Preliminary Results & Final Dividend

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under The Market Abuse Regulation (EU 596/2014) pursuant to the Market Abuse (Amendment) (EU Exit) Regulations 2018. Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Personal Group Holdings plc
("the Company" or "Group")

Preliminary Results & Final Dividend for the Year Ended 31 December 2020

Robust financial results alongside clear strategic progress

Personal Group Holdings Plc (AIM: PGH), the digitally-enabled employee benefits and services provider, is pleased to announce its preliminary results for the year ended 31 December 2020.

Financial Highlights

- Group revenue resilient at £71.5m (2019: £70.9m) despite the COVID-19 impact, owing to a high level of recurring revenue and diverse income streams
- Adjusted EBITDA, the Group's key performance metric, of £10.1m (2019: £11.0m)
- Statutory profit before tax of £8.6m (2019: £10.5m, with the benefit of a £1.3m tax provision release)
- Basic EPS of 22.1p (2019: 28.4p)
- Strong balance sheet and liquidity with cash and deposits as at year end of £20.2m, and no debt
- Dividend announced post-period end of 5.1p per share

Operational Highlights

- Introduced new sales channels of virtual visits and telesales in the core insurance business to mitigate inability to perform face to face visits on client premises

due to COVID-19, but new annualised insurance premium still impacted at £2.4m (2019: £9.0m)
- Significant new contracts secured with Royal Mail and post-period end with Kingfisher, together adding an extra 180,000 potential customers able to buy insurance products
- Successful launch of the Sage Employee Benefits offering, targeting the SME sector
- Expansion of Public Sector customer base, signing contracts with 13 public sector clients and being accepted onto six public sector frameworks
- Hapi users up c.15% to over 470,000 with over 175 organisations using our employee engagement platform

Post-period trading and Outlook
- Limited new insurance sales during 2020 and the current lockdown will impact insurance revenues in 2021
- Sage Employee Benefits currently delivering in excess of £1m gross annualised recurring revenues, representing an exciting mid-term opportunity and potential access to approximately 10m additional employees
- Growing pipeline of opportunities both direct and through partners
- Clear strategy in place, which will enable the Group to capitalise on market trends including the increased importance of supporting employee wellbeing

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

Deborah Frost, Chief Executive of Personal Group, commented:

"There is no doubt it has been a very challenging year, with the restrictions in 2020 impacting new insurance sales in 2020 and into 2021, but looking past this one-off headwind, we believe the business has entered the new year in a very strong position.

I am proud of the way that the team has responded. We were able to quickly pivot our core insurance sales approach so that it could be delivered virtually where client availability allowed, and continued to press forward with other strategic initiatives, such as broadening our services into SME and the public sector. Thanks to the hard work of everyone in the business we have delivered robust financial results alongside a number of significant new client wins and the fruition of our partnership with Sage.

Looking after the health and wellbeing of all employees, from key workers to SME employees, is high on the agenda for many UK managers, and we have an excellent proposition to make this a reality. Our strategy to expand our footprint into new markets has begun to be executed over recent months as we have substantially expanded the pipeline of employees to whom we can sell our products. We have a winning team creating a brighter future for the UK workforce and look toward to the future with excitement.

I want to thank Mark Winlow, our outgoing chairman, for his support and drive over the last eight years and welcome Martin Bennett to the team as we enter the next chapter in our development."

An overview of the preliminary results from Deborah Frost, Chief Executive, is available to watch here: https://youtu.be/QkGAbk8v1PU

-ENDS-

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Notes to Editors

Personal Group Holdings Plc (AIM: PGH) is a digitally-enabled employee benefits and services provider. The Group enables employers across the UK to improve employee engagement and support their people's physical, mental, social and financial wellbeing. Its vision is to create a brighter future for the UK workforce.

Personal Group provides health insurance services and a broad range of employee benefits, engagement and wellbeing products. Many of these services are delivered through its proprietary app, Hapi.

The Group's growth strategy is centred around widening the footprint of the business into the SME, talent-led & Public Sectors, thereby expanding the addressable customer base. In addition, it aims to grow in its existing industrial heartlands, to re-invigorate growth in insurance policyholders and to drive the use of its SaaS offerings.

Clients include: Arsenal FC, Barchester Healthcare, DHL Supply Chain Limited, Merseyrail, Randstad, Royal Mail Group, the Sandwell & Birmingham NHS trust and Stagecoach Group plc. c.40% of clients are served by two or more group companies.

For further information, please see www.personalgroup.com

Chairman's Statement

Navigating a challenging year

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

Most critically, we continued to deliver benefits, both in financial terms and in peace of mind, to individual employees, many of whom make up the working backbone of Britain as "Key Workers". The risks that these individuals were taking in the early days of the pandemic were unknown and consequently, our products were starkly important in providing protections to individuals and their families should they become hospitalised or, as sadly happened in some cases, die. I am proud that we have managed to Connect the Unconnected, Protect the Unprotected, and equipped employers to engage and reward their loyal employees during 2020.

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

Group priorities responding to COVID-19

During 2020 we have seen a considerable change in the behaviour of employers. Our clients are becoming more thoughtful in how they approach engaging their workforces and improving their wellbeing. This has become a key business imperative.

As a result, many of our clients now have more complex communication and engagement needs and Personal Group has responded to this well. Our methods of engaging with our existing and prospective clients have changed; we have become more targeted and consistent in our account management which has led to successes with Royal Mail and other significant clients. We have also developed a much more integrated style that takes advantage of the strengths of our combined business propositions and our unique salesforce. Furthermore, we have adapted to selling our products remotely.

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

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

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

Progression on our ESG journey

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

Board appointments and succession

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

The world in which we operate has changed rapidly in the last eight years and I am pleased how the business has adapted. I leave the business still facing challenges and opportunities ahead but in the extremely capable hands of Deborah, our Chief Executive and my successor Martin Bennett, former CEO of

HomeServe UK, who joined the board in January. I thank the entire board for their support.

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

Dividend

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

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

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

Outlook

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

Mark Winlow
Non-Executive Chairman
22 March 2021

Chief Executive Statement

An eventful year

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

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

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

Financial review

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

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

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

Impact of COVID-19 and pivoting our core business

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

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

Performance against growth strategy

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

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

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

Entering the SME market with the conversion of Sage clients beginning

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

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

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

Gaining a greater foothold in the Public Sector

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

Maintaining focus on the growth of our insurance book

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

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

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

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

Driving an increased use of digital platforms with a SaaS model

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

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

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

The Group's 2025 aspiration is to have 1 million users of the Group's Hapi platform, and we currently stand at over 470,000 activated users, an increase of c.15% in-year, despite the pandemic impact.

Our People

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

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

Outlook

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

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

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

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

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

Deborah Frost
Chief Executive
22 March 2021

CFO Review

Group revenue

Group revenue for the year of £71.5m (2019: £70.9m) reflects a mixed performance across the various business areas. The COVID-19 pandemic directly impacted performance on the insurance side, where our field sales team were unable to carry out their traditional face-to face approach for new insurance sales, and PG Let's Connect was affected by global supply shortages of technology products during its peak trading period.

However, this was outweighed by strong revenue growth from the SaaS business, from both transactional spend through the Hapi platform and the platform subscriptions themselves. The Group undoubtedly benefitted from its high levels of recurring revenue and repeat business in a very challenging trading environment.

Adjusted EBITDA*

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

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

Profit before and after tax

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

EPS

Resulting earnings per share was 22.1p (2019: 28.4p).

Insurance

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

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

In contrast, our year-on-year retention rates for existing policyholders strengthened during 2020 to over 80%, helping to alleviate the shortfall from new business. This reflects the value that policyholders place on our simple, low-cost hospital, convalescence and death benefit plans, that have been particularly relevant to our policyholder base of essential and key workers during the pandemic. Notwithstanding the short- term impact of COVID-19, the Group's insurance income remains a high quality and relatively stable revenue stream to the Group.

Claims ratios for the year remained fairly stable at 24.4% (2019: 22.1%) despite the Group paying out £0.5m, and holding a significantly increased reserve at the year-end, in relation to COVID-19 claims. We understandably saw an increase in our loss ratio for death benefit, which represents c20% of our insurance book, but this was mitigated by an offsetting reduction for hospital and convalescence, reflective of the capacity of the NHS being largely consumed by its COVID-19 response. With NHS waiting lists having increased, we may potentially see claims for ordinary operations begin to rise as the NHS catches up postponed procedures. We will continue to monitor for any evidence of any rises.

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

SaaS

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

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

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

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

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

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

PG Let's Connect

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

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

The Company benefitted from its major client, Royal Mail Group, whose contract was extended for a further 3 years in September 2020, continuing to run its 'always-on' scheme and had a healthy end to the year, with those schemes that chose to run for the Christmas period performing broadly in line with 2019. However nationwide stock availability issues for some key in-demand items, together with general supply chain disruption caused by COVID-19 restrictions, limited its potential performance for the year. This does provide additional opportunity for 2021 when these products become available.

Adjusted EBITDA* reduced to £0.5m (2019: £1.7m) reflecting the lower revenues but also a temporary reduction in gross margin as desired products were sourced from alternative suppliers. In addition, margin was impacted by a reduction in commissions received from third- party finance providers, in line with reduced interest rates, together with an increased cost of insurances and warranties.

Balance sheet

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

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

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

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

Dividend

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

Following the outbreak of COVID-19, in May 2020 the Board took the decision to reduce its second quarter dividend as a measure of prudence amidst the uncertain trading environment resulting from the pandemic.

In November 2020, the Company also announced that, in light of further national lockdown restrictions and ongoing uncertainty at that time, any payment of its fourth and final dividend in respect of its financial year ending 31 December 2020 would be made following publication of its audited full year results in March 2021.

As noted with the release of these accounts, a final dividend of 5.1p will be paid on 12 May 2021 to members on the register as at 6 April 2021 (the record date). Shares will be marked ex-dividend on 1 April 2021. The last day for elections will be on 20 April 2020.

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

The Board seeks to continue dividend payments in line with the historic pay-out ratio over the past three years.

Sarah Mace
Chief Financial Officer
22 March 2021

Consolidated Income Statement

	2020	2019

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

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

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

There is no other comprehensive income for the year and, as a result, no statement of comprehensive income has been produced. All operations are classed as continuing activities.

Consolidated Balance Sheet at 31 December 2020

	2020	2019
	£'000	£'000
ASSETS		

Non-current assets	**12,696**	12,696
Goodwill		
Intangible assets	**1,254**	1,301
Property, plant and equipment	**5,456**	5,984
	19,406	19,981
Current assets		
Financial assets	**2,587**	2,565
Trade and other receivables	**18,346**	18,549
Reinsurance assets	**78**	121
Inventories - Finished Goods	**861**	746
Cash and cash equivalents	**17,589**	14,476
Current tax assets	**55**	-
	39,516	36,457
Total assets	**58,922**	56,438

Consolidated Balance Sheet at 31 December 2020

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

Equity attributable to equity holders of Personal Group Holdings Plc

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

*PG Share Ownership Plan (SIP)

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Share Premium	Capital redemption Reserve	Other reserve	Profit and loss reserve	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2019	1,544	-	24	(210)	33,937	35,295
Dividends	-	-	-	-	(7,244)	(7,244)
Employee share-based compensation	-	-	-	-	19	19
Proceeds of SIP* share sales	-	-	-	-	20	20
Cost of SIP shares sold	-	-	-	44	(44)	-
Cost of SIP shares purchased	-	-	-	(64)	-	(64)
Shares issued in the year	17	1,134	-	-	-	1,151
Transactions with owners	17	1,134	-	(20)	(7,249)	(6,118)
Profit for the year	-	-	-	-	8,838	8,838
Total comprehensive income for the year	-	-	-	-	8,838	8,838
Balance as at 31 December 2020	**1,561**	**1,134**	**24**	**(230)**	**35,526**	**38,015**

*PG Share Ownership Plan (SIP)

Consolidated Cash Flow Statement

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

Consolidated Cash Flow Statement

	2020 £'000	2019 £'000
Operating activities		
Profit after tax	**6,894**	8,838
Adjustments for		
Depreciation	**1,003**	970
Amortisation of intangible assets	**470**	489
Profit on disposal of property, plant and equipment	**(150)**	(127)

Profit on disposal of investment property	**-**	(60)
Interest received	**(74)**	(131)
Interest charge	**73**	131
Share of profit of equity-accounted investee, net of tax	**-**	(9)
Share-based payment expenses	**8**	19
Taxation expense recognised in income statement	**1,663**	1,649
Changes in working capital		
Trade and other receivables	**247**	(1,520)
Trade and other payables	**384**	1,406
Provisions	**-**	(1,259)
Inventories	**(115)**	(103)
Taxes paid	**(2,303)**	(1,625)
Net cash from operating activities	**8,100**	8,668

Notes to the Financial Statements

1 Segment analysis

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

1) Core Insurance

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

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

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

2) IT Salary Sacrifice

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

3) SaaS

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

4) Other

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

	Core Insurance	IT Salary Sacrifice	SaaS	Other	Group
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Operating segments					
2020					
Revenue					
Earned premiums net of reinsurance	**28,826**	**-**	**4**	**-**	**28,830**
Other income - Insurance Related	**-**	**-**	**-**	**138**	**138**
Other income - IT Salary Sacrifice	**-**	**16,421**	**-**	**-**	**16,421**
Other income - Platform	**-**	**-**	**3,229**	**-**	**3,229**
Other income - Transactional and commission	**-**	**-**	**22,734**	**-**	**22,734**
Other income	**-**	**-**	**-**	**98**	**98**
Investment income	**-**	**-**	**-**	**74**	**74**
Total revenue	**28,826**	**16,421**	**25,967**	**332**	**71,524**
Net result for year before tax	**7,909**	**288**	**271**	**89**	**8,557**
Amortisation - Acquisition intangibles	**-**	**-**	**205**	**-**	**205**
Interest	**47**	**14**	**12**	**-**	**73**
Share based payments	**-**	**-**	**-**	**8**	**8**
Depreciation	**674**	**106**	**215**	**8**	**1,003**
Amortisation (other)	**182**	**61**	**22**	**-**	**265**
Adjusted EBITDA*	**8,812**	**469**	**725**	**105**	**10,111**

Segment assets	**26,573**	**11,748**	**6,020**	**14,581**	**58,922**
Segment liabilities	**7,566**	**6,937**	**3,645**	**-**	**18,148**
Depreciation and amortisation	**856**	**167**	**442**	**8**	**1,473**

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

	Core Insurance	**IT Salary Sacrifice**	**SaaS**	**Other**	**Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Operating segments					
2019					
Revenue					
Earned premiums net of reinsurance	30,205	-	9	-	30,214
Other income - Insurance Related	3	-	-	188	191
Other income - IT Salary Sacrifice	-	18,794	-	-	18,794
Other income - Platform	-	-	3,104	-	3,104
Other income - Transactional and commission	-	-	18,355	-	18,355
Other income	-	-	-	100	100
Investment income	-	-	-	131	131
Total revenue	30,208	18,794	21,468	419	70,889
Net result for year before tax	7,322	2,764	219	182	10,487
PG Let's Connect - Tax provision	-	(1,259)	-	-	(1,259)
Amortisation - Acquisition intangibles	-	53	171	-	224
Acquisition costs	-	-	-	145	145
Interest	91	23	17	-	131

Share based payments	-	-	-	19	19
Depreciation	791	112	58	9	970
Amortisation (other)	79	55	131	-	265
Adjusted EBITDA*	8,283	1,748	596	355	10,982
Segment assets	25,195	12,023	4,669	14,551	56,438
Segment liabilities	7,948	7,045	3,430	-	18,423
Depreciation and amortisation	870	220	360	9	1,459

2. Taxation comprises United Kingdom corporation tax of £1,566,000 (2019: £1,600,000) and a deferred tax charge of £97,000 (2019: £49,000)

3. The basic and diluted earnings per share are based on profit for the financial year of £6,894,000 (2019: £8,838,000) and on 31,164,809 basic (2019: 31,118,589) and 31,172,720 diluted (2019: 31,122,136) ordinary shares, the weighted average number of shares in issue during the year.

4. The total dividend paid in the year was £4,147,000 (2019: £7,244,000)

This preliminary statement has been extracted from the 2020 audited financial statements that will be posted to shareholders in due course. The statutory accounts for each of the two years to 31 December 2020 and 31 December 2019 received audit reports, which were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The 2019 accounts have been filed with the Registrar of Companies but the 2020 accounts are not yet filed.

Alternative Performance Measures

The Group uses an alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measure when reviewing performance of the Group, evidenced by executive management bonus performance targets being measured in relation to Adjusted EBITDA*. As such, this measure is important and should be considered alongside the IFRS measures.

For Adjusted EBITDA*, the adjustments taken into account in addition to the standard IFRS measure, are those that are considered to be non-underlying to trading activities and which are significant in size. For example, goodwill impairment is a non-cash item relevant to historic acquisitions; share-based 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; corporate acquisition costs and reorganisation costs are both one-off items which are not incurred in the regular course of business; and the movement in the PG Let's Connect tax provision are both considered to be non-underlying items, relates to a liability inherited on acquisition of that business and have the potential to fluctuate and be of significant size.

This methodology is unchanged from previous years.

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