the SWBH Benefits programme has been fantastic. We've been able to offer a wide array of benefits through Hapi and place it in the palm of our employees' hands. We've seen fantastic take up, which in turn has enhanced morale, reduced sickness and ensured we continue to retain and recruit the very best nurses – we couldn't ask for more!"

Amir Ali
Head of Employee Benefits,SWBH

No. of licences **15,735**

"Benefits that were once the preserve of large organisations are now accessible and affordable for Sage customers. We believe in smart partnerships and are delighted to have brought this to market with Personal Group."

Jacqueline de Rojas
Former MD Northern Europe, Sage

1,144 strong workforce

"This investment in The Hub demonstrates that we are determined to go the extra mile to engage with each and every employee located right across our network of UK hubs, as well our delivery crews on the roads. It will prove to be a valuable tool that will develop and grow over the coming years."

Charlie Shiels
CEO, ArrowXL

Attrition reduced from **4.2% to 2.8%**

"Benefits take-up has risen over 200% since we implemented the new system and that is having a knock-on effect on engagement."

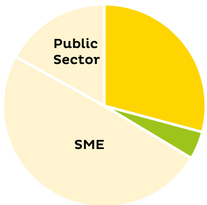
Andrew Parry
Head of Engagement and Reward, Merseyrail

Chief Executive's Statement

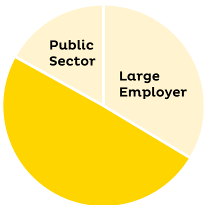
We enter 2018 with excitement and added confidence

Market scope

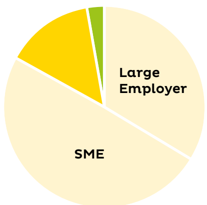
UK workforce (Large Employer – 10.7m)



UK workforce (SME – 15.3m)



UK workforce (Public Sector – 5.3m)



● **Available employees**
(Source: ONS Data 2016)
● **Employees we already serve**

The last year saw a robust performance across the Group. We achieved a solid EBITDA performance of £10.8m, which marginally exceeded current market expectations and a pre-tax profit of £9.5m. Despite transient headwinds in our salary sacrifice technology revenue line, this performance only serves to highlight the strength of the underlying business. This includes the core insurance business, which had another record year of annualised new business insurance premiums, and significant growth achieved in our newer SaaS revenue streams.

The Company's performance is also a reflection of the strength in its client base. Personal Group acts for over 600 large employers, many of which are household names, and is also seeing customer growth across the SME and public sector marketplaces. The Company prides itself on the quality of its service and has an enviable record of retaining clients and their employees as customers.

The UK is currently experiencing high levels of employment and lower levels of productivity, demonstrating the importance to employers of attracting and retaining productive workers with the imperative of increasing output per head. As we discovered in 2017, through our in person research with 10 of the UK's leading CEOs, employee engagement drives productivity, which in turn drives profit. Our products and services exist for the sole purpose of driving this engagement and ultimately that profit.

2017 saw Personal Group become fully active in selling its products in all three segments of the employment market. Those segments are Large Employers (10.7m people), Public Sector (5.3m people) and SMEs (15.6m people)*.

Having recognised the specific needs of customers across all segments some time ago, we invested ahead of the market and particularly in digital. We have an offer that has real strength, is unique with the systems, and technology in place to access and profitably serve the growing market opportunity that exists. Personal Group has evolved from a benefits provider to an employee services business, offering genuine business solutions to employers through very tangible benefits and services to their employees.

The Company was recognised by the London Stock Exchange as one of the 1,000 Companies to Inspire Britain. Particular effort was applied to

* 2016 ONS data

increase the investor base and significant efforts went into updating the investor community on the Company's progress over the past number of years. In the period we saw the share price restored again to pre-2016 levels which we believe is a direct consequence of the better understanding fostered within the wider investment community.

With much of the ground work of recent years now complete, the challenge for Personal Group into the future is to sell. The products and systems are now largely whole and complete, ready for an increase in customer count.

Operations

Yet again our core insurance business performed well, recording a fifth consecutive year of record new insurance sales. This performance was driven by a combination of improved productivity across the sales team and investments made in growing the size of the team. These additions, made predominantly in the second half of the year, not only served the Company well in 2017 but also placed it in a strong position as we entered 2018.

The Company's core insurance offer is made up of a Hospital Cash Plan, Convalescence Plan and Death Benefit Plan.

The main driver is the Hospital Cash Plan. It is a relatively simple, low cost product that is uniformly offered regardless of age and background and continues to resonate strongly with the employees of both existing and new corporate clients.

The team at PG Let's Connect worked tirelessly to place itself in the best possible position once the impact of the HMRC review into salary sacrifice cleared its way through the legal system. Initiatives included refining the product offer, to ensure it continues to resonate and gain traction, working with suppliers to achieve the most favourable terms and developing the marketing material.

Actions also entailed migrating the offer and backend systems onto the Hapi platform, which furthered the integration of the two businesses, simplifying the offer and significantly updating the backend ERP systems to provide a simpler customer journey, including greater functionality of order tracking and improved efficiency across the election and order process.

Annualised new business insurance premiums (p29)

£10.83m

2017	£10.83m
2016	£10.73m
2015	£10.47m

Chief Executive's Statement continued

Furthermore, with the aim of giving the business the best chance of success in 2018, we simplified the management structure of PG Let's Connect during the period. The aim of the changes were to drive improved efficiencies and communication across the business and to set the team structure and overheads to best position the company for growth again. As such, PG Let's Connect entered 2018 with a stronger offer and a reduced cost base. With the major customer which pushed out in 2017 now relaunched and operational, we believe this will be a 'reset year' for this part of the business.

The benefit of our key investment strategy in building our technology platform, Hapi, is now being realised. This is reflected in the Company's SaaS offer, which saw significant growth during the year, with revenue increasing by 77%. While still small relative to other parts of the business, we expect to see this trend continuing this year and beyond.

Saas Revenue
up 77%
on 2016

The growth in SaaS revenue was due to an increase in direct sales of the Hapi platform, to both existing and new clients, and the sale of licences to Sage. This in turn was driven by increasing recognition, among employers, of the value of the platform to their business, an expansion of the product offer within the platform and greater functionality, supporting better management of employees.

Our Hapi SME offer has continued to see solid progress with over 1,400 companies now having access to the Hapi platform. The strategy with Sage was extended during the year to embed a version of the Sage Employee Benefits (SEB) offer, excluding the insurance products, into a standard payroll bundled product. The approach was a 'land and expand' strategy, where every 'product bundle' provided by Sage to its clients had a number of SEB licences included. Ultimately, we hope this will also create an opportunity for Personal Group to sell its insurance products direct to Sage's client base using its very effective, tried and trusted, field sales force.

Sage remains a natural channel partner for Personal Group's SME offer, with access to more than 9m of the 15.6m people employed by SMEs in the UK. The emerging focus now is to establish the product in standalone form and to offer it to their wider customer base. This goes beyond the confines of just their payroll customers and also includes their accounting and enterprise division customers, representing nearly their entire customer base.

The addition of the SaaS offer creates a further high-quality revenue stream for the business. It has facilitated our initial expansion into the SME market both through Sage and otherwise. 2017 also saw the Group secure its first SaaS only customer where the core insurance offer has not yet been taken up.

Technology

Technology remains at the core of the Company's products and during the period we continued to invest in existing and new systems. Security has always been a key focus of the Group

Personal Group has continued to deliver on its strategy and is today in a uniquely strong position. It has a client offer that is unrivalled across the industry and has substantially grown the market it can profitably access

and, while the technology behind the Hapi platform is inherently secure, it has become an area of growing importance. As such, we expanded the team during the year to improve our performance in this crucial area and to prepare for the pending implementation of the General Data Protection Regulation (GDPR).

As touched on above, Personal Group invested in integrating and developing its systems during 2017. These initiatives will increase efficiency and enhance the end user experience. They include migrating the PG Let's Connect offer to the Hapi platform and the development of the e-Vouchers offer, as well as the integration of 'Braze', an automated tool for marketing of the Hapi platform products to client employees. Braze is already having a significant impact, driving a 34% increase in retail spending through the platform.

Looking ahead, we are in the process of building the next generation App for the Hapi platform. The updated version is built on the same technology as our platform, creating a more seamless experience whilst adding efficiencies and future flexibility.

We are also investing in a system to allow individuals to maintain their insurance cover should they leave their current employment. If successful it will have a material effect on policyholder lapse rates, which in the longer term will support insurance revenue and profits.

Sales, Marketing & Customer Service

During the year the Company added a further 20 corporate clients, an increase of 50% on last year when measured by additional employee count. These wins were mainly across the transport, logistics and care sectors, where the Group already has a strong presence, but also included other sectors such as retail and public sector.

The Group also made significant inroads into the NHS during 2017. In late 2016, Personal Group won Sandwell and West Birmingham Hospitals NHS Trust as a client. This was the first NHS client to take the entirety of the Group's offer. The breadth of the offer was a strong differentiating factor in its decision to work with Personal Group.

Since then, the success of the work with Sandwell has led us to several other NHS Trusts introductions and consequently we are looking to expand further across the NHS in 2018.

In early 2018 we were successful in being appointed to the Crown Commercial Service Framework. This is the biggest public procurement framework in the UK and acts for many central government departments such as DWP, HMRC and many others. While the initial opportunity is for PG Let's Connect, it will offer further opportunities across the Group in the fullness of time. Securing this framework has doubled the addressable market for our salary sacrifice technology product line.

The Company's focus increasingly shifted over the course of the year from refining the product offer and developing the market opportunity to sales. In line with that, we invested in the marketing department, with the aim of further increasing lead generation for the business development team.

Chief Executive's Statement continued

Furthermore marketing was also focussed to increase emphasis on the specific issues and concerns impacting the Company's most profitable sectors. These included the impact of the living wage, a year after its launch, Brexit and near full employment on staff retention and competition for attracting new staff, all of which provide opportunity for Personal Group.

The focus of both the Company's marketing and sales development team was also reworked, with an increased emphasis on sector specialisation. The aim of the initiative was to create and utilise sector expertise, with an increased understanding of the client's business, system and potential concerns. With the approach working well, the Company intends to develop it further across other parts of the business in the year ahead.

Maintaining quality of service is key to the Company's ability to retain existing client employees as well as attract new ones. To that end, our customer service record is excellent and our complaints count is small enough to allow the executive team to review each and every one. Key to maintaining that level of service is the Customer Relations Team, which we invested in during the year improve our performance.

Markets

The Company believes that the market for employee services remains strong and offers a real opportunity for growth. It is being driven by an increased recognition by employers of the commercial value of investing in and retaining staff. An employer can make substantial cost savings and efficiencies through a combination of increased staff retention, reduced hiring and training costs and increased productivity through a more engaged and driven workforce.

The value of Personal Group's offer to client employees is substantial and is a major contributing factor in their decision to engage and not move jobs. Some of the services we offer give the opportunity for the average UK worker to save between a 5% and 13% of their take home pay. This impact is only further amplified at a time when wage growth is minimal, real wages are falling and competition for staff is intensifying, with near full employment.

Outlook

Personal Group has continued to deliver on its strategy and is today in a uniquely strong position. It has a client offer that is unrivalled across the industry and has substantially grown the market it can profitably access. The offer has been developed and the systems to support that have been built. The focus is now on delivering that offer across existing and new potential clients.

As we continue to drive and expand the business into new markets there will inevitably be uncertainties and challenges, but the Company is well placed to overcome these, with a strong underlying business to support growth, cashflows and income and a dedicated team that has real strength, depth and experience across the employee services market.

We continue to have the unwavering support of our staff, as evidenced again this year when we measured our team engagement, and for that I thank them all sincerely. With this at our back we look forward to building further on the achievement of the last year. We enter 2018 with excitement and added confidence.

Mark Scanlon
Chief Executive
20 March 2018

Key Performance Indicators

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.

For adjusted EBITDA*, the adjustments are separately disclosed and are items that are non-underlying to trading activities and which are significant in size. For example, amortisation of acquisition related intangible assets is a non-cash item which fluctuates in line with activity, movement in the PG Let's Connect tax provision is considered to be a non-underlying item, relates to a liability inherited on acquisition of that business and has the potential to fluctuate and be of significant size and share-based payments 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.

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 x 52; for a monthly premium, the value of the premium x 12.

EBITDA* (£million)

£10.8m

2017	£10.8m
2016	£11.4m
2015	£12.6m

Profit before tax (£million)

£9.5m

2017	£9.5m
2016	£10.5m
2015	£14.1m

Claims ratio (%)

22.1%

2017	22.1%
2016	23.4%
2015	25.4%

Claims incurred as a percentage of earned premiums. The reduction in the claims ratio is primarily as a result of the Group underwriting death benefit policies from April 2015.

Solvency II ratio of PA Plc (%)

263%

2017	263%
2016	261%
2015	259%

Solvency II came into effect on 1 January 2016. The 2017 number is currently estimated and subject to audit.

Number of policies in force

319,513

2017	319,513
2016	329,098
2015	339,986

The transfer of the PMI business to AXA was completed in June 2017.

Number of subscribers on Hapi

237,664

2017	237,664
2016	117,268
2015	24,067

Enrolled to presented (%)

52%

2017	52%
2016	51%
2015	54%

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

Annualised new business insurance premiums (£million)

£10.8m

2017	£10.8m
2016	£10.8m
2015	£10.2m

The annualised value of new business insurance premiums written in the year is a key measure for the Group as it is the primary driver of earned premiums in the future years.

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based payment expenses, corporate acquisition costs, reorganisation costs, write-back of contingent consideration and release of tax provision. This definition applies to all references to EBITDA within these report and accounts. A reconciliation from PBT to this adjusted EBITDA has been included on p31.

Chief Financial Officer's Statement

Solid performance, reflecting the underlying strength of the business

Revenue

Group revenue for the year from continuing operations was £45.2m (2016: £53.6m). This performance reflected a solid outcome across much of the Group's operations, with the insurance business recording a further year of record annalised new business insurance premiums and SaaS revenue up by 77% year on year. The legacy impact of the changes in Salary Sacrifice rules, however, created some continued uncertainty that impacted the top line performance of the PG Let's Connect business for a second year. However, with the rules now clear and a redesign of our product offering, we fully expect this part of the business to revert to normal levels in 2018.

Group revenue was also impacted by the increase in Insurance Premium Tax (IPT) in 2017. We again took the decision not to pass the increase on to existing policy holders. In June we saw IPT increase from 10% to 12%, and also experienced the full year impact of the prior year increase from 9.5% to 10%.

Group results	2017 £000	2016 £000
Continuing operations		
Revenue	**45,233**	53,620
EBITDA*	**10,812**	11,396
Operating profit	**9,537**	10,257
Profit before tax	**9,510**	10,521
Tax	**1,486**	1,479
Profit for the year	**8,024**	9,042
Discontinued operations		
Profit/(loss) for the year	**238**	(1,758)

* 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, write back of contingent consideration and release of tax provision. Details of the adjustments can be found on page 29.

EBITDA*

The Group believes EBITDA to be the most appropriate measure of performance, reflecting the underlying profitability of the business, as detailed on page 29.

The Group achieved EBITDA marginally ahead of current market expectations at £10.8m (2016: £11.4m). This result reflects the resilience of the higher margin core insurance business, a strong performance from new SaaS sales and the decrease in revenue from the lower margin PG Let's Connect business.

The Group continued to make selective investments during the year to support the premium market position of its offer. The focus of these investments was both on the offer itself and on its delivery to clients and their employees. Key among these was the development of e-Vouchers, the migration of the PG Let's Connect offer to the Hapi platform, the adoption and integration of an Artificial Intelligence marketing tool and further investment in platform security. Despite this and the wider product offer, underlying costs were marginally down on last year.

Profit before tax

Profit before tax was £9.5m for the year (2016: £10.5m). The current year did not benefit from the release of a tax provision held to cover potential tax liabilities arising from compensation schemes for the Directors of PG Let's Connect prior to acquisition. The release of the provision amounted to £0.3m in 2016.

The Group's continued investment in its technology has aso resulted in an increase of £0.2m in depreciation and amortisation costs.

Profit after tax

The tax charge for the year was £1.5m (2016: £1.5m). The resulting profit after tax for the year from continuing operations was £8.0m (2016: £9.0m). Post discontinued operations the profit after tax was £8.3m (2016: £7.3m).

Dividend

The Group maintained its progressive dividend policy, paying a total dividend of 22.7p per share over the year (2016: 22.0p), representing a 3.2% increase over the prior year. The Group's core insurance business, which has produced consistently solid results, continues to underpin the dividend and support investment across the wider business. The first quarterly dividend for 2018 of 5.75p, representing a 1.3% increase over the corresponding period in 2017, will be paid to shareholders on 23 March.

Balance sheet

The Group's balance sheet remains strong, with cash and deposits of £16.2m at the year end and no debt.

The Company's underwriting subsidiary, Personal Assurance Plc (PA), had a prudent Solvency ratio of 263% (unaudited), with a surplus over its Solvency Capital Requirement of £7.5m.

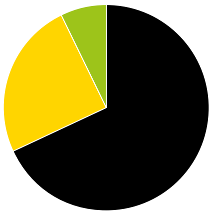
Continuing operations	**2017 £000**	**2016 £000**
Profit before tax	**9,510**	10,521
PG Let's Connect – tax provision	**–**	(270)
PG Let's Connect – amortisation of intangible assets	**330**	330
Share-based payments	**192**	222
Depreciation	**437**	419
Amortisation (other)	**343**	174
EBITDA*	**10,812**	11,396

Chief Financial Officer's Statement continued

2017 Group Revenue

£45.2m

(2016: £53.6m)



- Insurance (£30.7m)
- Let's Connect (£11.3m)
- SaaS & other (£3.2m)

Insurance

The Group's core insurance business again delivered another year of record results, with a fifth consecutive year of record new insurance premium sales. Overall insurance revenue, however, declined marginally by 1.6% to £30.7m (2016: £31.2m), reflecting the rundown and transfer of revenues from the sale of the Company's PMI business to AXA and the aforementioned absorbtion of IPT increases.

Insurance EBITDA increased to £10.0m (2016: 9.9m). This increase reflected the continued strong performance of the front line sales team, including increased productivity and a decrease in costs together with a slightly lower overall claims ratio.

The performance of the insurance business was driven by increases in new sales across both the Company's Hospital Cash Plans and its Death Benefits plan. Death Benefit plans accounting for circa 20% of insurance sales, with the Company's Hospital Cash Plans predominantly accounting for the remainder.

The Group's insurance income remains a high quality and relatively stable revenue stream to the Group. It is based on a small number of products that are simple, low cost and as such continue to resonate strongly across the employees of long established and new corporate clients.

Segmental results

Continuing operations	2017 £000	2016 £000
Total Revenue		
Insurance	**30,727**	31,209
PG Let's Connect	**11,292**	20,069
SaaS	**2,657**	1,498
Other	**557**	844
Total	**45,233**	53,620
EBITDA		
Insurance	**9,960**	9,939
PG Let's Connect	**288**	1,806
SaaS	**344**	(383)
Other	**220**	34
Total	**10,812**	11,396

Discontinued operations	2017 £000	2016 £000
Revenue	**63**	2,024
EBITDA	**69**	(1,157)

Number of claims handled (2017)

51,672

(2016: 51,550)

PG Let's Connect

The PG Let's Connect business saw revenues decrease from £20.1m to £11.3m. As covered elsewhere, this decrease was due to the continued impact of the HMRC review and subsequent legislation changes in Salary Sacrifice, which has taken longer to work through the system then we initially envisaged.

While the Finance Bill in April gave clarity to the changes and greatly simplified the system, which we welcomed, it continued to create market uncertainty among some clients and some others needed longer to update their internal systems to reflect the changes, which led to the running of several schemes being deferred from 2017 to 2018.

Putting the review into context against the longer-term PG Let's Connect business, it has been a short-term frustration that has impacted the market and consequently the performance of that business. Nonetheless, it has been a good acquisition, providing solid payback to the business, and we remain confident in the quality and resilience of its offer and look forward to growing that business free of the external distractions that have impacted it in the past 2 years. The current pipeline for 2018 looks strong following the clarity provided in the 2017 Finance Bill and the subsequent redesign of our product.

SaaS

Revenue from the Company's SaaS business was up strongly in 2017. This reflected increased revenue from sales of the Hapi platform, combined with licence income from growth in the SME market, via the relationship with Sage.

Within the SME market, over 1,400 SME businesses now have access to the Hapi platform, via the Sage Employee Benefits product offer. Growth in this market has been driven by the extension of the Company's relationship with Sage and the consequent relaunch of the SEB offer half way through the year.

SaaS offers the Company a further high-quality revenue stream that is highly scalable post the investments made in building and refining the Company's platform and product offer. As such, being able to offer a unique SaaS product, alongside Personal Group's other traditional offers, greatly increases the long-term value potential from each revenue generating opportunity.

Other

Investment income in the year increased slightly and income from our legacy financial services business, Berkeley Morgan Ltd continued to decline; the transfer of our small book of PMI business to AXA completed in June 2017.

EPS

Basic EPS from continuing operations was 26.9p (2016: 23.9p). The calculation is detailed in note 14.

Mike I Dugdale
Chief Financial Officer
20 March 2018

Risk Management

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

Risk vision and strategy

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

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

Enterprise Risk

Management framework

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

Credit risk

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

Market risk

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

Insurance risk

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

Liquidity risk

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

Operational risk

(including regulatory risk)

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

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

The Enterprise Risk Management Framework

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

First line – Risk ownership and risk management

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

Second line – Overseeing risk

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

Third line – Independent assurance

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

Risk governance

To support the Board and provide risk governance, the Risk and Compliance Committee considers all risk-related matters for the Group. Membership of the Committee is detailed on page 41.

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

> no change ^ increased risk

Key risks and potential impact	Mitigation	
Strategic development Personal Group, as an innovative provider of employee services, looks to maintain a strategic advantage in the market place. In early 2018 it will start to offer its insureds the opportunity to retain their cover outside of an employee benefits scheme. This has the advantage of retaining policyholders for longer and is a positive response to customer feedback. It is expected to reduce the number of lapsed policies, to help maintain premium income, and will provide greater flexibility to change premium prices.	Over a period of time the book of business will include, potentially, older and non-working people. An increase in the number of claims is planned and budgeted for. If the planned change is exceeded the Group may exercise its right and ability to change the premium prices.	>
Legal and regulatory After a period of relative stability a number of external changes will impact Personal Group. Specifically change to the regime relating to data and the impact of the Insurance Distribution Directive have required internal and external resources to be made available. The Group expects to make some changes to its working practices in order to meet the requirements of the new regimes.	The Group started to plan for the changes well in advance so any impact can be managed in an efficient and effective manner. Focus remains on the needs of clients and of insureds, and Personal Group does not expect the changes to adversely affect either.	^
Cyber crime Personal Group collects significant amounts of personally identifiable and sensitive information about individuals to enable products and services to be offered to the employees of its clients. The risk profile of cyber crime and of data security remains high and no business is immune to the current threats. Personal Group is very aware that any breach could have a material impact on its business, to its clients and to their employees.	The security of information is always high on the agenda and policies and procedures are constantly evolving to ensure they remain current and practical. Personal Group's strategy for keeping information safe and secure has supported the development of the Hapi platform and its attractiveness to clients.	>
Brexit The impact of Brexit on the economy remains uncertain. A number of the Group's clients employ workers from overseas, including from the EU. If the number of EU workers decreases as a direct result of Brexit, or because of the uncertainty about their long term status in the UK, the Group could lose some of its current customers.	The close relationship between the Group and its clients provides early information about the challenges they face. Any changes to the composition of the workforce facilitates the opportunity to introduce the product range to new employees and therefore to replace lost business.	^
Inflationary pressures Linked to the uncertainties surrounding the impact of Brexit is the expectation that the UK economy will see inflationary pressures. The Group expects the impact to be felt by all clients and that providers of care homes, where it has a significant presence, may be particularly hit. A consequence could be the consolidation of providers and therefore changes to the client-base.	As businesses look to manage their overheads, the provision of a flexible employee benefits scheme can carry a significant financial value. The Group believes it is well placed to serve its existing clients and new clients, and to continue its diversification and expansion into the SME market.	>

Corporate Social Responsibility and Sustainability

When people feel like they make a difference, they do

Our Business

Our unique approach to delivering employee services brings together both digital and face to face engagement to provide employees access to their company benefits, discounts, technology and services anytime, anywhere. We believe technology cannot solve the employee engagement problem on its own, so we work with each client to create an employee benefits roll out plan which will increase employee engagement, drive benefits adoption and deliver HR a return on investment.

Our Environment

At Personal Group we are working towards reducing our carbon footprint, automating processes and are moving towards becoming a paperless business. To reduce our consumption of resources we have introduced LED lighting in our head office, significantly reducing our electricity consumption and upgraded our buildings heating and cooling management system to increase efficiency and improve the employee environment.

Our Community

Our core value proposition as a business is that when people feel like they make a difference, they do. This goes for our customer's employees as well as our own. We aim to empower employees to make a difference in all aspects of life – at work, in their local communities and across the wider world. We work closely with local charities, educational institutes and non-profit organisations.

Our CSR in action

Total donation in last 5 years

£500k

Total donated to employee recommended charities & charity matching in last 5 years

£46k

Amount pledged to Memusi over 7 years

£250k

We truly believe that when people feel like they make a difference, they do and when it comes to CSR, we do more than write a cheque. We support charities at home and in Africa, giving our staff the opportunity to get involved and make a difference.

For more information go to
www.personalgroup.com

Client Satisfaction

In 2017 we undertook a study of the ROI of the employee services that we provide to clients (see page 12 for results) and the impact that employee benefits have on both the individual employee and our clients' bottom line.

The success of our ongoing focus on creating a win-win for both clients and their employees is reflected in the increasing volume and frequency of advocate referrals to our new business team.

Employee Satisfaction

We listen to our staff and shape our own employee engagement strategies around the feedback we receive. We are driven by a passion to make people happy which goes beyond our day to day work. We understand that happy employees are more productive and by focusing on our own employee satisfaction, we have driven up productivity within Personal Group which has had a positive impact on both client and investor satisfaction.

Investor Satisfaction

Our focus on client and employee satisfaction has inevitably led to improved performance and profitability, supporting our progressive dividend policy. In 2017 we undertook an extended series of roadshows to engage and update investors ensuring they remained well-informed on the latest company news and announcements between the release of the interim and full year accounts. Our focus on responsive and regular investor communications will continue in 2018.

Our people

Employee Engagement Score

72

Glassdoor Employee Rating

4.2/5.0

Glassdoor Employee CEO Rating

94%

Personal Group is made up of almost 250 special people, all of who live our company values: walk the walk, be the best you can be, have fun and run it like you own it. Our own employee engagement scores have consistently improved year on year and our benefits champions help ensure that we continue to use our own employee services to engage staff in a meaningful and impactful way.

Governance

Corporate Governance

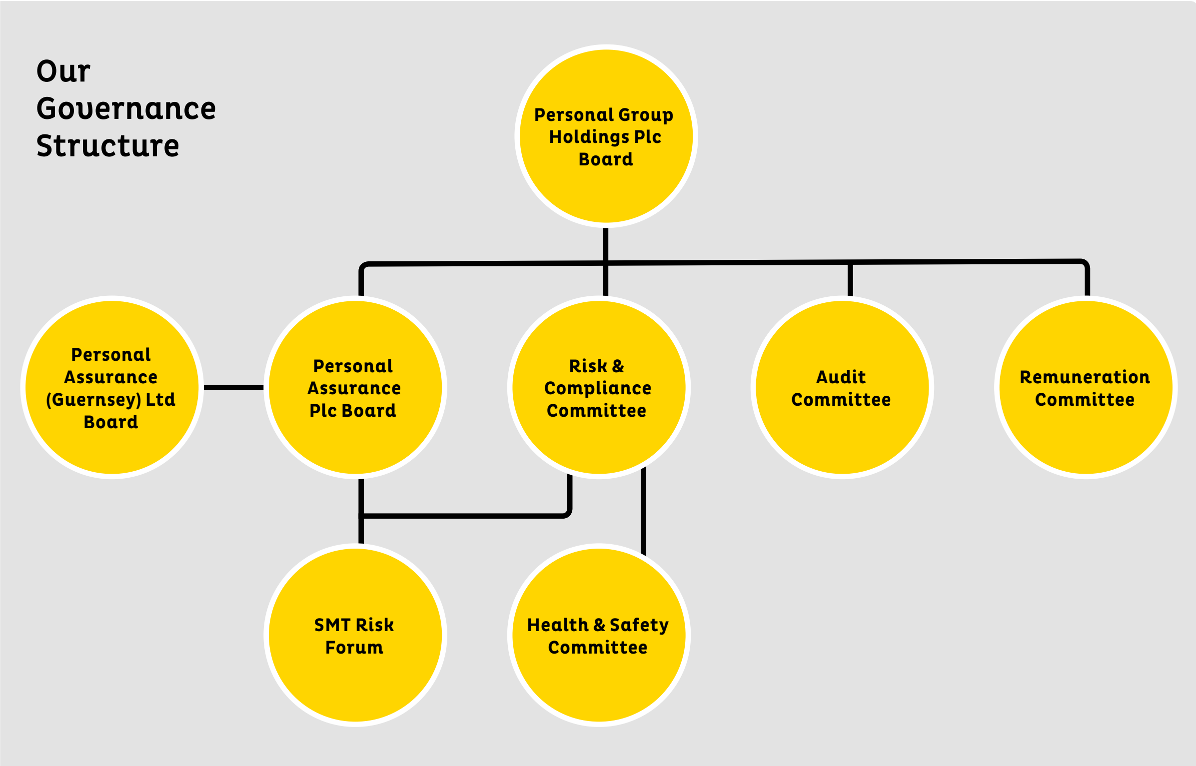
Dear Shareholder,

I am pleased to present the Group's Corporate Governance Report for the year ended 31 December 2017.

As a Board we aim to achieve high standards of corporate governance. Our Board committees play an important part in ensuring we maintain these standards.

As announced in August 2017, Andy Lothian joined the Board of Personal Group as an executive director. Andy's detailed knowledge of the Group from over nearly 20 years with us, including the last decade as MD of PGB, brings with it unparalleled insight into the day to day running of our insurance sales team, in particular. I welcome Andy's contribution as a member of the Board with the opportunities and challenges that Personal Group faces.

Mark Winlow
Non Executive Chairman



General Principles

The Board of Personal Group Holdings Plc supports the principles of, and is committed to, achieving high standards of corporate governance. As an AIM-listed company, Personal Group does not need to comply with the UK Corporate Governance Code 2016 (the Code) but nevertheless looks to do so. Personal Group Holdings is subject to the UK City Code on Takeovers and Mergers.

Board of Directors

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

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

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

Audit Committee

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

Remuneration Committee

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

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

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

Risk and Compliance Committee

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

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

Auditor independence

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

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

Internal control

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

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

More detail on these processes can be found on page 34. During the year, RSM continued to provide an internal audit function that is risk-based and focused on key areas agreed with the Board.

Relationship with shareholders

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

Board of Directors

1 Mark Winlow
Non Executive Chairman
● ● ●

Mark joined the Board of Personal Group as a Non Executive Director in October 2013, becoming Chairman in May 2016. He has other non executive roles including Chairman of insurer Ageas and broker RFIB and SID at Starling Bank. Mark has over 35 years of experience in financial services in the UK and internationally, including time at Zurich Financial Services where he was Managing Director of Zurich's UK consumer business. Mark has also been a partner in audit and advisory firms KPMG and EY.

2 Ken W Rooney
Non Executive Deputy Chairman ●

Chair of Risk & Compliance Committee

Chair of the Risk and Compliance Committee Ken has been part of Personal Group for 18 years, joining the Company in 1999. In 2003, he succeeded founder Christopher Johnston to become Chief Executive of the Group, a role he carried out for six years and again for an interim period before the appointment of Mark Scanlon. He retired from his Executive position in July 2015, but remains within the Group as a Non Executive Director and Deputy Chairman and is currently Chair of the Risk and Compliance Committee. His 40 years' experience in financial services includes running his own company until 1998.

3 Deborah Rees-Frost
Non Executive Director
● ● ●

Chair of Remuneration Committee

Deborah joined the Board of Personal Group as a Non Executive Director in September 2015. She is CEO of Innecto Reward Consulting, a specialist pay-and-reward consultancy firm, where she specialises in working with high growth businesses. Deborah uses her specialist knowledge to chair the Remuneration Committee, and her detailed background in pay and benefits provides commercial insight into our key customer offering. Deborah started her career with Marks and Spencer, worked with Nationwide Building Society as Head of Reward and then spent a couple of years as a Senior Consultant with Towers Perrin, before establishing Innecto 15 years ago.

4 Bob Head
Non Executive Director
● ● ●

Chair of the Audit Committee

Bob joined the Board of Personal Group as a Non Executive Director in November 2016 and is currently Chair of the Audit Committee. His other roles include Non Executive Director at Fair FX and Alexander Forbes where he also chairs the Audit Committees. Bob is a Chartered Accountant as well as an FCIB and ACII and has over 30 years of experience in financial services in the UK and internationally. He was the co-founder of egg plc, the first CEO of smile.co.uk, a Director of Prudential's International Division and has held several key roles working for Old Mutual (including CEO of African businesses and Skandia group). His most recent full time job was Special Adviser to the Commissioner of the South African Revenue Service.

● Audit Committee
● Remuneration Committee
● Risk and Compliance Committee

5 **Mark W Scanlon**
Chief Executive

6 **Mike I Dugdale**
Chief Financial Officer

7 **Andy Lothian**
Managing Director
PGB Sales

8 **Sarah Mace**
Company Secretary

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

Mike was appointed Chief Financial Officer in January 2013. Prior to joining Personal Group he was Finance Director of Virgin Care Limited. Mike qualified as a Chartered Accountant with Ernst & Whinney. He spent eight years with Reebok in the UK and Canada in a variety of roles, latterly as international Finance Director for everything outside of North America. In 1996 he joined Guardian Royal Exchange Plc as Group Financial Controller and in 2001 joined BUPA, initially as Group Financial Controller and subsequently as Finance Director of its UK insurance business.

Andy was appointed to the Board in July 2017. Having joined Personal Group in 1998 as a Group Account Executive, Andy steadily progressed through the Company stepping up to a Development Manager role in 2001 followed by a Regional Manager role in 2001, where he oversaw two record-breaking years of Personal Group insurance sales. In 2004 he was promoted to National Sales Manager and enjoyed a further period of record new business growth before becoming Managing Director of Personal Group Benefits in 2009. He currently manages the insurance sales growth strategy.

Sarah joined Personal Group in January 2014 as Group Financial Controller and Company Secretary. She also has responsibility for the customer relations team. Prior to joining Personal Group, Sarah was Head of Finance for private-equity-backed Chicago Leisure Limited. Having gained a degree in mathematics from Oxford University, she qualified as a Certified Accountant in 1992. The early part of Sarah's career was spent in life assurance and pensions, followed by various roles in Cable & Wireless Communications.

Senior Management Team

Mark Scanlon
Chief Executive

See biography on previous page.

Mike Dugdale
Chief Financial Officer

See biography on previous page.

Andy Lothian
Managing Director PGB Sales

See biography on previous page.

Ashley Doody
Chief Information Officer

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

David Walker
Chief Commercial Officer

David joined Personal Group in July 2012. As Group Chief Commercial Officer he oversees all client development, marketing, supply chain, business development, and product design and structure activity for the Group. David is also responsible for the sales and marketing activity within Let's Connect. Prior to joining Personal Group, David was Managing Director of Dyson's B2B operation in the USA and previously held roles across Europe within Corporate Banking at Barclays and as Head of Commercial Sales at Sky TV.

Rebekah Tapping
HR Director

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

Remuneration Report

The Directors present the Remuneration Report for the year ended 31 December 2017.

Composition of the Remuneration Committee

The Remuneration Committee comprises three Non Executive Directors, with the Non Executive Deputy Chairman and Chief Executive in attendance, and is chaired by Deborah Rees-Frost. The Remuneration Committee operates within defined terms of reference. It met four times in 2017.

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

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

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

Service contracts

The Executive Directors have service contracts that can be terminated on 6 or 12 months' notice. These provide for termination payments equivalent to 6 or 12 months' basic salary and contractual benefits.

The Non Executive Directors have letters of appointment that can be terminated on 6 months' notice.

Membership of Board and Directors' Interests

The membership of the Board at the end of the year is set out below. All Directors served throughout the year with the exception of Andy Lothian who was appointed on 28 July 2017.

The interests of the Directors and their families (including transactions committed to before the year end and shares held in the all employee share ownership plan) in the shares of the Company as at 1 January 2017 or date of appointment if later, and 31 December 2017, were as follows:

	Ordinary shares of 5p each in Personal Group Holdings Plc	
	At 31 December 2017	**At 31 December 2016**
Mark Winlow (Non Executive Chairman)	–	–
Mark Scanlon (Chief Executive)	132,346	131,741
Mike Dugdale (Chief Financial Officer)	67,654	58,907
Andy Lothian (Managing Director PGB Sales)	38,051	37,495
Ken Rooney (Non Executive Deputy Chairman)	1,937	11,948
Deborah Rees-Frost (Non Executive Director)	431	162
Bob Head (Non Executive Director)	–	–

At 31 December 2017, the mid-market closing share price was 477.00p per share (31 December 2016: 370.00p).

Remuneration Report continued

Directors' remuneration

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

	Salary and fees 2017 £'000	Share-based payment expense 2017 £'000	Pension contributions 2017 £'000	Total 2017 £'000	Total 2016 £'000
Mark Winlow	74	–	–	74	61
Mark Scanlon	408	–	20	428	337
Mike Dugdale	271	–	–	271	403
Andy Lothian*	89	–	4	93	–
Ken Rooney	38	–	–	38	37
Deborah Rees-Frost	38	–	–	38	37
Bob Head**	38	–	–	38	5
Total	956	–	24	980	905

* Appointed 28 July 2017

** Appointed 17 November 2016

Directors' share options

At 31 December 2017 options outstanding were as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
Mark Scanlon	6,166	486.50	3 April 2017
Mike Dugdale	6,166	486.50	3 April 2017
Mark Scanlon*	38,683	0.00	25 November 2017

* Issued under LTIP1 (see below).

Long Term Incentive Plans (LTIP)

LTIP1

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

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

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

The maximum amount payable by the Company over five years was originally £10m with the only participating Board members being Mark Scanlon, Mike Dugdale and Andy Lothian who were entitled to a maximum of 5% (£5m), 1% (£1m) and 0.5% (£0.5m) respectively of the increase in market capitalisation. The start date for Mark Scanlon and Andy Lothian was 25 November 2011 and for Mike Dugdale was 2 January 2013 when the market capitalisation was £81.55m and £96.96m respectively.

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

- Include a maximum cap on market capitalisation of £183.7m. This had the effect of reducing the maximum amount payable by the Company over the five years to £8.3m and the maximum amounts payable to Mark Scanlon, Mike Dugdale and Andy Lothian to £5.0m, £0.9m and £0.5m respectively.
- Grant options rather than shares at each vesting date such that PAYE and NI liabilities will only arise at the date of the exercise of the option.

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. This scheme has now ended for some participants and will have ended for all participants by 30 April 2018.

During 2017, no new shares were issued under LTIP1. Options over 38,683 LTIP1 share options were outstanding at 31 December 2017, these shares are exercisable by Mark Scanlon.

LTIP2

As with LTIP1, LTIP2 is designed to reward Directors and certain other senior employees in a way that aligns the interests of LTIP participants with the interests of shareholders, as well as with the Group's long-term strategic plan. As is the case with LTIP1, LTIP2 is market capitalisation based and becomes reward bearing above a Company Market Capitalisation of £183.7m. It also has a yearly EPS performance criterion through its life which can be adjusted by the Remuneration Committee.

Under the LTIP2 incentive arrangements the following employee shareholder status shares in Personal Group Limited were awarded during 2015 (ESS Shares). Participants had immediate PAYE and NIC charges on the associated UK tax market value of the ESS Shares.

	ESS Shares awarded
Mark Scanlon	20,000
Mike Dugdale	4,000
Andy Lothian	2,000
Other senior employees	9,500
Total	35,500

A further 4,500 shares are available for allocation.

The ESS Shares are split equally into four classes, namely A,B,C and D shares each of which carry a put option which allows the participants to exchange their ESS Shares for Personal Group Holdings Plc ordinary shares in tranches on reaching or exceeding the hurdles of market capitalisation and Annual EPS. Awards can be made annually starting in March 2017 (A shares) through to March 2020 (D shares) based on market capitalisation growth of the Company up to a market capitalisation of £350m and upon achieving the Annual EPS growth targets. The awards will be paid out as 20%, 40%, 70% and 100% cumulatively of the eligible share of growth in market capitalisation for A, B, C and D shares respectively. The maximum potential dilution assuming all the ESS Shares are converted into ordinary shares in the Company would be approximately 4.2%. of the enlarged issued share capital of the Company.

The maximum amount payable by the Company over five years is £15m with the only participating Board members being Mark Scanlon, Mike Dugdale and Andy Lothian who are entitled to a maximum of £8.3m, £1.7m and £0.9m respectively based on their ESS holdings above.

Group employee breakdown by gender as at 31 December 2017

	Male	Female
Directors	*4	1
Managers	23	18
Other employees	82	92
Total employees	109	111

*Excludes the two Directors who are not employees of the Group

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2017.

Principal activities

The Group is principally engaged in providing employee services, including short term accident and health insurance and the provision of salary sacrifice technology products in the UK.

Results and dividends

A review of the year's results is given in the Chief Financial Officer's Statement (see pages 30 to 33).

The profit from continuing operations for the year is £9,510,000 (2016: £10,521,000) before taxation of £1,486,000 (2016: £1,479,000). During the year ordinary dividends of £6,979,000 (2016: £6,697,000) were paid.

Directors

The membership of the Board at the end of the year is set out in the Remuneration Report on page 45. The Remuneration Report also includes details of the Directors' remuneration and interests in the ordinary shares of the Company.

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

Political contributions

Neither the Company nor any of its subsidiaries made any political donation or incurred any political expenditure during the year.

Charitable donations

Donations to charitable organisations amounted to £100,000 (2016: £100,000).

Principal risks and uncertainties

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

Capital requirements

See note 4 to the consolidated financial statements.

Corporate governance

The Board of Personal Group Holdings Plc supports the principles and is committed to achieving high standards of corporate governance. As an AIM listed Company it is not required to comply with the UK Corporate Governance Code 2016 ('the Code') but not withstanding this seeks to comply with those provisions which are most appropriate given the size of the Group and the nature of its operations. The Board's report on the Group's corporate governance procedures is set out on pages 40 to 41.

Disclosure of information to auditor

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

Auditor

KPMG LLP have expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006 a resolution to reappoint KPMG LLP will be proposed at the Annual General Meeting to be held on Wednesday 25 April 2018.

BY ORDER OF THE BOARD

M I Dugdale
Director
20 March 2018

Statement of Directors' Responsibilities

in respect of the Strategic Report, Directors' Report and the Financial Statements

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

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

Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, 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; and
- 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.

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

KPMG

Independent auditor's report

to the members of Personal Group Holdings Plc

1. Our opinion is unmodified

We have audited the financial statements of Personal Group Holdings Plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Company and Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Materiality: group financial statements as a whole	£460,000 (2016: £380,000) 4.8% (2016: 3.6%) of Profit before tax from continuing operations
Coverage	100% (2016: 100%) of group profit before tax

Risks of material misstatement		vs 2016
Recurring risks	Valuation of goodwill	◀▶
	Provision for PAYE tax liabilities	◀▶
	Provision for claims outstanding in the Group's Subsidiary, Personal Assurance plc	◀▶
	Recoverability of parent Company's investment in subsidiary undertaking	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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 forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016):

	The risk	Our response
Valuation of goodwill (£10.6 million; 2016: £10.6 million) Page 71 (accounting policy) and page 92 (financial disclosures).	**Forecast-based valuation** The Company has goodwill of £10.6 million on its balance sheet from the purchase of Lets Connect Limited in 2014. This goodwill has been allocated to a separate cash-generating unit (CGU) and an assessment is required annually to establish whether this goodwill should continue to be recognised, or if any impairment exists. Valuation of goodwill is considered to be a key audit matter due to the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGU, which is based on the value in use, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, operating costs and the discount rate.	Our procedures included: – **Control design:** Testing of the design and implementation of the key controls over the Company's budgeting procedures upon which the cash flow forecasts are based; – **Sensitivity analysis:** Critically assessing the key inputs into the Group's cash flow forecasts (specifically future sales volumes, long term growth rate and the discount rate). Performing breakeven analysis on these assumptions; – **Benchmarking assumptions:** Critically evaluating the discount rates against market data, using our own valuation specialist; and – **Assessing transparency:** Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.
Provision for PAYE tax liabilities (£1.9 million; 2016: £1.9 million) Page 75 (accounting policy) and page 102 (financial disclosures).	**Dispute outcome** The Company has a provision in respect of potential PAYE tax liabilities arising from compensation schemes for directors of Lets Connect prior to its acquisition in 2014. Management is required to exercise significant judgement to determine the magnitude of the provision.	Our procedures included: – **Our tax expertise:** Using our own tax specialists to critically assess the assumptions made by management in assessing the Group's provision for PAYE tax liabilities, reviewing its correspondence with the HMRC, and challenging the assumptions used to calculate the provision, such as the likelihood of payment and potential time barring by HMRC; and – **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of the provision for PAYE tax liabilities.

Report of the Independent Auditor continued

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Provision for claims outstanding in the Group's Subsidiary, Personal Assurance Plc (£1.3 million; 2016: £1.9 million) Page 72 (accounting policy) and page 103 (financial disclosures).	**Subjective valuation** The provision for claims outstanding in the Group's Subsidiary, Personal Assurance Plc, requires significant judgement and actuarial expertise. The calculation of this uses historical data and requires assumptions to be made in respect of current and future experience.	Our procedures included: – **Control design:** testing the design and implementation of the key controls over the provision for claims outstanding process; – **Our actuarial expertise:** using our own actuarial specialists, inspecting the provision for claims outstanding calculation and evaluating and challenging the assumptions relating to current and future experience; – **Independent re-performance:** using our own actuarial specialists, calculating our own estimate of the provision for claims outstanding using the Group's data, and comparing to provision for claims outstanding calculated by the Group, and considering the impact of any significant differences; and – **Assessing transparency:** assessing the Group's disclosures relating to the provision for claims outstanding in particular in relation to key and sensitive assumptions.
Recoverability of parent Company's investment in subsidiary undertaking (£24.9 million; 2016: £24.8 million) Page 75 (accounting policy) and page 104 (financial disclosures).	**Low risk, high value** The carrying amount of the investment in subsidiary undertaking balance represents 91 percent (2016: 91 percent) of the parent Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: – **Tests of detail:** Comparing the carrying amount of 100% of investment in subsidiary undertaking with the subsidiary draft balance sheets to identify whether its net assets, being an approximation of its minimum recoverable amount, were in excess of its carrying amount and assessing whether this subsidiary has historically been profit-making; and – **Our sector experience:** Critically evaluating the directors' assessment of the future profitability of the subsidiary and its subsidiary undertakings compared to our understanding of the future profitability of the subsidiary and its undertakings.

KPMG

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £460,000 (2016: £380,000), determined with reference to a benchmark of Group profit before tax from continuing operations, of which it represents 4.8% (2016: 3.6%).

Materiality for the parent Company financial statements as a whole was set at £273,000 (2016: £310,000), determined with reference to a benchmark of the parent Company's total assets, of which it represents 1% (2016: 1.25%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £23,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 12 (2016: 12) reporting components, we subjected 12 (2016: 12) to full scope audits for Group purposes. The remaining entities within the Group are dormant and therefore are out of scope for audit.

The components accounted for the percentages illustrated opposite.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

Component materialities ranged from £9,000 to £331,000, having regard to the size and risk profile of the components.

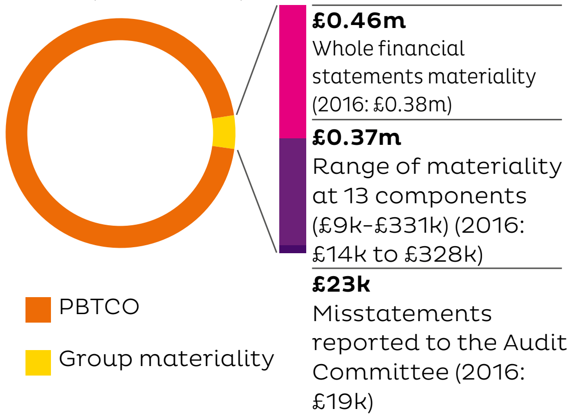
Component audits were undertaken by the Group audit team, including the audit of the parent Company, with the exception of Personal Assurance (Guernsey) Limited (PAGL) where the audit was undertaken by a KPMG Channel Island Limited component auditor who reported back to the Group audit team. Telephone conference meetings were held with this component auditor. At the telephone conference meetings, an assessment was made of audit risk and strategy and the findings reported to the Group audit team were discussed in more detail. The Group audit team also inspected the key working papers and any further work required by the Group audit team was then performed by the component auditor.

Profit before tax from continuing operations for 2017

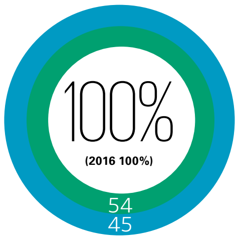
£9.5m (2016: 10.5m)

Group Materiality

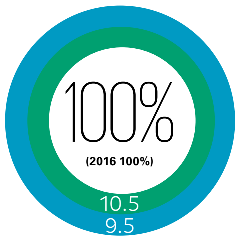
£0.46m (2016: £0.38m)



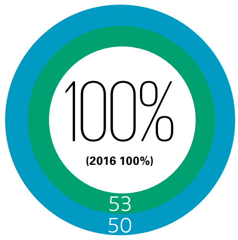
Group revenue



Group profit before tax



Group total assets



Full scope for group audit purposes 2017

Full scope for group audit purposes 2016

Report of the Independent Auditor continued

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 49, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

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

20 March 2018

Financial Statements

Consolidated Income Statement

	Note	2017 £'000	2016 £'000
Continuing Operations			
Gross premiums written		30,739	31,393
Outward reinsurance premiums		(272)	(310)
Change in unearned premiums		233	160
Change in reinsurers' share of unearned premiums		(21)	(20)
Earned premiums net of reinsurance	5	30,679	31,223
Other insurance related income	5	391	555
IT salary sacrifice income	5	11,292	20,069
SaaS income	5	2,648	1,499
Other non-insurance income	5	105	122
Investment property	5	1	59
Investment income	7	117	93
Revenue		45,233	53,620
Claims incurred	8	(6,780)	(7,318)
Insurance operating expenses	9	(13,529)	(14,002)
Other insurance related expenses		(244)	(712)
IT salary sacrifice expenses	5	(11,034)	(18,281)
SaaS costs	5	(2,459)	(1,908)
Other non-insurance related expenses	5	(710)	(315)
Share-based payment expenses	24	(192)	(222)
Charitable donations		(100)	(100)
Amortisation of intangible assets	17	(673)	(505)
Expenses		(35,721)	(43,363)
Operating profit from continuing operations		9,512	10,257
Release of provisions	26	–	270
Share of loss of equity-accounted investee net of tax	35	(2)	(6)
Profit before tax from continuing operations	11	9,510	10,521
Tax	12	(1,486)	(1,479)
Profit for the year from continuing operations	13	8,024	9,042
Profit/(Loss) from discontinued operation	6	238	(1,758)
Profit		8,262	7,284
The profit for the year is attributable to equity holders of Personal Group Holdings Plc			
Earnings per share		**Pence**	**Pence**
Basic	14	26.9	23.9
Diluted	14	26.4	23.4
Earnings per share – continuing operations		**Pence**	**Pence**
Basic	6,14	26.1	29.7
Diluted	6,14	25.7	29.0

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

Consolidated Statement of Comprehensive Income

	2017 £'000	2016 £'000
Profit for the year	8,262	7,284
Items that may be reclassified subsequently to the income statement		
Available for sale financial assets:		
Valuation changes taken to equity	106	(6)
Reclassification of (gains) and losses on available for sale financial assets on derecognition	(40)	24
Tax on unrealised valuation changes taken to equity	(11)	(8)
Total comprehensive income for the year	8,317	7,294

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

Some reclassifications have been made for better presentation on 2016 comparatives.

Revenue previously shown in 'Platform subscriptions and other income' is now split between 'SaaS income' and 'Other non-insurance income'. Expenses previously shown as 'Platform subscriptions and other expenses' and 'SME operating expenses' have been reallocated in line with this; some of these expenses have been reallocated to insurance operating expenses.

These reclassifications have been made without any effect on the profit and loss or net assets.

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

Consolidated Balance Sheet
at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Goodwill	16	10,575	10,575
Intangible assets	17	986	1,478
Property, plant and equipment	18	4,747	5,096
Investment property	19	130	1,070
Equity-accounted investee	35	638	639
Deferred tax asset	25	-	3
		17,076	18,861
Current assets			
Financial assets	20	4,492	6,137
Trade and other receivables	21	14,619	20,200
Reinsurance assets	22	180	310
Inventories		560	428
Cash and cash equivalents	23	12,641	7,206
		32,492	34,281
Total assets		49,568	53,142

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

	Note	2017 £'000	2016 £'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	24	1,540	1,540
Capital redemption reserve		24	24
Amounts recognised directly into equity relates to available for sale assets		85	30
Other reserve		(310)	(330)
Profit and loss reserve		32,417	31,061
Total equity		33,756	32,325
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	25	21	-
Current liabilities			
Provisions	26	1,905	1,912
Trade and other payables	27	10,698	15,426
Insurance contract liabilities	28	2,507	3,239
Current tax liabilities		681	240
		15,791	20,817
Total liabilities		15,812	20,817
Total equity and liabilities		49,568	53,142

The financial statements were approved by the Board on 20 March 2018.

M I Dugdale **M W Scanlon**

Company number: 3194991

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

Company Balance Sheet
at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	29	24,928	24,780
Investment property	19	130	130
		25,058	24,910
Current assets			
Financial assets	20	100	100
Trade and other receivables	21	2,007	2,177
Cash and cash equivalents	23	147	157
		2,254	2,439
Total assets		27,312	27,344
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	24	1,540	1,540
Capital redemption reserve		24	24
Other reserve		(310)	(330)
Profit and loss reserve		16,232	6,258
Total equity		17,486	7,492
LIABILITIES			
Current liabilities			
Trade and other payables	27	9,826	19,852
Total liabilities		9,826	19,852
Total equity and liabilities		27,312	27,344

The financial statements were approved by the Board on 20 March 2018.

M I Dugdale **M W Scanlon**

Company number: 3194991

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2017	1,540	24	30	(330)	31,061	32,325
Dividends	–	–	–	–	(6,979)	(6,979)
Employee share-based compensation	–	–	–	–	166	166
Proceeds of AESOP* share sales	–	–	–	–	51	51
Cost of AESOP shares sold	–	–	–	94	(94)	–
Cost of AESOP shares purchased	–	–	–	(74)	–	(74)
Transactions with owners	–	–	–	20	(6,856)	(6,836)
Profit for the year	–	–	–	–	8,262	8,262
Deferred tax reserve movement (see note 25)	–	–	–	–	(50)	(50)
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets available for sale	–	–	106	–	–	106
Transfer to income statement	–	–	(40)	–	–	(40)
Current tax on unrealised valuation changes taken to equity	–	–	(11)	–	–	(11)
Total comprehensive income for the year	–	–	55	–	8,212	8,267
Balance as at 31 December 2017	1,540	24	85	(310)	32,417	33,756

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 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 (see note 25)	-	-	-	-	(412)	(412)
Other comprehensive income						
Available for sale financial assets:						
Change in fair value of assets available 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

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

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

Company Statement of Changes in Equity

for the year ended 31 December 2017

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2017	1,540	24	(330)	6,258	7,492
Dividends paid	-	-	-	(6,979)	(6,979)
Employee share-based compensation	-	-	-	147	147
Proceeds of AESOP share sales	-	-	-	51	51
Cost of AESOP shares sold	-	-	94	(94)	-
Cost of AESOP shares purchased	-	-	(74)	-	(74)
Transactions with owners	-	-	20	(6,875)	(6,855)
Profit for the year	-	-	-	16,849	16,849
Balance as at 31 December 2017	1,540	24	(310)	16,232	17,486

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 2016

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2016	1,518	24	(386)	8,490	9,646
Dividends paid	-	-	-	(6,697)	(6,697)
Employee share-based compensation	-	-	-	181	181
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	(6,530)	(6,452)
Profit for the year	-	-	-	4,298	4,298
Balance as at 31 December 2016	1,540	24	(330)	6,258	7,492

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

Company and Consolidated Cash Flow Statement

	Note	2017 £'000	2016 £'000
Net cash from operating activities (see next page)		9,928	6,395
Investing activities			
Additions to property, plant and equipment	18	(120)	(828)
Additions to intangible assets	17	(182)	(624)
Proceeds from disposal of property, plant and equipment		25	231
Proceeds from disposal of investment property		933	–
Purchase of financial assets		(195)	(139)
Proceeds from disposal of financial assets		1,995	3,177
Interest received	7	30	53
Dividends received	7	23	20
Net cash used in investing activities		2,509	1,890
Financing activities			
Purchase of own shares by the AESOP		(74)	(39)
Proceeds from disposal of own shares by the AESOP		51	66
Dividends paid	15	(6,979)	(6,697)
Net cash used in financing activities		(7,002)	(6,670)
Net change in cash and cash equivalents		5,435	1,615
Cash and cash equivalents, beginning of year	23	7,206	5,591
Cash and cash equivalents, end of year	23	12,641	7,206

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

Company and Consolidated Cash Flow Statement continued

	Note	2017 £'000	2016 £'000
Operating activities			
Profit after tax		8,262	7,284
Adjustments for			
Depreciation	18	437	448
Amortisation of intangible assets	17	673	505
Loss on disposal of property, plant and equipment		7	61
Loss on disposal of investment property		7	-
Realised net investment (profit) / loss		(101)	17
Interest received	7	(30)	(53)
Dividends received	7	(23)	(20)
Share of loss of equity-accounted investee, net of tax	35	2	6
Share-based payment expenses	24	192	222
Taxation expense recognised in income statement	12	1,543	1,479
Changes in working capital			
Trade and other receivables		5,711	1,772
Trade and other payables		(5,493)	(4,171)
Inventories		(132)	(38)
Taxes paid		(1,127)	(1,117)
Net cash from operating activities		9,928	6,395

The parent Company has no cash or cash equivalents and there has been no movement in cash or cash equivalents in the current or the prior year. PGT, the employee-based trust, has a cash balance which has decreased by £10,000 to £147,000 in the year to 31 December 2017 (increased by £75,000 to £157,000 in the year to 31 December 2016) as a result of the purchase and sale of AESOP shares.

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

Notes to the financial statements

1 General information

The principal activities of Personal Group Holdings Plc ('the Company') and subsidiaries (together 'the Group') include transacting short-term accident and health insurance, and providing employee 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 20 March 2018.

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2017. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU. These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 31 December 2017.

The Group has adopted the following standards, amendments and interpretations which have not had a significant impact on the Group's results:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Disclosure Initiative - Amendments to IAS 7

The following changes in accounting standards will be implemented during 2018:

IFRS 9 – Financial Instruments

IFRS 9, which will be adopted by the Group with effect from 1 January 2018, introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. Management have made good progress with their assessment of the impact of IFRS 9 and currently do not expect there to be a material financial impact on the financial statements. The available for sale financial assets will be treated as fair value through the profit and loss as of 1 January 2018, as a result any movements in the equity investments going forward will be immediately recognised in the income statement. All gains and losses included in the available for sale reserve as at 31 December 2017 will be recycled to retained earnings on 1 January 2018.

IFRS 15 – Revenue from contracts with customers

The new standard will be effective from 1 January 2018. The new standard supersedes: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers from customers & SIC-31 Revenue – Barter Transactions involving advertising services. Management have reviewed all of the revenue arrangements across the Group and do not believe that the move to IFRS 15 will affect the revenue recognition of any of the revenue types of the Group.

IFRS 16 – Leases

The Group plans to early adopt IFRS 16 with effect from 1 January 2018, the effective date of the standard is 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise assets and liabilities in respect of the minimum lease payment for all leases with a term of more than 12 months, and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 will require the Group to recognise substantially all of its current operating lease commitments on the balance sheet. The Group has taken the option to measure the asset at amount equal to the liability on 1 January 2018 for initial recognition. The financial impact of this, together with other implications of the standard, are still being assessed but the expectation is that there will be an immaterial impact on profit before tax, however, EBITDA will benefit from the change in 2018 by approximately £500,000 and assets & liabilities on the balance sheet will increase by approximately £750,000 in January 2018.

Notes to the Financial Statements continued

2 Accounting policies continued

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The functional currency of the Group is Sterling.

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 affects on the amounts recognised in the consolidated finacial statements is included in the following notes:

- Provision for PAYE tax liabilities (note 26): whether a provision is required.

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 2018 is included in the following notes:

- Goodwill valuation (note 16) and customer list intangibles (note 17); – key assumptions underlying recoverable amounts; and
- Establishing the value of claims outstanding (note 28); – key assumptions regarding the provision 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 for the period up to 31 March 2019. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The Directors have concluded that the Group and Company will be able to operate without requiring any external funding and therefore believe it is appropriate to prepare the financial statements of the Group and Company on a going concern basis. This is supported by the Group's and Company's liquidity position at the year end.

2.2 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

2.3 Business combinations completed prior to date of transition to IFRS

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

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

2.4 Joint ventures

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

2.5 Goodwill and 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.

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

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

2.6 Revenue

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

Premium earned

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

Written premiums exclude insurance premium tax and include any brokerage commissions.

Other income

a) Insurance related

Commission on insurance product sales is recognised when the policy goes on risk (i.e., when confirmation has been received from the insurer that the policy has been unconditionally accepted and that cover is being provided for the policyholder).

b) Non-insurance related

IT salary sacrifice

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

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.

Other income

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

c) Investment property

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

Notes to the Financial Statements continued

2 Accounting policies continued

2.6 Revenue continued

Investment income

a) Interest and dividend income
Interest income is recognised on an effective interest rate method. Dividends are recognised when declared.

b) Investment management expenses
Investment management expenses are recognised on an accruals basis.

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

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

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

2.7 Reinsurance premiums

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

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

2.8 Deferred acquisition expenses

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

2.9 Claims recognition and claims provisions

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

2.10 Tangible and intangible assets

Property, plant and equipment and software intangibles are stated at cost, net of depreciation, 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

2.11 Impairment of non-financial assets

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

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. See note 16 for further details on the impairment testing of goodwill.

Notes to the Financial Statements continued

2 Accounting policies continued

2.12 Leased assets

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

2.13 Investment property

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

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

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

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

2.14 Taxation

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

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases.

However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

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

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

2.15 Financial assets

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

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

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

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

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

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

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

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

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

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

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

2.16 Financial liabilities

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

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

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

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

2.17 Cash and cash equivalents

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

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

2.18 Investments in subsidiary undertakings and joint ventures

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

Notes to the Financial Statements continued

2 Accounting policies continued

2.19 Equity

Equity comprises the following:

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

2.20 Employee benefits

Defined contribution Group and self-invested personal pension schemes.

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

2.21 Share-based payment

Equity-settled share-based payment

All 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.

2.22 Employee benefit trust

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

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

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

2.23 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.

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 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 will 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 are described below.

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Insurance receivables	3,148	3,218	–	–
Reinsurance assets	180	310	–	–
Trade debtors	9,409	15,442	–	–
Accrued interest	14	19	–	–
Amounts due from subsidiary undertakings	–	–	1,928	2,153
Investment bond	100	100	100	100
Financial asset - available for sale	801	672	-	-
Cash and cash equivalents	12,641	7,206	147	157
Bank deposits	3,591	5,365	–	–
	29,884	32,332	2,175	2,410

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

A significant proportion of the Group's revenue is generated from the sale of insurance policies to individual customers. However a substantial proportion of the premiums are collected, and paid over to the Group, by the individuals' employer via payroll deduction. This naturally exposes the Group to an element of credit risk. However, the vast majority of employers pay over payroll deductions made, within one month, on a regular basis.

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 one month of the completion of the salary sacrifice scheme. Included within trade debtors are £8.5M (2016: £15.0M) relating to PG Let's Connect sales.

Notes to the Financial Statements continued

3 Risk management objectives and policies continued

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 21. 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 2017 the counterparties were as follows: The Co-operative Bank Plc, Santander UK Plc, Bank of Scotland Plc, HSBC Bank Plc, Lloyds TSB Bank Plc, National Westminster Bank Plc, Close Brothers Ltd, Barclays Bank Plc and Clydesdale Bank Plc. Long term rate credit ratings for these counterparties range from A to B- (ratings sourced from Fitch, and Standard & Poors) (2016: A to B- rating range).

The Group is also exposed to the recoverability of receivables from reinsurers. At 31 December 2017 the only reinsurance counterparty was Swiss Re Europe S.A., United Kingdom Branch. Credit ratings for this reinsurer range from A+ to AA-.

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

Information relating to the fair value measurement of financial assets can be found in note 20.

Market risk

The Group is exposed to market risk, in the form of equity price risk, in respect of its financial assets which are measured as available for sale assets. These assets are traded on UK regulated markets and so are valued via directly observable inputs (level 1 inputs). The available for sale assets are managed by an independent third party fund manager on a discretionary basis, subject to certain conditions imposed by the board.

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

	2017 £'000	2016 £'000
Available for sale financial assets:		
Independently managed equity portfolio (Level 1 assets)	801	672
	801	672

Dividends from the equity portfolio in 2017 totalled £23,000 (2016: £20,000).

Unrealised gains and losses on available for sale financial assets are recognised in equity. A 10% decrease in the value of these assets at 31 December 2017 would result in a deduction to equity of approximately £80,000. A 10% increase in the value of these assets at 31 December 2017 would result in an addition to equity of approximately £80,000.

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 2017 bank deposits exceeded borrowings by £16,234,000 (2016: £12,671,000). If UK interest rates increased by 2% net finance income would increase by approximately £325,000 with a corresponding increase to equity.

Liquidity risk

Cash balances are managed internally by the Group financial controller and amounts are placed on short term deposits (currently not exceeding 6 months) to ensure that sufficient funds are available at all times to pay all liabilities as and when they fall due.

At 31 December 2017 amounts on short term deposits exceeded borrowings by £16,234,000 (2016: £12,671,000).

As at 31 December 2017 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 2017					
Trade and other payables	9,803	102	155	154	10,214
Insurance contract liabilities	1,843	–	–	–	1,843
	11,646	102	155	154	12,057
At 31 December 2016					
Trade and other payables	14,741	186	81	119	15,127
Insurance contract liabilities	2,341	–	–	–	2,341
	17,082	186	81	119	17,468
Company					
At 31 December 2017					
Amounts owed to subsidiary undertakings	9,258	-	-	-	9,258
	9,258	-	-	-	9,258
At 31 December 2016					
Amounts owed to subsidiary undertakings	19,396	-	-	-	19,396
	19,396	-	-	-	19,396

Currency risk

The Group is not exposed to any currency risk as all business is conducted in GBP.

Notes to the Financial Statements continued

3 Risk management objectives and policies continued

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:

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

These have been PA's core products since 1984 and, at 31 December 2017, represent 98.2% (2016: 96.0%) 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 2017 was 20.8% (2016: 22.4%). The loss ratio has remained relatively consistent over the period of time that these policies have been underwritten and therefore the board has taken the decision to accept the underwriting risk in full and not to use reinsurance as a way of managing insurance claim risk.

At present the maximum payable on any one single claim is £91,375 and would only be payable after a period of hospital confinement of two years. The total number of these individual policies in force at 31 December 2017 was 241,173 (2016: 248,493) and the total annualised premium value of these policies was £25,612,000 (2016: £25,335,000). The average amount paid per claim in 2017 was £163 (2016: £163).

b) Voluntary Group Income Protection policies (VGIP)

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

At 31 December 2017 these policies represent 1.8% (2016: 2.1%) of PA's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2017 was 3.2% (2016: 23.1%). The total number of these individual policies in force at 31 December 2017 was 1,539 (2016: 1,859) and the average amount paid per claim in 2017 was £8,073 (2016: £3,657).

c) 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 2017 was 18.4% (2016: 15.4%). The total number of these individual policies in force at 31 December 2017 was 76,801 (2016: 78,189) and the average amount paid per claim in 2017 was £7,682 (2016: £6,902).

Prior to 2017 Private Medical Insurance (PMI) policies had been underwritten by the Group. 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. No new policies were underwritten in 2017 and by the end of 2017 the entire PMI business had been transferred. The PMI business had accounted for 1.9% of gross written premiums in 2016 with an associated loss ratio of 45%.

For the year ended 31 December 2017 the overall claims ratio of the Group was 22.1% (2016: 23.4%). A 2% increase in the claims ratio would increase claims incurred by approximately £616,000.

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. The primary sources of capital used by the Group are equity shareholders' funds of the Group (2017: £33,756,000, 2016: £32,325,000).

Since 1 January 2016, Personal Assurance Plc (PA) has been subject to the requirements of the SII Directive and must hold sufficient capital to cover its 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 carries out an Economic Capital Assessment (ECA) in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects the Group's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment (ORSA) which 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.

PA's Eligible Own Funds, determined in accordance with the SII valuation rules, were £12.1m[1] (2016: £12.5m) which was in excess of the estimated SCR of £4.6m[1] (2016: £4.8m). This represented a solvency coverage ratio of 263%[1] (2016: 261%). The movement year on year remains consistent and is in line with the Boards 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 2017 the requirements of the Group's regulated companies were as follows:

	Relevant regulatory body	Capital resources requirement £'000	Capital resources £'000	Surplus over capital resources requirement £'000
Company				
Personal Assurance Plc	FCA, PRA	4,601	12,085	7,484
Personal Assurance Services Limited	FCA	56	3,908	3,852
Personal Group Benefits Limited	FCA	44	955	911
Berkeley Morgan Limited	FCA	83	251	168
Personal Assurance (Guernsey) Limited	GFSC	612	2,539	1,927

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

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

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

1 The Solvency Capital Position and related disclosures are estimated and subject to forthcoming audit.

Notes to the Financial Statements continued

5 Segment analysis

The segmental analysis has been amended to better reflect how the business is now managed, in particular all SaaS income, whatever the route to market, is shown as a single segment. The segments used by management to review the operations of the business are disclosed below.

1) Core Insurance

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

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

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

2) IT Salary Sacrifice

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

3) SaaS

Revenue in this segment relates to the annual subscription income and other related income arising from the licensing of HAPI, the Group's employee benefit platform. This includes sales to both the large corporate and SME sectors.

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.

The discontinued segment is:

Mobile

Mobile refers to the trade of Personal Group Mobile a mobile phone salary sacrifice Company set up from the trade and assets of Shebang Technologies purchased in 2015, which ceased trading in December 2016.

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

	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Continuing – Group £'000	Discontinued – Mobile £'000
Operating segments						
2017						
Revenue						
Earned premiums net of reinsurance	30,670	-	9	-	30,679	-
Other insurance related income	57	-	-	334	391	-
Other income	-	11,292	2,648	105	14,045	63
Investment property	-	-	-	1	1	-
Investment income	-	-	-	117	117	-
Total revenue	30,727	11,292	2,657	557	45,233	63
Net result for year before tax	9,406	(111)	197	18	9,510	295
PG Mobile – Reorganisation costs	-	-	-	-	-	(225)
PG Let's Connect – Tax provision	-	-	-	-	-	-
PG Let's Connect – Amortisation of intangibles	-	330	-	-	330	-
Share based payments	-	-	-	192	192	-
Depreciation	392	30	5	10	437	-
Amortisation (other)	162	39	142	-	343	-
EBITDA	9,960	288	344	220	10,812	70
Segment assets	21,628	10,979	1,384	15,568	49,560	8
Segment liabilities	6,379	8,035	1,257	139	15,810	2
Depreciation and amortisation	554	399	147	10	1,110	–

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

Notes to the Financial Statements continued

5 Segmental analysis continued

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

	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Continuing – Group £'000	Discontinued – Mobile £'000
Operating segments						
2016						
Revenue						
Earned premiums net of reinsurance	31,223	–	–	–	31,223	–
Other insurance related income	(14)	–	–	569	555	–
Other income	–	20,069	1,498	123	21,690	2,024
Investment property	–	–	–	59	59	–
Investment income	–	–	–	93	93	–
Total revenue	31,209	20,069	1,498	844	53,620	2,024
Net result for year before tax	9,415	1,712	(409)	(197)	10,521	(1,758)
PG Mobile – Reorganisation costs	–	–	–	–	–	571
PG Let's Connect – Tax provision	–	(270)	–	–	(270)	–
PG Let's Connect – Amortisation of intangibles	–	330	–	–	330	–
Share based payments	–	–	–	222	222	–
Depreciation	388	18	4	9	419	30
Amortisation (other)	136	16	22	–	174	–
EBITDA	9,939	1,806	(383)	34	11,396	(1,157)
Segment assets	20,431	16,216	590	15,780	53,017	125
Segment liabilities	6,753	13,168	625	132	20,678	139
Depreciation and amortisation	524	364	26	9	923	30

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

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

	IT Salary Sacrifice £'000	SaaS £'000	Other £'000
2017			
Non-insurance related expenses			
Cost of sale	9,115	1,733	-
Admin expenses	1,889	579	710
Depreciation and amortisation	30	147	-
Total	11,034	2,459	710
2016			
Non-insurance related expenses			
Cost of sale	16,676	1,042	-
Admin expenses	1,587	840	315
Depreciation and amortisation	18	26	-
Total	18,281	1,908	315

6 Discontinued operation

As announced in July 2016, following a review of PG Mobile, the Group's Mobile Virtual Network Operator ("MVNO"), the Group concluded that the potential market had changed and was no longer receptive to the product offering and, as such, decided to close the business by the end of 2016. This was successfully completed by the end of the year and no further costs in respect of this business are anticipated for 2018.

Results of discontinued operation	2017 £'000	2016 £'000
Non insurance related income – Mobile	63	2,024
Non insurance related expenses – Mobile	232	(3,782)
Results from operating activities	295	(1,758)
Tax	(57)	-
Result from operating activities net of tax	238	(1,758)
Earnings per share	**Pence**	**Pence**
Basic increase per share	0.8	(5.8)
Diluted increase per share	0.7	(5.6)

The gain from the discontinued operation of £238,000 (2016: loss of £1,758,000) is attributable entirely to the owners of the Company.

Cash flows used in discontinued operation	2017 £'000	2016 £'000
Net cash used in operating activities	(54)	(94)
Net cash used from investing activities	-	82
Net cash used in financing activities	-	-
Net cash flows for the year	(54)	(12)

Notes to the Financial Statements continued

7 Investment income

	2017 £'000	2016 £'000
Investment income		
Loans and receivables:		
Income from unlisted investments	23	36
Interest income from cash on deposit	30	53
Available for sale:		
Income from listed investments	23	20
Realised gains	13	30
Realised losses	(8)	(18)
Realised gains/(losses) transferred from other comprehensive income	40	(24)
Investment management expenses	(4)	(4)
	117	93

8 Claims incurred

	2017 £'000	2016 £'000
Claims paid	6,622	6,702
Reinsurers' share of claims paid	(76)	(115)
Claims handling expenses paid	630	568
	7,176	7,155
Increase in claims provision	(506)	187
Reinsurers' share of increase in claims provision	110	(24)
	(396)	163
	6,780	7,318

9 Insurance operating expenses

	2017 £'000	2016 £'000
Incurred acquisition costs	7,495	7,927
Administration expenses	6,034	6,075
	13,529	14,002

Total commission incurred during the year in respect of direct insurance was £1,396,000 (2016: £1,313,000).

10 Directors' and employees' remuneration

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

	2017 £'000	2016 £'000
Wages and salaries	9,490	9,553
Share based payments expense	192	222
Social security costs	1,025	1,045
Other pension costs	411	397
	11,118	11,217

Average number of employees was as follows:

	2017 Number	2016 Number
Administration	103	91
Sales and marketing	112	138
	215	229

b) Directors remuneration:

	2017 £'000	2016 £'000
Emoluments	956	693
Share based payments expense	-	192
Pension contributions to Group and self invested personal pension schemes	24	20

During the year, 3 Directors (2016: 2 Directors) participated in Group and self invested personal pension schemes.

Notes to the Financial Statements continued

10 Directors' and employees' remuneration continued

b) Directors remuneration continued

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

	2017 £'000	2016 £'000
Emoluments	408	211
Share based payments expense	-	192
Pension contributions to Group and self invested personal pension schemes	20	-
	428	403

Details of individual Director's remuneration are given in the remuneration report (on page 46). The Company does not incur employee remuneration.

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

	2017 £'000	2016 £'000
Short term employee benefits:		
Salaries including bonuses	1,702	1,607
Social security costs	214	222
Share based payments expense	175	453
	2,091	2,282
Post-employment benefits:		
Defined contribution pension plans	68	70
Total remuneration	2,159	2,352

11 Profit before tax

	2017 £'000	2016 £'000
Profit before tax is stated after:		
Auditor's remuneration (inclusive of non-recoverable VAT):		
Audit services:		
Audit of Company financial statements	48	51
Audit of subsidiary undertakings	130	114
Non-audit services:		
Taxation and other advice	-	25
Review of regulatory returns	49	105
Other assurance services	-	48
Depreciation of property, plant and equipment	437	448
Amortisation	673	504
Rental income receivable	105	123
Operating lease rentals – land and buildings	68	71
Operating lease rentals – motor vehicles	434	444

Notes to the Financial Statements continued

12 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 19.25% (2016: 20.00%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2017 £'000	2016 £'000
Profit before tax		
Continuing operations	9,510	10,521
Discontinued operations	295	(1,758)
Share of loss of equity-accounted investee net of tax	2	6
Profit before tax excluding equity-accounted investee	9,807	8,769
Tax rate	19.25%	20.00%
Expected tax expense	1,888	1,754
Adjustment for non deductible expenses	24	82
Adjustment for tax exempt revenues	(123)	(242)
Other adjustments		
Tax credit in respect of prior years	(246)	(113)
Utilisation of losses not provided for	–	(2)
Actual tax expense	1,543	1,479
Continuing operations	1,486	1,479
Discontinued operations	57	–
Comprising		
Current tax expense	1,815	1,226
In respect of prior year	(246)	(113)
Deferred tax		
Origination and reversal of temporary differences	(26)	366
Change in tax rate	–	–
	1,543	1,479

The standard rate of tax applied to reported profit on ordinary activities is 19.25% (2016: 20.00%). A further reduction to 17.00% is due from 1 April 2020 which was substantively enacted on 15 September 2016. These will reduce future tax charges accordingly.

The tax rates used to calculate deferred tax are 19.00% and 18.00% dependent on the rates that will be in place when the tax impact crystallises.

13 Profit for the year

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent Company's profit for the year was £16,849,000 (2016: £4,298,000).

14 Earnings per share

	2017			2016		
	Earnings £'000	Weighted average number of shares	Pence per share	Earnings £'000	Weighted average number of shares	Pence per share
Basic	8,262	30,743,826	26.9	7,284	30,442,426	23.9
Dilutive effect of shares in Employee Share Based schemes	–	538,441	(0.5)	–	747,446	(0.5)
Diluted	8,262	31,282,267	26.4	7,284	31,189,872	23.4

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

15 Dividends

	2017 Pence per share	2016 Pence per share	2017 £'000	2016 £'000
Equity dividends				
Ordinary shares paid in year				
March	5.675	5.50	1,748	1,671
June	5.675	5.50	1,748	1,674
September	5.675	5.50	1,748	1,683
December	5.675	5.50	1,748	1,683
			6,992	6,711
Less: amounts paid on own shares			(13)	(14)
	22.70	22.00	6,979	6,697

The first quarterly dividend for 2018 of 5.75p will be paid as 23 March 2018.

Notes to the Financial Statements continued

16 Goodwill

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

	£'000 Berkeley Morgan	£'000 PG Let's Connect	£'000 PGM	2017 £'000 Total
Cost				
At 1 January 2017	9,433	10,575	–	20,008
Additions in the year	–	–	–	–
Disposal	–	–	–	–
At 31 December 2017	9,433	10,575	–	20,008
Amortisation and impairment				
At 1 January 2016	9,433	–	–	9,433
Impairment charge for year	–	–	–	–
At 31 December 2017	9,433	–	–	9,433
Net book value at 31 December 2017	–	10,575	–	10,575

	£'000 Berkeley Morgan	£'000 PG Let's Connect	£'000 PGM	2016 £'000 Total
Cost				
At 1 January 2016	9,433	10,575	44	20,052
Additions in the year	–	–	–	–
Disposal	–	–	(44)	(44)
At 31 December 2016	9,433	10,575	–	20,008
Amortisation and impairment				
At 1 January 2016	9,433	–	44	9,477
Impairment charge for year	–	–	(44)	(44)
At 31 December 2016	9,433	–	–	9,433
Net book value at 31 December 2016	–	10,575	–	10,575

The net carrying value at 31 December 2017 has been reviewed for impairment.

The 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 carrying amount was lower than the recoverable amount, no impairment was deemed necessary.

Five years of future post tax cash flows were included in the discounted cash flow model. The long-term growth rate into perpetuity was determined as 2%. The cash flows were then discounted using a pre-tax discount rate of 13% based on the Group's weighted average cost of capital, using the capital asset pricing model.

Given the impact of the changes in the Salary Sacrifice market on PG Let's Connect's revenue over the past two years, an expected cash flow approach, based on four different scenarios, was used, as management believe this method to most appropriately address the fact that the timing and scale of PG Let's Connect's return to growth is currently unknown. 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 taking into account past experience as well as existing contracts in place.

Given that NPV is sensitive to future cash flows and the discount rate which has been used, the following scenarios have been considered.

- Using a discount rate of 16% would result in an impairment of £2.8m
- If we assume the most likely outcome for future sales, the key driver of the cashflow projections, would be to maintain them at 2017 levels this would result in an impairment of £2.6m. As 2017 sales levels were less than half the 2015 levels, and several of the schemes deferred in 2017 are already contracted to run in 2018, this is an extremely unlikely outcome.

17 Intangible assets

For the year ended 31 December 2017

	Customer value £'000	Computer software and development £'000	Internally Generated Computer Software £'000	Total £'000
Cost				
At 1 January 2017	1,648	665	428	2,741
Additions	–	182	–	182
Disposals	–	(89)	–	(89)
At 31 December 2017	1,648	758	428	2,834
Depreciation				
At 1 January 2017	935	316	12	1,263
Provided in the year	330	200	143	673
Disposal	–	(88)	–	(88)
At 31 December 2017	1,265	428	155	1,848
Net book amount at 31 December 2017	383	330	273	986
Net book amount at 31 December 2016	713	349	416	1,478

The customer value is being amortised through the consolidated income statement over a 5 year period. The customer value is part of the IT Salary Sacrifice reportable segment and as such was reviewed in conjunction with the PG Let's Connect goodwill value.

Notes to the Financial Statements continued

17 Intangible assets continued

For the year ended 31 December 2016

	Customer value £'000	PGM Licence agreement £'000	PGM Customer value £'000	PGM Software £'000	Computer software and development £'000	Internally Generated Computer Software £'000	Total £'000
Cost							
At 1 January 2016	1,648	703	102	506	470	–	3,429
Additions	–	–	–	–	196	428	624
Disposals	–	(703)	(102)	(506)	(1)	–	(1,312)
At 31 December 2016	1,648	–	–	–	665	428	2,741
Depreciation							
At 1 January 2016	605	703	102	506	153	–	2,069
Provided in the year	330	–	–	–	163	12	505
Disposal	–	(703)	(102)	(506)	–	–	(1,311)
At 31 December 2016	935	–	–	–	316	12	1,263
Net book amount at 31 December 2016	713	–	–	–	349	416	1,478
Net book amount at 31 December 2015	1,043	–	–	–	317	–	1,360

18 Property, plant and equipment

For the year ended 31 December 2017

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Lease Improvements £'000	Total £'000
Cost						
At 1 January 2017	5,478	214	1,090	1,179	31	7,992
Additions	–	–	45	75	–	120
Disposals	–	–	(307)	(16)	–	(323)
At 31 December 2017	5,478	214	828	1,238	31	7,789
Depreciation						
At 1 January 2017	1,505	42	754	580	15	2,896
Provided in the year	94	37	172	131	3	437
Eliminated on disposals	–	–	(282)	(9)	–	(291)
At 31 December 2017	1,599	79	644	702	18	3,042
Net book amount at 31 December 2017	3,879	135	184	536	13	4,747
Net book amount at 31 December 2016	3,973	172	336	599	16	5,096

For the year ended 31 December 2016

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Lease Improvements £'000	Total £'000
Cost						
At 1 January 2016	5,478	243	922	1,250	15	7,908
Additions	-	179	353	280	16	828
Disposals	-	(208)	(185)	(351)	–	(744)
At 31 December 2016	5,478	214	1,090	1,179	31	7,992
Depreciation						
At 1 January 2015	1,410	33	660	787	12	2,902
Provided in the year	95	48	202	100	3	448
Eliminated on disposals	-	(39)	(108)	(307)	–	(454)
At 31 December 2016	1,505	42	754	580	15	2,896
Net book amount at 31 December 2016	3,973	172	336	599	16	5,096
Net book amount at 31 December 2015	4,068	210	262	463	3	5,007

19 Investment property

For the year ended 31 December 2017

	Group £'000	Company £'000
Cost		
At 1 January 2017	1,198	130
Additions	–	–
Disposals	(1,068)	–
At 31 December 2017	130	130
Impairment		
At 1 January 2017	128	–
Provided in the year	1	–
Disposed in the year	(129)	–
At 31 December 2017	–	–
Net book amount at 31 December 2017	130	130
Net book amount at 31 December 2016	1,070	130

Notes to the Financial Statements continued

19 Investment property continued

For the year ended 31 December 2016

	Group £'000	Company £'000
Cost		
At 1 January 2016	1,198	130
Additions	–	–
At 31 December 2016	1,198	130
Impairment		
At 1 January 2016	128	–
Provided in the year	–	–
At 31 December 2016	128	–
Net book amount at 31 December 2016	1,070	130
Net book amount at 31 December 2015	1,070	130

The Blackburn property was sold in December 2017 for £950,000 less costs of £16,000. The Milton Keynes property is valued at the purchase price of £130,000 as at 7 April 2014.

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

20 Financial assets

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank deposits	3,591	5,365	-	-
Investment bond	100	100	100	100
Financial asset – Available for sale	801	672	-	-
	4,492	6,137	100	100

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

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

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

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

The investment bond subscribed to during 2014 is held in Criticaleye Investments plc and had a fixed three-year initial term. The bond is now on a rolling agreement and is repayable at the Group's discretion. 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. This would be included within level 3 of the fair value hierachy.

21 Trade and other receivables

	Group		Company	
	2017 £'000	**2016 £'000**	**2017 £'000**	**2016 £'000**
Loans and receivables:				
Insurance receivables	3,148	3,218	–	–
Other receivables due within one year	9,409	15,442	–	–
Amounts due from subsidiary undertakings	–	–	1,928	2,153
Accrued interest	14	19	–	–
Deferred acquisition costs	57	110	–	–
Prepayments	1,991	1,411	79	24
	14,619	20,200	2,007	2,177

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

Insurance receivables and other receivables are also held at amortised cost and the carrying amount is a reasonable approximation of fair value.

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

	2017 £'000	**2016 £'000**
Not more than 3 months	3,338	3,608
More than 3 months but not more than 6 months	71	28
More than 6 months	83	309
	3,492	3,945

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

An analysis of deferred acquisition costs is as follows:

	2017 £'000	**2016 £'000**
At 1 January	110	31
Deferred acquisition costs	57	110
Amortisation	(110)	(31)
At 31 December	57	110

Notes to the Financial Statements continued

22 Reinsurance assets

	2017 £'000	2016 £'000
Reinsurers share of claims incurred	91	201
Reinsurers share of unearned premiums	89	109
	180	310

23 Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	8,339	5,111	147	157
Short term deposits	4,302	2,095	-	-
	12,641	7,206	147	157

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

24 Share capital

	2017 £'000	2016 £'000
Authorised 200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid 30,799,891 (2016: 30,799,891) ordinary shares of 5p each	1,540	1,540

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

In 2017 the Company issued nil (2016: 453,063) 5p ordinary shares under the LTIP scheme.

The total number of own shares held by the Employee Benefit Trust at 31 December 2017 was 109,116 (2016: 110,606). Of this amount there are 47,141 (2016: 50,136) AESOP shares that have been unconditionally allocated to employees.

As at 31 December 2017 the Group maintained two share-based payment schemes for employee compensation.

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

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

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

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

	Number	2017 Weighted average exercise price pence	Number	2016 Weighted average exercise price pence
Outstanding at 1 January	203,781	430.51	213,927	430.51
Options granted in year	–	–	–	–
Options exercised in year	(6,756)	444.04	(10,146)	319.08
Options cancelled or lapsed	(47,832)	327.38	–	–
Outstanding at 31 December	149,193	470.53	203,781	436.05

The weighted average exercise price of 149,193 (2016: 73,598) share options exercisable at 31 December 2017 was 470.53 pence per share (2016: 359.24).

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

The weighted average remaining contracted life of outstanding options at 31 December 2017 was 6 years and 6 months (2016: 6 years and 4 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, £30,000 of employee compensation by way of share based payment expense has been included in the consolidated income statement for 2017 (2016: £33,000). The corresponding credit is taken to equity. No liabilities were recognised due to share-based transactions.

Notes to the Financial Statements continued

24 Share capital continued

b) Long Term Incentive Plan (LTIP)

LTIP1

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

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

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

The maximum amount payable by the Company over five years was originally £10m with the only participating Board members being Mark Scanlon, Mike Dugdale and Andy Lothian who were entitled to a maximum of 5% (£5m), 1% (£1m) and 0.5% (£0.5m) respectively of the increase in market capitalisation. The start date for Mark Scanlon and Andy Lothian was 25 November 2011 and for Mike Dugdale was 2 January 2013 when the market capitalisation was £81.55m and £96.96m respectively.

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

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

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 another senior employee 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 senor employee who entered the scheme in July 2012. This scheme has now ended for some participants and will have ended for all participants by 30 April 2018.

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

During 2017, no new shares were issued under LTIP1. Options over 38,683 LTIP1 share options were outstanding at 31 December 2017, these shares are exercisable by Mark Scanlon.

LTIP2

As with LTIP1, LTIP2 is designed to reward Directors and certain other senior employees in a way that aligns the interests of LTIP participants with the interests of shareholders, as well as with the Group's long-term strategic plan. As is the case with LTIP1, LTIP2 is Market Capitalisation based and becomes reward bearing above a Company Market Capitalisation of £183.7m. It also has a yearly EPS performance criterion through its life which can be adjusted by the Remuneration Committee.

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

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

An amount of £147,000 (2016: £181,000) has been charged to the profit and loss account in 2017 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 Financial Statements continued

25 Deferred tax

	2017		2016	
	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	23	95	37	102
Intangible assets	–	77	–	143
Current assets				
Share options	128	–	211	–
	151	172	248	245
Offset	(151)	(151)	(245)	(245)
	–	21	3	–

	2017 £'000	2016 £'000
At 1 January	3	781
Movement in provisions charged/(credited) to income statement (see note 12)	26	(366)
Movement in provision direct to reserves	(50)	(412)
At 31 December	(21)	3

At 31 December 2016 the Group had tax losses of £970,000 (2016: £973,000) 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.

26 Provisions

2017	PG Let's Connect PAYE £'000	Claw back £'000	Total £'000
At 1 January	1,905	7	1,912
Movement in provisions charged/(credited) to income statement	–	–	–
Utilised during the year	–	(7)	(7)
At 31 December	1,905	–	1,905

2016	PG Let's Connect PAYE £'000	Claw back £'000	Total £'000
At 1 January	2,175	15	2,190
Movement in provisions charged/(credited) to income statement	(270)	–	(270)
Utilised during the year	–	(8)	(8)
At 31 December	1,905	7	1,912

As at 31 December 2017, the PG Let's Connect PAYE tax provision has been held at £1,905k. This remains the directors' best estimate of the potential amount payable to HMRC.

The previous directors of PG Let's Connect have provided assurance that, should any liability arise, they will honour any amounts due, however, as no legal agreement is in place for this, the directors have held the provision on the balance sheet. No payments were made to HMRC during 2017 in respect of these schemes (2016: £335,000), however, the Company is aware that these schemes are still currently subject to investigation.

27 Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial liabilities measured at amortised cost:				
Amounts owed to subsidiary undertakings	–	–	9,258	19,396
Other creditors	6,705	9,404	480	376
Accruals	3,509	5,723	88	80
Deferred income	484	299		
	10,698	15,426	9,826	19,852

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

28 Insurance contract liabilities

	2017 £'000	2016 £'000
Provision for claims	1,753	2,260
Claims settlement expenses	90	81
Unearned premiums	664	898
	2,507	3,239

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 £1,304,000 (2016: £1,864,000) 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 be result a change of £65,000 (2016: £93,000) in the provision of outstanding claims for Personal Assurance Plc.

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.

Notes to the Financial Statements continued

28 Insurance contract liabilities continued

a) Claims

	2017			2016		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Provisions for claims at 1 January	2,260	(201)	2,059	2,016	(178)	1,838
Claims paid during the financial year	(6,622)	76	(6,546)	(6,702)	115	(6,587)
Increase/(decrease) in liabilities:						
Arising from current year claims	6,929	(77)	6,852	7,279	(140)	7,124
Arising from prior year claims	(814)	111	(703)	(318)	2	(316)
Total movement	(507)	110	(397)	259	(23)	221
Provision for claims at 31 December	1,753	(91)	1,662	2,260	(201)	2,059

b) Unearned premiums

	2017			2016		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
At 1 January	898	(109)	789	1,058	(129)	929
Increase in the financial year	30,822	(272)	30,550	31,393	(310)	31,083
Release in the financial year	(31,056)	292	(30,764)	(31,553)	330	(31,223)
Movement in the financial year	(234)	20	(214)	(160)	20	(140)
At 31 December	664	(89)	575	898	(109)	789

29 Company investment in subsidiary undertakings and joint venture

	Shares in subsidiary undertakings	
	2017 £'000	2016 £'000
Cost		
At 1 January	37,678	37,497
Acquired in the year	–	–
Share based expenses	148	181
At 31 December	37,826	37,678
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	24,928	24,780

At 31 December 2017 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
Universal Provident Limited +	Health insurance services
Personal Assurance (Guernsey) Limited*	Death insurance underwriting services
Personal Group Mobile Limited*	Mobile phone and contract services
Lets Connect IT Solutions Limited*	Employee benefits salary sacrifice technology products
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

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

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

At 31 December 2017 the Company held 50% of the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited which has been incorporated in England and Wales. At 31 December 2017 the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited was 2 £1 ordinary shares (see note 35).

30 Capital commitments

The Group had no capital commitments at 31 December 2017 and 31 December 2016.

31 Contingent liabilities

There were no contingent liabilities at 31 December 2017 and 31 December 2016.

Notes to the Financial Statements continued

32 Pensions

Group and self-invested personal pension schemes.

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

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

33 Leasing commitments and rental income receivable

Total operating lease payments due until the end of the lease, or the first break clause, total £985,000 (2016: £589,000). An analysis of these payments due is as follows:

	Motor vehicles	
	2017 £'000	**2016 £'000**
Total operating lease payments falling due on leases:		
Within one year	408	420
Within one to two years	326	113
Within two to five years	251	56
	985	589

Total operating rent receivable payments due until the end of the lease or the first break clause, total £339,000 (2016: £457,000). An analysis of these receivable payments due is as follows:

	2017 £'000	**2016 £'000**
Future minimum lease payments:		
Within one year	110	110
Within one to two years	110	110
Within two to five years	119	237
	339	457

34 Related party transactions

Personal Group Holdings Plc does not have any bank accounts and therefore all transactions are dealt with via subsidiary undertakings. Expenses of £698,000 (2016: £306,000) and dividends to shareholders of £6,992,000 (2016: £6,711,000) were paid by the Company's subsidiaries.

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

	2017		2016	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Personal Assurance Plc	-	1,439	-	2,582
Personal Assurance Services Limited	-	6,179	-	5,976
Personal Group Benefits Limited	-	1,351	-	903
Personal Assurance Financial Services Plc	-	137	-	137
Multiplelisting Limited	-	100	-	100
Personal Management Solutions Limited	1,436	-	1,914	-
Mutual Benefit Limited	-	12	-	12
ParTake Services Limited	3	-	3	-
Berkeley Morgan Group Limited	-	40	-	377
Personal Group Limited	204	-	-	9,309
Personal Group Mobile	-	-	-	-
Lets Connect IT Solutions Limited	285	-	236	-
	1,928	9,258	2,153	19,396

All balances are repayable on demand. None of the balances are secured. All balances relate to intercompany funding balances. During 2016 the balance due from Personal Group Mobile was provided in full due to the Company ceasing trading, this resulted in an £5.5M bad debt provision being included within the PGH Company accounts. During 2017 Personal Group Mobile has been able to repay some of its debts resulting in a reduction to the bad debt provision of £0.3M.

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 Plc during the year. The lease is on the same commercial terms as similar flats in the building and generated income to Personal Group Holdings Plc of £8,316 (2016: £8,316). At year end no money was due to Personal Group.

Ken Rooney, through his company Gate Lane Solutions, invoiced the Group for consulting services in relation to contractual issues being dealt with by the Group. The total expense to Personal Group of this consulting was £1,157 (2016: £7,523). At year end no invoices are outstanding from Gate Lane Solutions.

Deborah Rees, through her company Innecto Reward Consulting, invoiced the Group for consulting services relating to a licence renewal. The total expense to Personal Group of this consulting was £3,600 (2016: £nil). At year end no invoices are outstanding from Innecto Reward Consulting.

Notes to the Financial Statements continued

35 Equity-accounted investee

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

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

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

Profit and loss account	2017 £'000	2016 £'000
Rent receivable	48	38
Administration expenses	(46)	(55)
Profit on ordinary activities before taxation	2	(17)
Tax on profit on ordinary activities	(5)	4
Profit for the financial year retained	(3)	(13)
Personal Group Holdings share of profit	(2)	(6)

Balance Sheet	2017 £'000	2016 £'000
Current assets		
Inventories	1,078	1,123
Debtors	219	183
	1,297	1,306
Creditors: amounts falling due within one year	(21)	(28)
Net current assets	1,276	1,278
Capital and reserves		
Called up share capital	–	–
Profit and loss account	1,276	1,278
Shareholders' funds	1,276	1,278
Personal Group Holdings share of net assets	638	639

36 Post balance sheet events

There are no post balance sheet events that require disclosure.

Company information

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3194991

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M W Scanlon – Chief Executive
K W Rooney – Non Executive Deputy Chairman
M I Dugdale – Chief Financial Officer
D Rees-Frost – Non Executive Director
B Head – Non Executive Director
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