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Personal Group Holdings Plc Annual Report and Accounts 2021

THE UK WORKFORCE IS CHANGING.

SO ARE WE.

Personal Group Holdings Plc

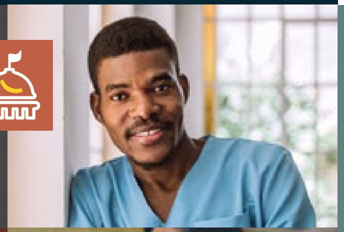
Annual Report and Accounts 2021

Personal Group

SUPPORTING THE UK WORKFORCE THROUGH OUR BROAD OFFERING OF EMPLOYEE WELLBEING AND ENGAGEMENT SERVICES.

STAYING
BETTER CONNECTED

Read more | **page 6**



KEEPING A
PERSONAL TOUCH

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BIG BENEFITS FOR
SMALL COMPANIES

Read more | **page 10**

2021 HIGHLIGHTS

Financial Highlights

GROUP REVENUE

£74.5m

(2020: £71.5m)

BASIC EPS

11.5p

(2020: 22.1p)

PROFIT BEFORE TAX

£4.3m

(2020: £8.6m)

DIVIDEND PER SHARE

10.6p

(2020: 18.4p)

ADJUSTED EBITDA

£6.1m

(2020: £10.1m)

CASH & DEPOSITS

£22.9m

(2020: £20.2m)

Operational Highlights

- **Significant new contracts secured** with 86 new clients, including goods retailer Homebase, University of York and The Royal Mint, resulting in a record number of new clients signed across the Group in one year.
- **2021 results impacted, as anticipated, by a reduction to insurance income** as a direct consequence of 15 months of COVID-19 lockdowns.
- **Face-to-face insurance product sales recommenced** in July with strong activity throughout H2 and high conversion rates for new policyholders.
- **Continued expansion into Public Sector with 16 new client wins** and opportunity remaining from the Group being on three Government frameworks.
- **Launched Hapiflex,** a more complex version of our benefits platform suitable for enterprise clients, winning significant clients within the first few months.
- **Offering to the SME sector** with the Sage partnership continuing to show strong momentum.

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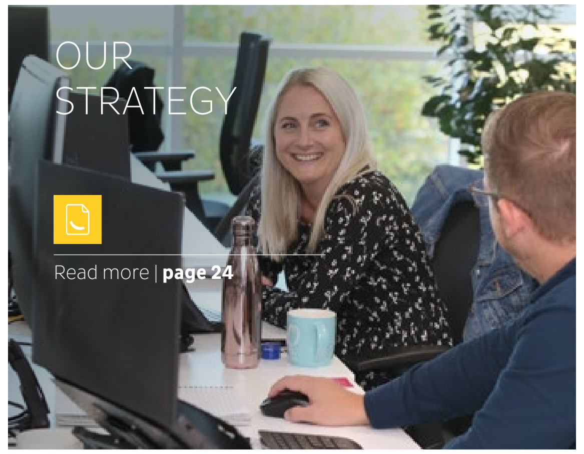
Overview



OUR STRATEGY

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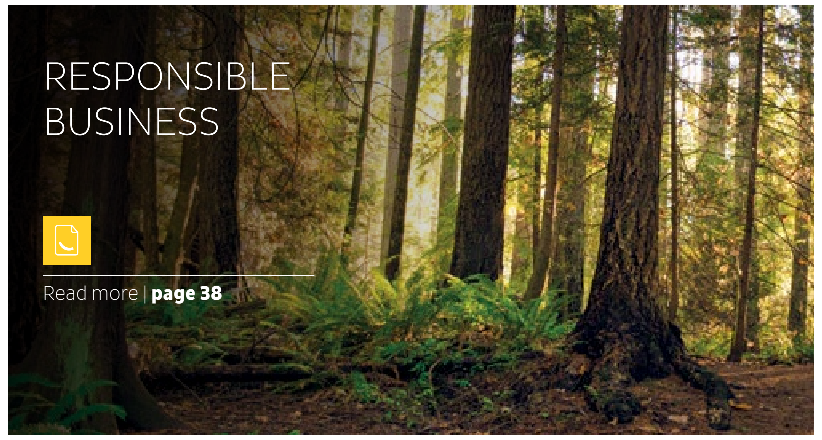

RESPONSIBLE BUSINESS

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Strategic Report

Governance

BOARD OF DIRECTORS AND SENIOR LEADERSHIP TEAM

Read more | **page 50-52**

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

Financial Statements

WHY INVEST IN PERSONAL GROUP?

A PROGRESSIVE, PROFITABLE BUSINESS ADDRESSING A RAPIDLY GROWING MARKET.

A DIVERSE AND ROBUST BUSINESS

Offering a broad market proposition spanning reward consultancy, employee benefits and insurance. This end-to-end solution makes Personal Group more attractive to clients and increasingly more resilient to market forces.

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

34%

OF OUR CLIENTS TAKE ADVANTAGE OF TWO OR MORE OF OUR SEGMENTS

Group Chief Executive's Statement| **page 14**

ADDRESSING A RAPIDLY GROWING MARKET

Demand for our services has never been greater as employers put an increased focus on improving their employee value propositions. Employers increasingly see employee benefits and wellbeing services as essential for recruiting and retaining staff in a competitive talent market.

Post-pandemic, we're seeing sustained demand for our affordable insurance products, both from employers looking to make their workforce more resilient, and employees who want some financial security in case of ill health or death.

41%

OF EMPLOYEES WORLDWIDE PLAN TO LEAVE THEIR JOBS THIS YEAR*

Our Markets | **page 18**

* Microsoft study

DIGITALLY-LED MODEL WITH PROPRIETARY SOFTWARE PLATFORM AT THE CENTRE

A digital solution that allows employees to access a wealth of financial, physical, mental and social benefits through an easy to use platform and app.

Easy for new offerings and business lines to be integrated into the platform.

Annual recurring revenue across the Group's digital platforms now stands at £3.6m. We are improving and adding to our digital platforms all the time – see p. 20-21 for the successful launch of the latest iteration, Hapiflex.

539,051

ACTIVATED USERS ON HAPI AND SAGE EMPLOYEE BENEFITS

Our Business Model | **page 22**

CASH GENERATIVE, DEBT-FREE AND A STRONG BALANCE SHEET

Cash generative with regular income generated from insurance premiums collected by our clients through payroll deduction and annual digital subscriptions paid in advance.

This together with strong financials underpins a longstanding policy of paying a significant level of profits as a dividend as well as providing firepower for growth.

£22.9m

CASH AND DEPOSITS WITH NO DEBT AS AT 31 DECEMBER 2021

CFO statement | **page 32**

EXPERIENCED MANAGEMENT TEAM

Board and senior leadership have a deep understanding of the business, and a proven track record in scaling-up businesses. We utilise a combined wealth of knowledge and experience to help the business achieve success and keep it moving forward.

Our senior leadership comprises a mixture of recent experienced external appointments and those with a historic understanding of our business.

180+ yrs

COMBINED EXPERIENCE IN THE INDUSTRY

Meet our Board | **page 50**

AMBITIOUS PLANS WITH A CLEAR ROADMAP TO GROWTH

We have outlined a clear strategy to drive significant growth and momentum is building with 86 new clients secured across the Group in 2021 and further progression made on partnerships.

We are diversifying customer bases and channels to market to future-proof our growth and our focus for the next few years will be on driving insurance, transforming reward and benefits and accelerating our SME offer.

>1.5m reach

AMBITION TO SUPPORT OVER 1.5M EMPLOYEES WITH OUR PRODUCTS AND SERVICES

Our Strategy | **page 24**

WHAT WE DO

WE PROTECT THE UNPROTECTED AND CONNECT THE UNCONNECTED – HELPING EMPLOYEES THRIVE IN WORK AND IN LIFE.

Where we want to get to

OUR PURPOSE

To Protect the Unprotected and Connect the Unconnected.

OUR VISION

A winning team creating a brighter future for the UK workforce.

What we do

Provide benefits and services focused on improving employee health, wellbeing and engagement. As a socially responsible business, we ensure that our offerings across the Group are fair, reasonable and accessible to all corners of society.
Our business has four core focuses:

PAY & REWARD

Consultancy and software solutions

Innecto – Innecto offers expert consultancy on all things pay and reward, along with a suite of cloud-based Saas tools.

Clients can choose a bespoke solution to help them develop and implement fair, consistent and best fit reward programmes.

Read about Innecto's work | **page 8**

BENEFITS PLATFORM

Delivered to employers directly and through channel partners

Hapi – A market leading, fully customisable, employee engagement platform and app. Hapiflex, offering flexible benefits, is also available for more complex requirements.

Sage Employee Benefits – An employee engagement product designed for the SME market.

Read about Hapiflex | **page 20**

AFFORDABLE INSURANCE

On weekly or monthly rolling contracts

Insurance – Hospital plan, convalescence plan, and death benefit policies, underwritten by Group subsidiaries.

Simple plans that are secured for the lifetime of the policy, providing people with peace of mind if the unexpected happens.

Read about insurance | **page 30**

OTHER OWNED BENEFITS

Access to consumer technology

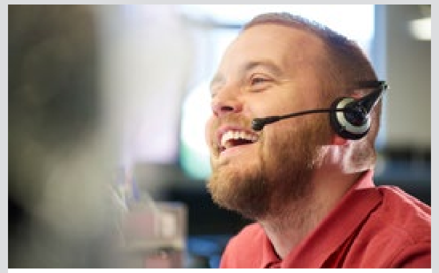
Let's Connect – Enables employers to provide a benefit scheme that allows their employees to access the latest consumer technology and other high end products from leading manufacturers and spread the cost either by salary sacrifice or net pay arrangements.

Read the case study | **page 6**

How we're going to get there

OUR STRATEGY

Our growth strategy is focused on widening our footprint across a broader range of industries.



Driving insurance sales through new and existing channels

Transforming reward and benefits

Accelerating our SME offer

Read more about Our Strategy | **page 24**

OUR VALUES

Our core values ensure that everyone understands, and is aligned with, who we are and how we want to operate.

Solid

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

Driven

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

Engaging

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

Expert

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

OUR PURPOSE IN ACTION

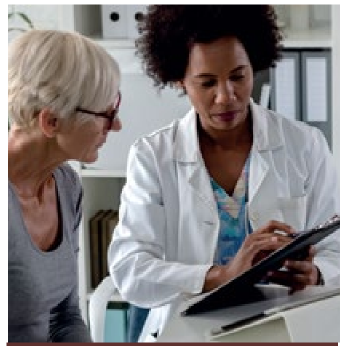
STAYING BETTER CONNECTED

HYWEL DDA UNIVERSITY HEALTH BOARD

Our work with Hywel Dda emphasises the relevance of technology benefit to the public sector. Let's Connect have a particular depth of experience with NHS Trusts, and when combined with a Hapi platform sale so employees can access their entire benefits offer in one place, the impact on engagement across the organisation is remarkable.

OPPORTUNITY

Hywel Dda is a health board that supports the health of West Wales, across the counties of Carmarthenshire, Ceredigion and Pembrokeshire.
They employ 13,000 staff.



£481k

EMPLOYEE SPEND ON LET'S CONNECT (2021)

SOLUTION

Hapi provides a quick and simple way for Hywel Dda to connect with every employee.

Hywel Dda initially implemented the Hapi platform to showcase the wide range of benefits they offer to their amazing workforce.

Providing benefits that employees want and use
Hapi offers access to hundreds of high street and online retail discounts, including restaurants, days out, and cinema schemes, which have proved popular across the organisation. With instant e-vouchers downloaded straight to employees' smartphones, it's easy to shop and save. Local offers will now be added to bring wider community benefits around their main locations.

Employees can also save with salary sacrifice schemes, running twice a year. They can save money on a new bike via a Cycle to Work scheme, encouraging a healthier, greener commute. Employees also have access to the latest home technology through tech benefit provider Let's Connect – so far Hywel Dda has achieved employer savings of an estimated £1m with over 3,500 staff enrolled in the scheme since it began.

Looking forward, Hywel Dda are also excited about using Hapi to expand their wellbeing offer.

Like other healthcare organisations, they faced huge challenges throughout the COVID-19 pandemic. It's important to support their staff's mental and physical wellness so they can continue to perform at their best. By making it easy to access health and wellbeing benefits, the organisation hopes to improve rates of sickness absence and staff turnover, leading to better outcomes for their service users.

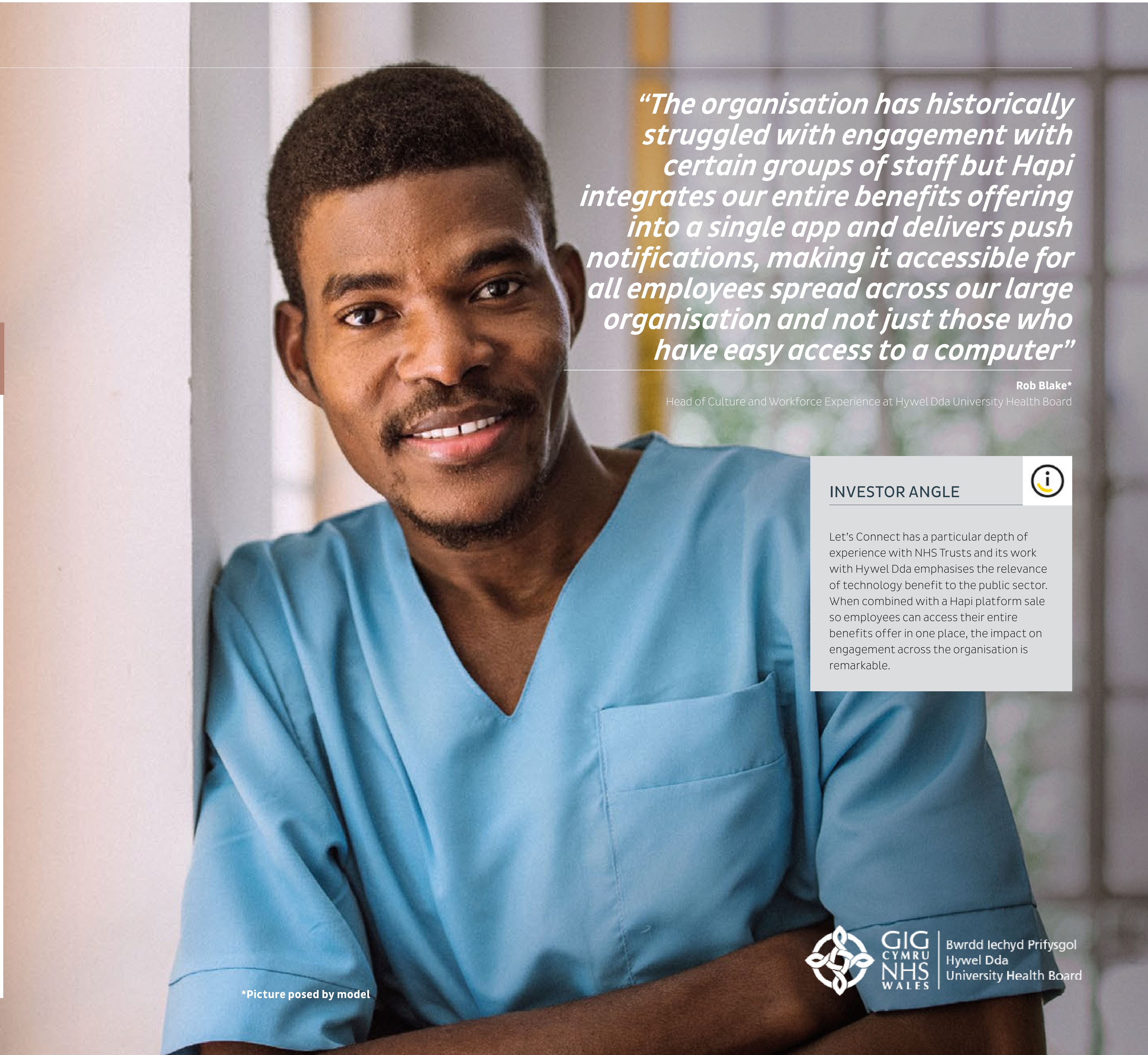
OUTCOME

Hywel Dda are really pleased with how Hapi has helped to deliver a winning benefits offer to every employee, with consequent gains for engagement and productivity.

With Hapi, staff can make the most of their benefits, wherever and whenever is convenient for them. Hywel Dda also now has a direct line of communication via push notifications so everyone has access to relevant information, even hard to reach frontline employees.

A final word from the client:
"Hywel Dda are well on the way to creating and delivering a benefits package that will help us recruit and retain our amazing workforce. We've done great work in creating a culture of collaboration between HR, management and frontline staff, which in turn generates greater staff engagement and satisfaction."

Read more online |
https://www.hapi.co.uk/content-hub/case-studies



"The organisation has historically struggled with engagement with certain groups of staff but Hapi integrates our entire benefits offering into a single app and delivers push notifications, making it accessible for all employees spread across our large organisation and not just those who have easy access to a computer"

Rob Blake*
Head of Culture and Workforce Experience at Hywel Dda University Health Board

INVESTOR ANGLE

Let's Connect has a particular depth of experience with NHS Trusts and its work with Hywel Dda emphasises the relevance of technology benefit to the public sector. When combined with a Hapi platform sale so employees can access their entire benefits offer in one place, the impact on engagement across the organisation is remarkable.

GIG CYMRU NHS WALES | Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

***Picture posed by model**

OUR PURPOSE IN ACTION continued

KEEPING A PERSONAL TOUCH

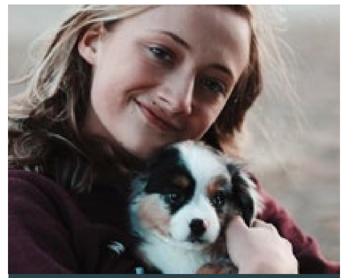
BOUGHT BY MANY

Innovative insurtech business Bought By Many sells pet insurance policies. With impressive growth over the last four years and no plans to slow down, the company needed to implement robust reward architecture that would enable them to keep attracting and retaining talented employees, whilst flexing to accommodate their fast-growing business.

OPPORTUNITY

Bought By Many is a fast-growing organisation scaling at pace and thus recognises the importance of ensuring the right roles are in place at the right level to support growth.

They want to ensure that their employee deal is effective at attracting and retaining talent in a competitive market.



76%

UK MANAGERS HAVE NAMED WELLBEING AS A TOP PRIORITY

SOLUTION

It was important that any solution would support the agility and growth aspirations of Bought By Many, balancing rigour with flexibility.

Innecto worked closely with the People Team and the Senior Leadership Team to firstly implement a job evaluation framework to size roles and understand the organisation shape of the business. Evaluate™ is a robust job evaluation scheme, delivered via Innecto's proprietary software. It provides an analytical framework which provides the rigour without a lengthy evaluation process that would work against a fast-moving business.

The second phase to the project was to benchmark their roles to understand how the Bought By Many employee deal compares with the external market. The outputs were delivered through PayLab™, our cloud-based pay insights tool. This brought the information to life, presenting it in a visual way which was easier to absorb and enabled the senior team to easily share the outcomes with their team.

The job evaluation framework and the external benchmarking then fed into the pay review process, giving confidence to the Senior Leadership Team and employees that pay decisions were fair, consistent, and rooted in data.

OUTCOME

The project provided a strong foundation on which Bought By Many could base reward decisions going forward. Through the combination of Evaluate™ and PayLab™, Bought By Many have the software to ensure future roles are sized objectively and that pay is set in line with the market and their pay stance. Both Evaluate™ and PayLab™ can be easily updated as the business grows therefore supporting the need to recruit at pace in line with the ambitious growth aspirations. The additional insight provided by Evaluate™ into organisational shape and design will help Bought By Many to think through what their organisational structure needs to look like both now and in the future as the business grows.

Read more online | **https://www.hapi.co.uk/content-hub/case-studies**

"It was important that any solution would support the agility and growth aspirations of Bought By Many, balancing rigour with flexibility."

Julia Ingall*
Chief People Officer at Bought By Many

INVESTOR ANGLE

Innecto's enviable client list includes many household names within retail, financial services, not-for-profit, professional services, sport and media. As a former start-up, Bought By Many is a good example of a fast-growing business using Innecto's expertise and digital analytics to secure a robust pay infrastructure which will underpin their future growth.

BOUGHTBYMANY
We're changing to ManyPets

*Picture posed by model

OUR PURPOSE IN ACTION continued

BIG BENEFITS FOR SMALL COMPANIES

CLINISUPPLIES

Clinisupplies are a great example of an SME using access to Personal Group benefits through our partnership with Sage to give them an edge in the war for talent. The UK's SME sector is vast but fragmented – the business we've developed with Sage gives us access to this previously untapped market. Our growth this year is only the start of our SME story, as we improve the attraction, retention and lifetime value of our clients.

OPPORTUNITY

Clinisupplies provide medical devices for the continence, urology, and wound closure markets. They are headquartered in Watford with 120 staff split between the UK and India.

Clinisupplies wanted to pull together their employee benefit offerings into a cohesive and easy to access package, as well as saving HR time and resource by managing them in one place.

The company has a long-standing culture of recognising excellence via reward and recognition, but wanted to centralise their schemes and make them easier to administer. They also wanted to provide wellbeing resources for staff, helping them stay healthy and productive even in difficult circumstances.

SOLUTION

Reward & Recognition

Historically, Clinisupplies had a variety of reward and recognition schemes. Sage Employee Benefits enabled them to centralise and expand their reward and recognition offerings, using it to motivate employees and celebrate their hard work.

Now, whenever employees receive an award or are recognised for their efforts, they can quickly and easily redeem their award through Sage Employee Benefits from their choice of retailers. 2020's conference was held virtually because of COVID-19 restrictions, but Clinisupplies sent employees vouchers to buy food and drink to enjoy at home, as well as £50 in Amazon vouchers – all administered through Sage Employee Benefits. So far over £43,000 has been approved in awards!

Personal Group worked with the client to personalise these awards to make them as easy as possible to issue and manage. Clinisupplies also regularly use e-cards peer to peer to say thank you or recognise excellence.

Wellbeing

Sage Employee Benefits allows Clinisupplies to host the majority of their health and wellbeing benefits in one place. The EAP sits alongside a weekly newsletter offering advice on healthy lifestyle choices. Employees can also access 24/7 GP appointments for themselves and their families via video or phone call.

Clinisupplies' wellbeing offering fits with their company ethos of supporting health and the resources were particularly welcome in the age of COVID-19. Having it all in one place makes it easy for staff to access and HR teams to administer.

OUTCOME

95% of Clinisupplies' employees are activated on Sage Employee Benefits. After taking up a six-month free trial, they have transitioned to a paid subscription for several reasons:

- Platform provided what they were looking for and more
- Simplicity of having many benefits in one place
- Saves HR teams' time and resource and is easy to administer
- Scalable to future needs
- Flexibility to add or take away licences month by month

Read more online | **https://www.hapi.co.uk/content-hub/case-studies**

1m

NUMBER OF UK SMES USING SAGE

"Sage Employee Benefits has very quickly become part of our process. We've had excellent feedback in our employee surveys about the platform – it supports positive engagement and makes it simple for employees to access their benefits"

Amanda Cass*
HR Director at Clinisupplies

INVESTOR ANGLE

Clinisupplies is a great example of an SME using access to Personal Group benefits through our partnership with Sage to give them an edge in the war for talent. The UK's SME sector is vast but fragmented – the partnership we've developed with Sage gives us access to this previously untapped market. Our growth this year is only the start of our SME story, as we improve the attraction, retention and lifetime value of our clients.

***Picture posed by model**

Clinisupplies

CHAIRMAN'S STATEMENT

"SUCCESSFULLY SUPPORTING THE UK WORKFORCE WHEN IT WAS NEEDED MOST."

In this, my first statement as Chairman of Personal Group, I am delighted to report on a year of excellent strategic progress for the business. Despite a longer-than-expected lockdown in H1 and some challenging conditions throughout, the team achieved a great deal in 2021, accelerating us towards a strong return to growth in the years ahead.

As a truly purpose-led business the most important achievement to note is the support we've continued to provide to employees all over the country. In what has been a very difficult time for many we have continued to pay out claims in full, supplied invaluable wellbeing support, improved lives with access to benefits of all varieties, and provided the means to keep scattered colleagues connected.

We have touched the lives of more than a million people in some way this year, a proud achievement in line with our guiding vision: to create a brighter future for the UK workforce.

I would like to take this opportunity to sincerely thank every member of the Personal Group team who has made this happen, all our partners, clients and of course our supportive shareholders.

Focused on growth

Whilst our results for 2021 were impacted, as anticipated, by a reduction to our insurance income as a direct consequence of 15 months of COVID-19 lockdowns, we have delivered good growth in many other key metrics – total unique client numbers and activated benefits platform users, for example. This demonstrates the underlying health and optimism in the business.

Looking beyond the day-to-day, returning to and delivering long-term growth has been at the forefront of our minds. We are therefore delighted to have won 86 new clients across the Group in 2021 – more than ever before. We have broadened our offering significantly and further defined our strategy in pursuit of that ambition with new targets for 2025. Having experienced a reduction in the size of our insurance book as a result of COVID-19, we have now recommenced face-to-face sales in earnest and are determined to not only build back to historic policyholder numbers, but to surpass them.

Providing broader support, widening our footprint

Our progress this year outside of insurance has been driven by two elements in particular. The first of these is the broadening of our offering. Over the year we have introduced a host of new benefits and distribution channels. We've also developed a more multifaceted version of our benefits platform Hapi, to address the needs of talent-driven organisations. It has been very well received. This work builds on our unique selling point: housing a very broad range of reward, benefits and insurance solutions within one Group.

The second driver has been success in expanding into new industries. In the public sector we've had 16 new client wins and have opportunities in play on three key Government frameworks. Our partnership with Sage has also progressed further – we currently provide 20,000 employees with Sage Employee Benefits and have a route to market to reach the 7.5m employees working in UK SMEs between 10-250 employees. In addition, we have made important inroads into talent-driven businesses with more companies taking up Innecto's services and early wins secured for our Hapiflex product.

> *"The growth in the market underpins our prospects as a business."*
>
> **Martin Bennett**
> Non-Executive Chairman

EMPLOYEES WITH ACCESS TO ONE OR MORE OF OUR SERVICES	DIVIDEND PER SHARE	EMPLOYEE ENGAGEMENT SCORE
1.2m	10.6p	72%
(2020 1.1m)	(2020 18.4p)	(2020 76%)

A winning team

Supporting, communicating with, and rewarding our own people has been a key focus this year. We implemented a flexible hybrid working policy to cater for a broad variety of personal preferences and spent time reaffirming our core values as a team. Knowing we are all aligned with a clear purpose to serve underpins our ability to deliver sustainable growth going forward.

The senior team was bolstered by a number of new operational-lead appointments. Pleasingly, these were a mixture of experienced external appointments alongside several internal promotions. As a leadership team we are always pleased to reward our people and provide career progression opportunities.

At Board level, I was honoured to step into the Chairman role in May. It is a great team to be part of and I would like to take this opportunity to again thank Mark Winlow for his service to the business for many years.

Progression on ESG

I have been greatly encouraged by the strides made in this important area of the business, one that is a priority at Board level.

Over the course of the year, we have made good progress against a number of initiatives to reduce our carbon footprint, foster an inclusive, progressive and diverse working environment and to ensure a robust corporate governance framework, all enhancing our wider Environmental, Social and Governance (ESG) strategy.

Key highlights in 2021 included installing solar panels at our headquarters, establishing a Nomination Committee, progress from our diversity and inclusion working group and a continuation of our long-established commitment to the wider community through our work with partner charities PACT and The Memusi Foundation.

We have an excellent foundation on which we can continue to build, and will drive meaningful change across our business going forward.

A market in growth

Part of the reason I joined Personal Group a year ago was the Group's remarkable growth opportunity. During 2021 the market accelerated further – it has never been more important for organisations to look after their people. Whether it is due to the war for talent, wage inflation, the impacts of Brexit or a host of other factors, companies everywhere are fighting to retain their talent and appreciate that caring for employees' health, wellbeing, and building a sense of community has become a non-negotiable.

The growth in the market underpins our prospects as a business. We have a first-class, proven and broad offering to cater to this growing demand and we look forward to capitalising on the opportunity.

Dividend

I am pleased to announce that the Board has recommended a final ordinary dividend of 5.3 pence per share which will be paid to shareholders on 20 May. This makes a total ordinary dividend for 2021 of 10.6 pence per share and whilst this dividend reflects our reduced profits for the year it does still represent a significant proportion of our earnings per share as the Board seeks to continue our dividend payments in line with historic pay-out ratios.

Outlook

Notwithstanding the increased macro political and economic uncertainty, including the ongoing conflict in Ukraine, which we will continue to monitor closely to enable us to take appropriate steps to manage any impact this has on the Group, looking ahead, as a predominately people-based UK business, the Board and I are confident about the Group's prospects. Our market has never been more relevant; we have a strong and driven team in place and a clear strategy driving us towards growth. We look forward to continuing to provide more support to more people in the UK over the coming year, helping them to thrive both in work and in life.

Martin Bennett
Non-Executive Chairman
28 March 2022

Further information

KEY PERFORMANCE INDICATORS
Track how we measured up on KPIs.
Read more | **page 28**

ESG
Our progress on Environmental, Social and Governance goals.
Read more | **page 38**

GROUP CHIEF EXECUTIVE'S STATEMENT

"PERSONAL GROUP IS A PURPOSE-LED BUSINESS – WE'RE A WINNING TEAM CREATING A BRIGHTER FUTURE FOR THE UK WORKFORCE."

NEW CLIENTS IN 2021
86
(2020 48)

ACTIVATED USERS ON HAPI AND SAGE EMPLOYEE BENEFITS
539,051
(2020 484,773)

NO OF INSURANCE PAYERS
93,147
(2020 103,497)

2021 saw the pandemic-related restrictions continue until mid-July, which had a significant effect on our, and our clients', business operations. As a result, and as previously identified, our profits were impacted compared with pre-pandemic levels. Pleasingly though, while we will continue to see the impact on our insurance business premium income into 2022, we have now entered the recovery phase and expect to see Group earnings return to year-on-year growth from FY22.

The pandemic has also brought into even sharper focus the imperative to build towards our key strategic goals of widening our offer and making it more relevant to more sectors and sizes of business – we're building significantly bigger growth prospects in the medium-term and I am delighted to report on the substantial progress we've made this year.

I am particularly pleased by the re-building of the insurance book, which having been held back by restrictions for 15 months, began in July 2021, and the growth and development of our small and medium-sized business (SME) offer. Working together with Sage, we have grown from 30 to 1,500 clients paying for the Sage Employee Benefits platform this year, reaching c.20,000 employees and with a firm formula now established for scaling the business between us.

Further information

HAPIFLEX Our flexible benefits solution for talent-driven organisations.
Read more | **page 20**

CFO STATEMENT From Personal Group CFO Sarah Mace.
Read more | **page 32**

INSURANCE BUSINESS Read interview with COO Liam McGrath on our ambitious growth plan.
Read more | **page 30**

During the pandemic, we became closer to our clients, and by listening to our HR Director market, we have driven development of our products and services in line with their needs, and now have compelling offers for SME, public sector, enterprise and talent-driven organisations. We stand out in the workforce benefits market due to the breadth of our offering, which includes a reward consultancy capability, market-leading technology platforms, employee-paid insurances and Let's Connect, our business providing access to consumer technology through salary sacrifice. As a result of how we are evolving as a business, we have revised the way we report our segmental results, which is described in more detail in the CFO statement on page 34.

While COVID-19 impacted our business in the short-term by affecting our traditional face-to-face insurance sales model, at the same time it has brought a welcome long-term focus for employers on the importance of supporting the resilience of employees. Never has the importance of supporting your team, implementing effective remuneration schemes and ensuring they have access to impactful benefits been more apparent. This is driving increased demand for our offering and underpins our confidence for the future.

Sales and Operational review

Pay and Reward: Innecto

Clients often start working with us as they evaluate how effective their overall pay and reward strategy is, engaging through Innecto, our consultancy business. Innecto delivered a strong performance in 2021, as demand returned quickly post-pandemic and we drove sales of consultancy services up towards 2019 levels.

It was also pleasing to see that our digital analytics tools now generate an Annualised Recurring Revenue (ARR) of c.£450k, reflecting the high value clients place on detailed pay analysis and benchmarking. Innecto now work from 49 new clients through the year, demonstrating that our market proposition is strongly resonating with our target market. This year as well as general pay and reward products, we've seen clients implementing responsible reward strategies, looking hard at gender and ethnicity pay gaps and using our tools to help them map progress year-on-year.

We've identified a strong drive towards considering the 'Social' element of ESG metrics in managing pay fairly. The robust relationships we've built with key decision-makers who return for advice year after year allows us to also cross-sell wider Group propositions and we anticipate a year of continued growth in pay and reward in 2022, especially as employee turnover activity and pay inflation drives more focus on attracting, rewarding and retaining the workforce.

Benefits platforms

We are at the forefront of the increasing awareness of the 'benefits of benefits'. Gone are the traditional days of pension and cars for a select few; today clients are working with us to find more innovative solutions to improve the wellbeing of their employees, recognising that the pandemic has brought changing patterns of working from home for the majority of their office-based staff. Employee communication channels have significantly increased in importance in reaching employees wherever they are, and our benefits platform is frequently used as part of the employee communications toolkit for direct-to-employee messaging.

Hapi and Hapiflex

We were delighted to bring the next generation of our 'Hapi' platform – our flexible benefits solution, Hapiflex – to market in September 2021, with a number of client wins already secured in Q4. Hapiflex is a unique platform that delivers a range of flexible benefits directly to employees via a mobile and desktop app. It builds on the functionality of the Hapi app while putting the decision-making process firmly into the hands of employees, making it easy to build a benefits package that suits their individual needs. Hapiflex allows us to target a new market sector: organisations looking to offer their employees a more complex benefits offer. These tend to be talent-driven organisations, with greater average earnings per employee than our traditional 'enterprise' customer. You can read more about Hapiflex on page 20. Meanwhile we saw 20 Hapi platform sales in 2021, proof that our employee engagement platform is competitive in the market and meeting the needs of new clients.

Sage Employee Benefits

The SME business we've developed with Sage has gone from a standing start last winter to a growing business serving 20,000 paying employees. SMEs are facing the same struggle to recruit workforces as bigger organisations, and a benefits platform gives them an edge in the war for talent. The growth this year is only the start of our SME story, as we improve the attraction, retention and lifetime value of our clients.

We help our clients create a winning employee deal that keeps staff performing at their best, day after day, in all sizes and sectors.

Affordable insurance

Our insurance business is the resilient, recurring revenue engine of the business, which served over 93,000 insurance payers in 2021, with more than 230,000 policies in force. We resumed face-to-face insurance sales in July, and although it has taken time to fully re-start the engine after a gap of 15 months, we are working towards achieving full strength in the team and conversion rates are high.

We're serving new clients alongside existing; our partnership with Royal Mail Group is particularly successful. With individual salespeople's average daily sales up 8% on 2019 -pandemic numbers, it is clearer than ever that our simple insurances are highly valued by our customers, and our purpose: to 'protect the unprotected and connect the unconnected' has never been more important.

What's more, these sales are not all substitutional – we're seeing higher levels of people with more than one policy and therefore higher levels of policy premium income. This trend re-emphasises that our products are relevant to the market we serve, and invaluable in roles which don't offer sick pay and death in service as part of their standard benefits package.

Through the pandemic lockdowns we developed more routes to market – virtual visits, telesales, and in-app insurance. Whilst face-to-face sales is still our primary distribution method, we've developed effective, lasting and lower-cost new channels to add to our sales model which also allows us to reach a wider proportion of customers. We look forward to seeing the results of our developing insurance strategy over the medium term as early signs are promising.

"We are at the forefront of increasing awareness of the 'benefits of benefits"

Deborah Frost
Group Chief Executive

GROUP CHIEF EXECUTIVE'S STATEMENT continued

"WE ARE FOCUSED ON BUILDING A BUSINESS WITH ROOM TO GROW IN THE MEDIUM AND LONG-TERM, AND THOSE FOUNDATIONS ARE NOW IN PLACE."

Other owned benefits: Let's Connect

During 2021 the segment began to return to normal trading as schemes began to operate at pre-COVID levels with 20 new clients won in the period.

The supply shortages which heavily impacted the second half of 2020 continued to affect the business during the period. However, this was mitigated by broadening the product range to incorporate white goods, gym equipment and outdoor furniture.

This broadening of the product offering coupled with new business wins and an expected return to full supply of sought-after technology products gives reason to be optimistic for the segment's performance moving into 2022.

Further information

OUR STRATEGY Find out about our ambitious three year plan.
Read more | **page 24**

Growth strategy

We aim to build workforce resilience for clients, helping employees thrive in work and in life.

Over the three years I have led the business, we have consistently executed on our strategy to widen our business proposition beyond insurance sales through our enterprise clients. Despite two years of pandemic restrictions, we added 86 new clients across the Group in 2021 and continue to see evidence of new client interest in new sectors. We are focused on building a business with room to grow in the medium and long-term, and those foundations are now in place.

As our business model has evolved, we have improved clarity about business acquisition targets. These fall into three main areas:

- increasing the scale of the business through the addition of clients and customers with cross-sell opportunity;
- accelerating growth into a chosen area such as digital insurance or providing access to specific technology; and
- adding in third-party suppliers to our benefits proposition.

We are actively looking at opportunities under these main headings.

Our refreshed strategy to substantially grow the business over the medium-term is based on three key areas for growth:

1. Driving insurance

- Our overarching strategy continues to focus on developing and maximising opportunities for growth. Our insurance business has particular resonance in our core enterprise markets, and we are continuing to develop opportunities with new and existing accounts through different approaches whilst still retaining our central employer offer of face-to-face meetings with all employees.
- In addition, we are developing new products and channels to market in order to reach new audiences through different types of employer. This gives us greater distribution opportunities and allows cross-selling from Let's Connect and Innecto client bases.
- Continuing to improve policyholder retention is fundamental to our growth. We have made important strides by listening to policyholders, offering payment holidays where needed and ensuring we have payment back-up beyond company payroll. Our Keep My Cover alternative payment method resulted in £1.1m of premium income, which would previously have been lost, being collected by direct debit in 2021 and is now in place for 28% of policyholders who currently pay through payroll. Our goal is to significantly increase the percentage of policyholders with alternative payment methods on their account.

2. Transforming Reward & Benefits (platform growth)

- Workforce benefits is a fast-developing area where we are creating innovation with our product range: Hapi and Hapiflex. Adding new market opportunities as well as a clearer offer to our existing markets is now showing traction with increased sales and driving bottom-line growth in the medium-term.

3. Accelerating SME offer

- The SME market in the UK is vast, and mainly under-served due to the challenges of reaching the sector at scale. Our partnership with Sage allows us to directly reach the seven million UK employees using Sage services at realistic cost. Over 2021 we moved through the start-up phase and can now really capitalise on growth by professionalising our joint operation. To meet the needs of this market we have invested in new talent to drive digital customer acquisition and improve our customer journey.

Alongside this refreshed strategy, we are today announcing a number of aspirations for the mid-term:

1. Over 80% employee engagement
2. Over 75% customer approval rating
3. Serving >1.5m employees
4. Driving in-year premium income over £35m
5. Unlocking EBITDA growth

A winning team

Employee engagement scores were at 72% this year, and the Board and I are focused on building this beyond 80% over the next three years, which in turn will drive customer satisfaction, client satisfaction and increased innovation and commerciality.

The Senior Leadership Team has been tightened and refreshed in the last few years, bringing new skills and perspectives to the Group. We now have an excellent team in place to execute on our growth ambition.

Outlook

Our strong team, together with the technology we've developed, the partnership we have with Sage, our years of experience and strong balance sheet, combined with a hugely supportive external market environment, give me great confidence in what we can achieve in the next three to five years. We recognise that the needs and required skill-sets of the business evolve, and we will continue to invest in people at different levels to effect the change we need.

I would like to thank the senior team, our people and the Board for their support, challenge and enthusiasm for the goals we've set ourselves. We are excited about where we are going next.

Deborah Frost
Group Chief Executive

28 March 2022

HOMEBASE SEES THE VALUE OF FACE-TO-FACE VISITS

Homebase is a British home improvement retailer and garden centre with stores across the United Kingdom and Ireland. They employ over 5,600 people.

As well as the opportunity to sell our insurance products, site visits are designed to deliver ROI for the client's benefits package – both in boosting take-up numbers, and making sure employees appreciate the value of their deal compared to a competitor.

Using the backend HR Hub, we can see obvious spikes in activation levels resulting from the Employee Engagement Executive (EEE) visits. Having them take employees through the platform 1:1 clearly drives the activation and usage numbers that both we and the client want to see.

We've had feedback from site managers that the EEEs are always polite and efficient. They work around peak times to make sure the client's productivity is not affected and there's absolutely no 'hard sell' when it comes to the insurance policies.

In fact, our client had positive feedback from employees who did choose to take up a health insurance plan. In the wake of COVID-19, it's not surprising that employees value the opportunity to protect themselves and their families at an affordable price.

We look forward to building on this success by continuing to increase registrations and activations in 2022.

Read more online |
https://www.hapi.co.uk/content-hub/case-studies

"We've completed our first site visits schedule with Homebase and we're delighted with how the rollout is going"

Liam McGrath – Chief Operating Officer, Personal Group

OUR MARKETS

THE DRIVE TO LOOK AFTER EMPLOYEES HAS NEVER BEEN GREATER AND UNDERPINS A CONTINUALLY INCREASING DEMAND FOR OUR SERVICES.

Market drivers

Trends in the world of work have a significant impact on the Group, often creating new opportunities for the business.

Overall, 2021 saw the continued acceleration of a core theme: the need for employers to improve their employee value propositions. The drive to look after employees, creating a real, positive impact on lives rather than as a 'tick-box' exercise has never been greater, and underpins a continually increasing demand for our services.

Key themes

Increased importance of employee health and wellbeing

2021 saw a widespread recognition of the role played by the employer in providing different forms of health and wellbeing support, with mental health provisions in particular emerging as one of the key growth areas.

This means providing wellbeing services that place emphasis on exercise, sleep, healthy food, and mental health support, which have a significant impact on preventing underlying conditions.

Maintaining a team that is 'well' underpins a business's ongoing operations and is also increasingly seen to be part of the employer's moral responsibility.

Personal Group offers employers access to workplace wellbeing initiatives designed to boost morale, effectiveness, and resilience across their operations.

A developing nuance of interest is the increased responsibility for employers to ensure that health and wellbeing benefits genuinely have a meaningful impact on their people (as proven in the data) as opposed to a token effort.

The 'Great Resignation' and the war for talent

What has been called "The Great Resignation" saw 4.7% of the UK workforce voluntarily resigning from roles in 2021, due to a combination of increasing economic instability and a shift in workers' priorities following the onset of the pandemic.* At the same time, demand for new candidates is outstripping supply. In response, companies have further recognised the importance of employee health protection, employee benefits and wellbeing support as a tool in the attraction and retention of staff.

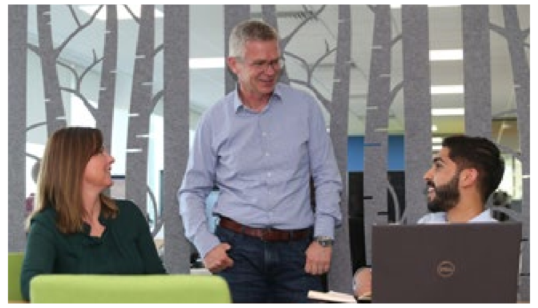
Building resilient workforces

Living through a global pandemic has created a shift in the minds of many people; the thought they may become ill "someday" has been replaced by a realisation that it could happen "any day". With this in mind, the Group's health protection offerings have continued to resonate strongly.

We've seen sustained interest in our protection plans from employers who want to keep workers safe and productive, but a limited benefits budget means they are unable to provide cover for ill health. By partnering with Personal Group, clients can provide their staff with easy access to affordable individual policies at no extra cost to the employer. Employees also value the chance to safeguard themselves from the impact of ill health on their earnings.

Flexible working

COVID-19 has changed the game on flexible working – many employees will never go back to five days in the office. Hybrid working is here to stay and HR managers are facing the challenge of a workforce that is more disconnected than ever. As such, using technology both to communicate with employees and to deliver wellbeing services has emerged as a key trend. As well as providing vital support, it also encourages continued participation with the business's values and philosophy. The advantages of introducing a digital platform such as Hapi are therefore increasingly relevant.



Diversity and inclusion

The rise of flexible working has also posed a threat to the progress made by many businesses in terms of diversity and inclusion; businesses must now consider how they will preserve social equity in a disrupted environment. Despite many businesses pledging to prioritise diversity and inclusion programmes throughout the pandemic, just one in six employees in diverse categories reported feeling appropriately supported in late 2020.** Throughout 2021 and heading into 2022, HR managers needed to think strategically about employee benefits and support and how they can make sure these provisions are reaching their people and providing meaningful support.

* https://londonlovesbusiness.com/pandemic-fuels-great-resignation-in-uk-job-market-as-workforce-rethinks-career-priorities/

** https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diverse-employees-are-struggling-the-most-during-covid-19-heres-how-companies-can-respond

Our markets

Personal Group offers a uniquely holistic market proposition, spanning insurance, employee benefits, and reward consultancy, allowing us to address every sector of UK business and offer relevant, timely and price-appropriate services that help companies address these key themes.

Product offering by vertical

ENTERPRISE	PUBLIC SECTOR	TALENT-DRIVEN	SMEs
eg Royal Mail Group, Cranswick	eg Sandwell & West Birmingham NHS Trust	eg Skyscanner, Refinitiv	eg Any enterprise with <250 employees
Fair-deal health and life insurance products	Other owned benefits (Let's Connect)	Pay and reward consultancy (Innecto)	Digital benefits platform (Hapi white-labelled as 'Sage Employee Benefits')
Digital benefits platform – Hapi	Digital benefits platform – Hapi (Hapiflex version most relevant)	Digital benefits platform – Hapi (Hapiflex version most relevant)	
See Homebase case study | **page 17**	See NHS case study | **page 6** & University of York | **page 20**	See Bought By Many case study | **page 8**	See Clinisupplies case study | **page 10**

34%

OF CLIENTS ARE CURRENTLY SERVED BY TWO OR MORE SEGMENTS

Enterprise

One of our main markets is the industrial heartlands of the UK, across sectors such as social care, food manufacturing, transport and logistics. We are proud to offer a benefits package and affordable employee paid insurance protection to these employees, many of whom don't sit behind a desk and might not have access to the benefits package offered in other sectors. Our Hospital Cash Plan, Convalescence Plan and Death Benefit Plan increase these employees' financial resilience against unexpected costs.

The ONS estimates there are 13m employees in UK companies over 1,000 employees. We are already trusted by large household name organisations like DHL, Stagecoach, and Royal Mail.

Public Sector

With sustained pressure on the NHS in the last 18 months, coupled with the impact of staff shortages due to illness and self-isolation, NHS employees are vulnerable to missing out on the discounts and benefits that others take for granted. Our NHS offer is a customised platform, empowering employees with easy access to core NHS benefits. We have also developed an NHS framework strategy to provide access to PG Let's Connect and other salary sacrifice benefits provided by third parties. The launch of Hapiflex with the University of York this year will also help us gain access to more of the UK's 5.6m public sector workers, providing services for employees with more disposable income.

Talent-driven

Our work with fast-growing talent-led businesses mainly takes place through Innecto, our pay and reward consultancy. For such enterprises, attracting and retaining the right talent is key to their future success, a challenge that has only been exacerbated by recent high levels of churn across the UK workforce. Innecto's intelligent consultancy and digital analysis solutions help organisations understand their reward position better. As companies seek to safeguard social equity in a disrupted working environment, Innecto's gender pay gap and other legislative-led transparency reporting is more relevant than ever, providing benchmarking data to guide companies to best support their people and preserve equity.

SMEs

We target the UK's vast but fragmented SME market through our partnership with Sage, the UK's largest provider of payroll and accounting software for small businesses. Through this partnership, we are able to reach a significant number of our target market: the 255,000 UK SMEs between 10-250 employees. Together they account for around 7.5m employees.*

Currently circa 1m SMEs have access to Sage accounting services. We also have plans to widen our partnership to include other organisations which work within the SME market, such as business services and membership organisations.

*Gov.uk statistical release October 21.

LAUNCH OF HAPIFLEX

AFTER A SUCCESSFUL LAUNCH WITH UNIVERSITY OF YORK, WE WERE DELIGHTED TO BRING OUR NEXT GENERATION FLEXIBLE BENEFITS SOLUTION, HAPIFLEX, TO MARKET IN SEPTEMBER 2021.

5,030

EMPLOYEES AT HAPIFLEX CLIENT UNIVERSITY OF YORK

Sep 2021

FULL LAUNCH OF HAPIFLEX

Hapiflex is an easy to use platform that delivers a range of flexible benefits directly to employees via a mobile and desktop app. It builds on the functionality of the Hapi app, but puts the decision-making process firmly into the hands of employees, making it simple to build a benefits package that suits their individual needs.

Hapiflex allows us to target organisations looking to offer their employees a more complex benefits offer. These tend to be talent-led organisations, with greater average earnings per employee than our traditional enterprise customer.

Whether it's commuting by bike, holiday trading, a tech scheme or affordable salary loans, Hapiflex brings together a range of pre-selected benefits all in one place, enabling employees to see a complete overview of their chosen package. Through their personalised Total Reward Statement, they can see what benefits they currently have, view the progress of an application, adjust their choices within pre-set windows or check out any new offers.

Offering more benefit options doesn't mean more admin for the HR team. With everything hosted on a single platform, it's easier to coordinate the many different schemes. Personal Group can accommodate existing providers or agree new deals as necessary. The intuitive back-end system helps HR teams reduce the hours spent coordinating benefits packages across the business and has a dashboard that shows which benefits are the most popular. This data helps with analysis, highlights any gaps and ensures the very best benefits are being offered to staff. HR can also see real time notifications of any requests, share Total Reward Statements and integrate directly with payroll.

Julie Stayte, Chief People Officer at Personal Group says, "Now more than ever, employees are expecting their employers to not only provide a competitive salary but also additional perks that prove how much they are valued. Being able to choose benefits that suit their own individual lifestyle is key to helping employees feel engaged and motivated. This is where Hapiflex can help."

Hapiflex makes it easy to communicate with employees. There is the option to schedule regular messaging, including push notifications, which helps keep usage and engagement up. The messaging, which can include employee surveys and other business information, can be sent directly to employees, which is key for reaching remote or hybrid workers".

Julie adds, "Hapiflex builds on the principle that when a person feels supported – financially, mentally, emotionally, physically, socially as well as in their career – they are more likely to thrive both in work and in life. By responding to employees' needs and offering them the benefits they really want, businesses can engage and motivate their workforce at the same time as showing how much they care."

"Hapiflex brings together a range of bespoke benefits all in one place."

CASE STUDY

HAPIFLEX LAUNCH

UNIVERSITY OF YORK

After a competitive tender process, the University of York chose to partner with Personal Group to develop and deliver flexible benefits to their workforce of 5,030 staff.

Personal Group have designed their platform, white-labelled as Rewards Extra, around their organisation's unique needs and workforce profile. With the new platform, it's quick and easy for employees to choose and manage their choice of benefits from transport, health cover, EAP, financial wellbeing, discounts and charitable giving.

Rewards Extra launched in September 2021 and we're delighted with the rollout so far. The University of York are working with Personal Group to continually optimise their employee offer, enabling them to recruit and retain the very best talent in their sector.

Read more online | **https://www.hapi.co.uk/content-hub/case-studies**

"Hapiflex enables us to make inroads into new sectors – it's perfect for talent-driven businesses."

Karen Thornley
Chief Commercial Officer, Personal Group

UNIVERSITY of York

OUR BUSINESS MODEL

PERSONAL GROUP'S OFFERING IS FOCUSED OVERALL ON IMPROVING THE LIVES OF THE UK WORKFORCE.

Our unique resources:

The Group provides UK organisations with the full-service solution they need to stand out as an employer of choice.

CLEAR PURPOSE AND STRATEGY

Our purpose provides the guiding light for our business and aligns us behind one goal.

Our clear strategy provides motivation for all staff and attracts investors.

VARIETY OF OFFERINGS WITHIN ONE GROUP

Our ability to offer a very wide range of benefits and solutions within one Group is attractive to clients, provides a point of differentiation and sets us up for further bolt-on acquisitions.

HAPI – OUR MARKET-LEADING, PROPRIETARY DIGITAL PLATFORM

A digital solution that allows employees to access a wealth of financial, physical, mental and social benefits through an easy-to-use platform and smartphone app.

Hapiflex, launched in 2021, is an extension to the platform providing even greater flexibility and choice.

PARTNERSHIP WITH LEADING SME SOFTWARE PROVIDER

Our long term relationship with Sage provides access to c. 7 million employees within the UK's vast but fragmented SME market.

This is a valuable route to market which allows us to capitalise on our SME offer.

AUTHORISED BY THE FCA

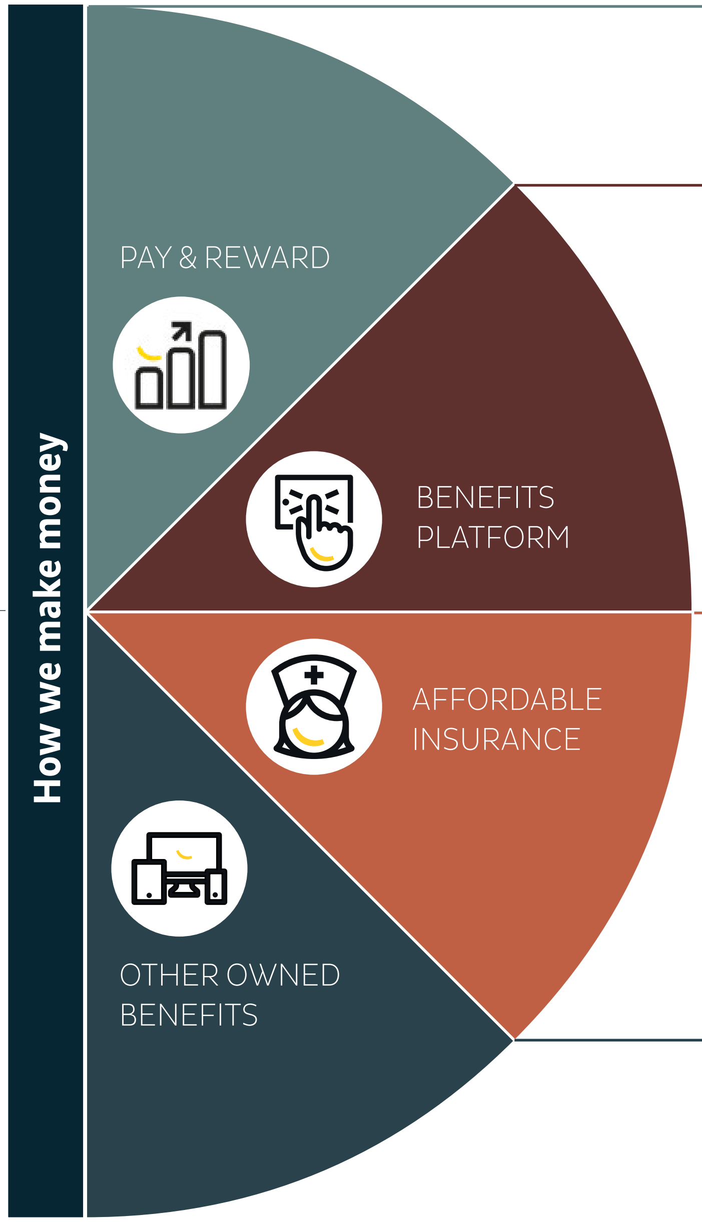
We are authorised by the FCA for insurance distribution, a significant barrier to entry to competitors in the employee benefits space.

EXPERIENCED MANAGEMENT TEAM

Our strong and experienced team ensures quality delivery of our offerings across the Group, underpinning our brand as a trustworthy partner.

We use these resources to:

Provide a broad range of employee engagement and wellbeing offerings to all sectors of the UK workforce.



PAY & REWARD

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

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

BENEFITS PLATFORM

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

- Can be white-labelled through a corporate partner, eg. Sage Employee Benefits.

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

AFFORDABLE INSURANCE

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

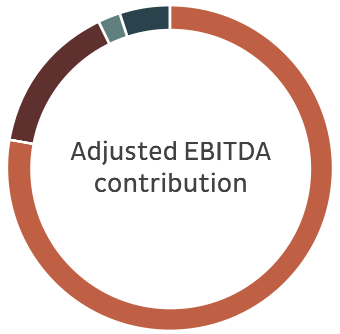
OTHER OWNED BENEFITS

Employer-paid home technology salary sacrifice sales – employers pay up front for their employees' technology and other purchases with employees making subsequent monthly salary sacrifice payments back to their employers.

How our work creates value:

Our employee benefits and employee insurance products serve hundreds of thousands of UK employees, helping them thrive in work and in life.

A significant proportion of revenue (c.36%) is pass through voucher resale on Hapi and therefore has no impact on earnings



34%

OF CLIENTS ARE SERVED BY TWO OR MORE SEGMENTS

Affordable insurance
Benefits platform
Pay and Reward
Other owned benefits

OUR CLIENTS

Bespoke, integrated and intuitive delivery of a broad and affordable suite of employee services to help employers to attract, motivate and retain staff and to deliver on their ESG commitments.

OUR CUSTOMERS

Helping customers thrive in work and in life. Peace of mind for policyholders with our fair-deal insurance products and enhanced access to benefits and discounts via several channels.

OUR COLLEAGUES

An engaging, supportive and challenging environment for our people. Meaningful purpose-led work with great opportunity for personal career progression.

OUR SHAREHOLDERS

Strong financials underpin dividend payments and provide firepower for growth. Increasing resilience through continued development in new channels, offerings and audiences.

OUR STRATEGY

WE ARE BUILDING ON OUR SUCCESS WITH A CLEAR THREE YEAR STRATEGY.

OUR ASPIRATIONS

We are focused on building a business with room to grow in the medium and long-term and have laid out what our business will need to look like to meet our aspirations.

OUR MEDIUM-TERM ASPIRATIONS

Over 80% employee engagement
great place to work

Over 75% customer approval rating
great to work with

Serving >1.5m employees
making a difference

Drive in-year premium income over £35m
protecting the unprotected

Unlocking EBITDA growth

PERSONAL GROUP HOLDINGS PLC OUR VISION

A winning team building a brighter future for the UK workforce, supporting over 1.5m employees by 2025

WHERE WE PLAY

TIER 1 SMES (10-250 EMPLOYEES)	TIER 2 TALENT-DRIVEN	TIER 3 ENTERPRISE/PUBLIC SECTOR
We have a market-leading partnership with Sage with ambitious plans for growth in the SME market. We will add other partners and a direct-to-market offer	Through Hapiflex we offer a bespoke benefits solution to UK-based companies with a sophisticated full-service offer: consultancy, salary sacrifice and other third-party solutions	Our core markets offer company-paid wellbeing benefits and employee-paid insurance to UK-based enterprise clients between 2,000 and 140,000 employees

HOW WE WIN

We help people thrive in life and in work – ourselves and our clients' employees

- We make it easy for our clients and prospects to choose us, by creating a market-leading offer, meeting all Reward and Benefits requirements
- Our proposition, onboarding, and lifetime service for B2B clients is industrial-strength and scalable
- Our satisfyingly simple insurance products are backed by outstanding claims and service experience
- We make it easy to do business with us through any channel

OUR CAPABILITIES

High performing customer, sales, and client service teams

Leading-edge technology

End to end processes that work every time

Supplying products and services people need to help them thrive in life

Purpose-driven Board and SLT with great supporting teams

Effective governance

HOW WE WILL DELIVER

Our refreshed strategy to substantially grow the business over the medium-term is based on three key areas for growth.

1. DRIVE INSURANCE

a. **Increase channels to market**
direct mail, virtual visits, digital, face-to-face

b. **New products**
eg Cancer Protect, new company paid product

c. **Improve retention**
improve policyholder journey and communications to retain higher numbers

d. **Improve penetration levels**
currently estimated at c.10% of available employees

2. TRANSFORM REWARD & BENEFITS

a. **Increase client base**
reach new markets with clear 'best in class' offer

b. **Increase each client's spend**
on reward and benefits by offering new ideas and services including Innecto and Let's Connect

c. **Increased range of offering**
providing a broader range of benefits to our customer base

3. ACCELERATE SME OFFER

a. **Our target market covers c255,000 UK SMEs between 10-250 employees.** Together they account for around 7.5 m employees. *

b. **Maximise our relationship with Sage**

c. **Improve lifetime value (LTV)**
of subscribers

d. **Add new channels**
to address market needs

*Gov.uk statistical release October 21.

STRATEGIC PROGRESS

MAKING REAL PROGRESS ON OUR STRATEGIC GOALS.

STRATEGIC AREA	PAY & REWARD	BENEFITS PLATFORM	AFFORDABLE INSURANCE	OTHER OWNED BENEFITS
Client proposition	Innecto is the largest independent pay and reward consultancy in the UK. We offer a comprehensive suite of consultancy services including reward strategy, pay structures, pay benchmarking, job evaluation, gender pay and executive remuneration. Innecto specialise in working with clients who are going through significant change or growth and need to update their pay and reward arrangements to meet business demands. 2021 clients include Airbus, Airtanker, Taylor Wessing, Bought by Many, Canada Life, Avanti West Coast, and Bloomsbury Publishing. Innecto has also developed a suite of digital analysis and predictive SaaS tools for use in making pay decisions. During the year, we developed a new tool, Advance, which allows employers to simplify and speed up decision-making around the annual pay review process. This was launched in early 2022. Many clients start work on their reward proposition with pay, following on with bonus and finally benefit provision. Innecto brings clients into the Group at an early stage in their thinking and tends to work with key decision-makers. We are unique among mid-market benefit providers in offering complete pay, reward and benefit solutions.	Our employee benefits solution, Hapi, is a market-leading employee engagement platform. The app-first technology enables employees to access their benefits and wellbeing services wherever and whenever they need to which works particularly effectively in our core clients where employees are often not working at a desk, and with the increase in hybrid and home-working, we see a distinct requirement for employers to be able to host a central hub with employee information in one, easily accessed location. For larger clients, the platform is fully customised and white labelled with their own bespoke mix of benefits and branding, whereas our SME clients buy a standardised product pre-populated with key benefits as Sage Employee Benefits through our partnership with Sage. Hapiflex is our new version of Hapi, aimed at more sophisticated client users who want to be able to offer flexible benefits to their employees which includes opting in to specific benefits (ie buy/sell holiday) on an annual cycle.	Our insurance products provide peace of mind and security for employee groups who don't receive death in service or sick pay from their employers. Our simple products, which don't require a medical or premium underwriting, are paid through payroll deduction. The premiums and payouts are relatively low value, but fill an important gap for the communities we serve. Our unique sales approach is to conduct benefits rollout directly in the workplace with employees, both introducing them to their benefits package on Hapi, and offering the chance to buy insurance there and then, face-to-face. This fulfils our purpose of Connecting the Unconnected, and Protecting the Unprotected, and helps employers communicate their key messages about employee wellbeing and the key benefits they offer employees at the same time. Since COVID, we have been developing other channels to market, including virtual visits, direct mail and telesales. We are also trialling Digital Insurance sales through our Hapi app.	This sector refers to suppliers within the platform which are also owned by the Group. At present this refers to Let's Connect, the Group's Salary Sacrifice Technology business, but the reallocation of segments allows this area to grow as the Group moves forward. Our benefit proposition provides employees with the opportunity to exchange some of their salary each month for the latest technology devices from leading manufacturers. Employees are able to save National Insurance – up to 12% – and proves very popular, as they are able to spread the cost over a fixed period of time. Employers value how the benefit drives employee engagement and helps them create an excellent employee value proposition, which both attracts and retains staff. Other benefits include having access to the latest devices for remote working, communications and learning.
2021 progress	– Growth in consultancy income of 50% on 2020. – 49 new clients. – Third digital product developed; HR pay review tool 'Advance' launched in early 2022. – 40 clients on either Evaluate™ and PayLab™ with a retention rate of 84%. – Annual Recurring Revenue (ARR) of £0.43m at Dec 21 (£0.25m Dec 20 +72%).	– Launch of Hapiflex, the Group's new Benefit Management System, allows full integration of a range of company-paid benefits (ie pension, Cycle to Work, Let's Connect, season ticket loans etc) into the Hapi software allowing greater choice for employees, an improved customer journey and value-add one-stop process for clients and their employees. This allows us access to new markets who see the offer of flexible benefits to their teams as key to their employee value proposition.	– Return to the field was impeded by lockdown until mid-July where we gradually saw a re-start of face-to-face visits with clients. Re-starting the engine on the field sales team after a hiatus of 15 months was challenging, and we were still hampered by employee shortages, both ours and clients' as a result of COVID through the summer and autumn. Individual colleagues are performing very well with individual sales delivery up c8% based on 2019 levels which is encouraging as we continue returning to normal, and look forward to 2022 with confidence. – We went live with a digital insurance trial with our largest client in July.	– Attracted new clients as a result of public sector frameworks gained in 2020. Successfully part of joint Personal Group-wide tender for Kent County Council Framework – goes live in 2022. – Added 20 new clients. – Due to global technology shortages, we expanded our product set – launches of white goods, high end garden furniture and gym equipment which helped to retain margins and meet client expectations.
2022 plans	– Many organisations have come out of the pandemic keen to review existing reward practice in response to the tight labour market and are focusing heavily on reward strategy reviews and benchmarking. – Focus on employee lifetime value has seen an uplift in consultancy projects looking at benefit provision, recognition and pay progression. – Successful launch of new Innecto Digital product Advance, a pay review software solution. 2022 will see the evolution of how we are positioning our platforms in the market and a continued focus on connectivity of all Innecto Digital products. Once connected, clients will have a seamless journey through reward, alongside APIs into HRIS systems, which will provide significant cross-sell opportunities for multiple products. – 2022 is Innecto's 20 year anniversary.	– SME growth: Drive relationship with Sage to add more clients, improve sign-up and retention. Expand further SME channels. – Hapi growth: Integration of manual back-office processes, increased functionality on marketing capability driven centrally to drive sign-up and usage including integrating digital insurance. – Sourcing and integrating through API third party partnerships to add innovation to product offer on Hapi at speed. Drive higher revenue values earned per platform through improved product range and offer of benefits plus Hapiflex sales at higher revenue per user.	Driving Insurance initiative focused on widening and deepening all aspects of our insurance customer operation: – Improve penetration with existing clients through extension of digital insurance and other routes to market. – Innovation in products with third party trials of other insurance products. – Review first year policyholder retention journey to ensure that we support the customer as required in the initial stages of their partnership with the Group.	– Cross sell/upsell across the Group, including Hapi/Let's Connect on the Kent Framework as a viable public sector choice to EdenRed. – As supplies of technology products improve in 2022, the moves made in 2021 to broaden the product range of Let's Connect will allow greater choice and more seasonally relevant product marketing throughout the year. – The Group continues to actively consider acquisition into other areas to widen its owned offering.

KEY PERFORMANCE INDICATORS

THE GROUP METICULOUSLY REVIEWS ITS PERFORMANCE, MEASURED ACROSS A NUMBER OF KPIS.

LEAD INDICATORS

As part of our strategy for delivering long-term sustainable growth, we identified a number of lead indicators, the improvement of which will enable us to grow both our revenue and profits and build future value for the business.

Lead Indicator	Why we chose it	31 December 2021	31 December 2020 Restated*
Total unique client numbers	Winning new clients and retaining existing ones will be key to us being able to grow our business.	387	358
Number of clients served by two or more lines of business	Encouraging cross-selling across the Group will enable us to achieve increased penetration across our existing clients as well as making us an important part of clients' employee wellbeing proposition.	132	120
Total number of employees to whom one or more of our services are made available	Increasing the number of employees we provide services to will be fundamental to us achieving our growth aspirations as well as helping us achieve our vision of being a winning team creating a brighter future for the UK workforce.	1,210,980	1,159,691
Activated users on Hapi and Sage Employee Benefits	Increasing the number of activated users on Hapi and Sage Employee Benefits will help us drive greater return on the Group's SaaS digitally enabled products.	539,051	484,773
Number of insurance payers	Re-invigorating growth in insurance policyholders, together with a consistent focus on retention, will help us increase the size of our insurance business. We have chosen to use payers instead of our historic measure of policies to reflect that the majority of our premiums are collected through payroll deduction and our retention rates are largely determined by the actions of the individual payer.	93,147	103,497

* In line with our approach to a more holistic view of our clients we implemented Salesforce across the Group in 2021. As a result, some of the 2020 comparators for these metrics have been restated.

TOTAL UNIQUE CLIENT NUMBERS
387
(2020: 358)

NUMBER OF INSURANCE PAYERS
93,147
(2020: 103,497)

ACTIVATED USERS ON HAPI AND SAGE EMPLOYEE BENEFITS
539,051
(2020: 484,773)

OTHER KPIS

In addition to our lead indicators we continue to measure against a variety of additional KPIs both across the Group and within the various business segments.

2021 £24.4m
2020 £27.1m
2019 £30.3m

ANNUALISED PREMIUM INCOME[1]
£24.4m

2021 £3.7m
2020 £2.4m
2019 £9.0m

ANNUALISED NEW BUSINESS PREMIUM[2]
£3.7m

2021 24.5%
2020 24.4%
2019 22.1%

CLAIMS RATIO
24.5%

2021 80.7%
2020 80.5%
2019 76.6%

YEAR ON YEAR INSURANCE RETENTION
80.7%

2021 £3.2m
2020 £1.6m
2019 £1.5m

ANNUALISED RECURRING REVENUE FOR SAAS LICENCES
£3.2m

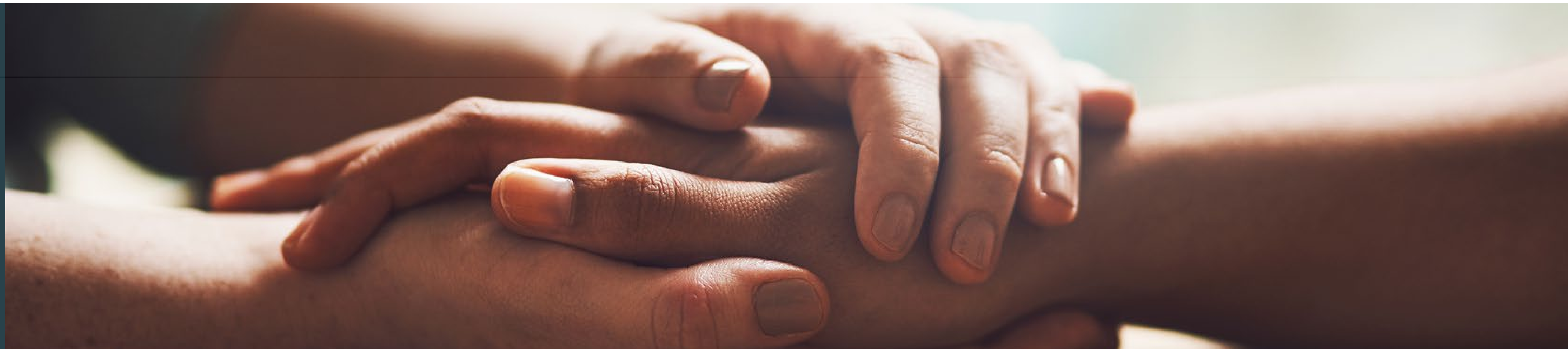
2021 33,155
2020 27,320
2019 31,319

LC ORDERS
33,155

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

Q&A WITH LIAM MCGRATH, CHIEF OPERATING OFFICER

A CONVERSATION WITH LIAM MCGRATH, PERSONAL GROUP'S COO, TO DISCUSS THE CHANGING MARKET, NAVIGATING OPERATIONAL CHALLENGES AND THE GROUP'S BIGGEST OPPORTUNITIES.



BRIEF BIOGRAPHY

As COO, Liam leads Personal Group's insurance arm Personal Group Benefits. He was previously Group COO for Advanced, provider of business software and services to over 19,000 customers where he had responsibility for all customer support and professional services.

Liam has held large operational roles in retail financial services for over 15 years working for brands such as Equiniti Group plc, RBS, RSA and GE Consumer Finance.

Q What were Personal Group's priorities over the last year?

It's been a really busy first seven months. When I joined Personal Group back in May 2021, the loosening of lockdown restrictions from the pandemic had just begun which enabled us to get the insurance field sales team back out to work. There was a clear priority for us to get back to face-to-face meetings alongside our virtual sales channels and we were able to act quickly and flexibly to successfully restart these sales.

In addition to this we have been thinking carefully about how we're going to grow the insurance business significantly over the next three to four years, and ultimately what that requires from a channel and product perspective. Recognising the world is different post-pandemic, we know the division must be multi-channel, and appropriate to multiple markets. Driving this forward is very much front of mind.

On the employee benefits platform side, we've been really busy winning new clients and successfully launching Hapiflex, a more complex version of the benefits platform for talent-driven organisations. The Sage partnership continues to go from strength to strength as well and our pay and reward business Innecto is thriving.

Q What are the key goals for Personal Group's insurance business and how will you achieve them?

Driving insurance through new and existing channels – specifically, getting in-year premium income to over £35m – is central to our strategy. It's an ambitious target but I'm confident in our capability of having really high performing sales and service teams that plays directly to how we win with our simple products and outstanding service.

We have identified 12 growth levers: these will enable us to protect and grow the core of our insurance business as well as enter adjacent and new markets. At the same time as increasing penetration into existing clients and maximising policyholder retention, we'll be adding new products that serve our customers' needs. Our diversified channels to market – face-to-face, direct mail, virtual visits and in-app insurance – will enable us to reach more customers than ever before.

Q How much has the industry changed during your career?

The insurance and employee benefits and wellbeing industries have changed exponentially in the last 20 years. Previous benefits packages had nothing compared to what you can access now in terms of discounts, flex benefits and perks.

> ***"Growth is at the top of the agenda and we are clear how we will achieve it."***
>
> **Liam McGrath**
> Chief Operating Officer

Advancements in technology have been the key driving force across both industries and have enabled a lot of the progression to happen. Consumers now have direct and instant access to insurance or employee benefits from their phone.

Alongside that, the breadth of offering has significantly increased, particularly in the past 24 months with the rise of insurtech. We've also seen innovation in the way cover is sold and provided – at Personal Group we're now able to sell insurance policies via our Hapi app to employees of existing clients.

Q What attracted you to Personal Group?

I was attracted to Personal Group due to it being a strong purpose-driven business that prioritises people. With businesses now more focused on their employees than ever before, the opportunity in the protection services and employee benefits markets is huge. That really attracted me to the role too. Everybody I met during the recruitment process was genuinely passionate about the business.

Q How has Personal Group adapted to meeting customer demand during the COVID-19 pandemic?

Following the national lockdowns we've seen people become more concerned about being ill and focused on their mortality. People are subsequently seeking out the protection insurance offerings that are available. Personal Group's combined offering of wellbeing services and employee insurance means we can help employers safeguard their productivity with a resilient workforce.

We've also seen the pandemic drive a war on talent, meaning employers can't simply use basic salary to attract the right employees. You now need to be looking at what your employee value proposition is and how you maximise that. All of these factors are translating into more demand, and ultimately, more new business.

Q What do you see as the biggest challenges and the biggest opportunities facing the UK workforce today?

There is still a level of uncertainty lingering from the pandemic, forcing people to think about where they want to be and how flexibly they want to work. This is contributing to the significant challenge for employers to attract and retain the right talent.

On the opportunity side, the pandemic has driven digital adoption. This has forced businesses to innovate and digitalise, creating new opportunities for employers and their workforce to take up software-based support structures.

Q What challenge is top of the list for Personal Group's insurance business and how are you tackling it?

Growth is obviously at the top of the agenda and we are clear how we will achieve this. We must become more multi-channelled, we must serve new audiences, and to do this we need to innovate. This is already underway, and together with the growth in the market, we have a great opportunity available to us. I'm excited about our new routes to market and the range of organisation sizes and sectors we can now serve.

Q What makes Personal Group different to other market players?

The quality and breadth of our offering. Competitors in the employee benefits space can't offer the same level of insurances we can, and conversely those we are competing against in the insurance space don't provide an overly attractive employee benefits offering. We can take a holistic view of what will help an employee thrive and cater to the vast majority of those needs.

Q Where will Personal Group go in the future?

The market for employee benefits and wellbeing is large and rapidly growing. Employers in all sectors see benefits package and employee experience as key tools for attracting, recruiting and retaining talent.

Our affordable insurance is meeting a market need. According to in-depth research by Mintel, 65% of people without health protection would not be willing to pay more than £30 per month.[1]

Over time, I would like to see Personal Group regarded as one of the top three players in the market; considered a household name that is front of mind for clients and employees. Financial growth also remains a priority of course, with a clear goal to drive insurance income through new and existing channels.

We have a brilliant opportunity to capitalise on the hard yards we did through the pandemic, to build a clear and successful brand with our market-beating range of products and position ourselves as the obvious choice for clients.

1. Assessing Interest and Affordability Among Non-policyholders, 'Amount willing to pay for health insurance by non-policyholders', Mintel Report, July 2020.

CHIEF FINANCIAL OFFICER'S STATEMENT

WE MAINTAINED OUR STRONG BALANCE SHEET THROUGH 2021 AND REMAIN WELL POSITIONED FOR FUTURE GROWTH.

GROUP REVENUE
£74.5m
(2020 £71.5m)

ADJUSTED EBITDA
£6.1m
(2020 £10.1m)

EARNINGS PER SHARE
11.5p
(2020 22.1p)

Group revenue

Group revenue for the year of £74.5m (2020: £71.5m) reflects a varied performance across the different business areas and the continued contribution from recurring revenue streams.

As anticipated we saw a reduction to earned premium as a direct consequence of 15 months of COVID-19 lockdowns restricting our ability to carry out our traditional face-to-face selling of insurance. Despite this, as at 31 December 2021 we continue to have over £24m of annualised premium income, the majority of which are renewable on weekly or monthly rolling contracts.

Outside of insurance, all other areas of the business continued to grow. Digital platform subscription income from our internally developed benefits platform increased by over 40% year on year, driven mainly by our expansion into the SME sector through our partnership with Sage. Our pay and reward subsidiary, Innecto, also put in a strong performance with the combination of consultancy income and digital subscription income from their proprietary HR solutions up by a third. Annual recurring revenue across all the Group's digital platforms now stands at £3.6m. Sales of technology and other products to employers as part of their employee benefit provision through the Group's subsidiary Let's Connect also rebounded somewhat from the supply chain issues faced in 2020 although these remained in part during its peak trading period. In addition, income from voucher resale through the benefits platform continued to grow and whilst this predominantly represents pass-through revenue, it does continue to demonstrate the value of the provision to our clients.

Group results	2021 £'000	2020 £'000
Revenue	**74,513**	71,524
Adjusted EBITDA*	**6,094**	10,111
Operating profit	**4,374**	8,630
Profit before tax	**4,342**	8,557
Tax	**(745)**	(1,663)
Profit for the year	**3,597**	6,894

Adjusted EBITDA*

Adjusted EBITDA* for the year was £6.1m (2020: 10.1m).

The key driver of the decline was the reduction in premium income and consequential underwriting profit, which was compounded by the increased cost of scaling up the field sales team back up towards pre-COVID-19 levels in the second half of the year. Offsetting this, we saw increased contribution from both our pay and reward business and PG Let's Connect, in line with their increased revenue contributions. Outside of this, the reduction in adjusted EBITDA also reflected investment in both our sales and marketing team and the general infrastructure and people within the business to ensure we are in the best place possible to support future growth.

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.

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

"As anticipated we saw a reduction to premium income as a direct consequence of COVID-19 but despite this continue to have over £24m of annualised premium at the end of 2021"

Sarah Mace
Chief Financial Officer

Profit before and after tax

Profit before tax for the year was £4.3m (2020: £8.6m). This reflects both the reduction in adjusted EBITDA* and the increased amortisation charge arising from continued investment in the Group's proprietary software. The tax charge for the year was £0.7m (2020: £1.7m), and profit after tax for the year £3.6m (2020: £6.9m).

Profit before tax	2021 £'000	2020 £'000
Profit before tax	**4,342**	8,557
Finance costs	**32**	73
Depreciation	**966**	1,003
Amortisation of acquired intangibles	**205**	205
Amortisation (other)	**380**	265
Share-based payment expense	**169**	8
Adjusted EBITDA*	**6,094**	10,111

EPS

Resulting earnings per share was 11.5p (2020: 22.1p). The calculation is detailed in Note 13.

Dividend

The Board has recommended a final ordinary dividend of 5.3 pence per share, making a total ordinary dividend for 2021 of 10.6 pence per share. Whilst this dividend reflects our reduced profits for the year it does exceed recent pay-out ratios and reflects both the fact that the Group remains strongly capital generative and the short-term impact of COVID-19 on its results.

Balance sheet

As at 31 December 2021 the Group's balance sheet remained strong, with cash and deposits of £22.9m (2020: £20.2m) and no debt.

The Group's main underwriting subsidiary, Personal Assurance Plc (PA), continues to maintain a conservative solvency ratio of 357% (unaudited), with a surplus over its Solvency Capital Requirement of £3.5m.

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 220% (unaudited), under its own regime.

No impairment was deemed necessary for the goodwill balances held in respect of the acquisitions of Let's Connect and Innecto as detailed in Note 14.

Alternative performance measure

Adjusted EBITDA, which is referenced throughout this document, is an alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measure used by the Group when reviewing performance, evidenced by executive management bonus performance targets. As such, this measure is important and should be considered alongside the IFRS measures.

Adjusted EBITDA takes into account adjustments, in addition to the standard IFRS measure, which are considered to be non-underlying to trading activities and which are significant in size. For example, goodwill impairment is a non-cash item relevant to historic acquisitions; share-based payment expenses are a non-cash item which have historically been significant in size but can fluctuate based on judgmental 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.

THE RECURRING REVENUE FROM SAAS SUBSCRIPTIONS CONTINUED TO SHOW YEAR-ON-YEAR GROWTH ACROSS THE GROUP.

Segmental results

To reflect how our business has evolved, and that in many cases our clients utilise our services across multiple business areas, we have changed the way we present our segmental results. We are now reporting four core segments as detailed in the table below.

For each of the segments, the adjusted EBITDA* contribution comprises the gross profit of that segment together with any costs associated directly with the operation of that segment. In addition, sales and marketing costs and other central costs that are not directly attributable to a segment, such as Finance, HR, depreciation, amortisation and Group Board expenses are no longer allocated to a segment but are shown separately as 'Group Admin & Central Costs'.

We believe the new presentation provides greater transparency to enable the impact of top line growth on adjusted EBITDA* contribution for each area of the business to be understood.

Segment	Description	Income Streams
Pay & Reward	Provision of a full reward service to employers through the Group's pay and reward subsidiary, Innecto	Consultancy, digital platform subscriptions
Benefits Platform	Provision of a benefits platform to employers both directly and through channel partners, currently Sage for our SME solution	Digital platform subscriptions, commissions from third party benefits which sit on the platform
Affordable Insurance	A directly owned benefit, provision of simple insurance products underwritten by Group subsidiaries	Premium income
Other Owned Benefits	Other directly owned benefits: sale of technology and other products to employers as part of their employee benefit provision through the Group's subsidiary, Let's Connect	Retail sales directly to employers, commission received from the introduction of third party finance

Revenue	Dec-21 £'000's	Dec-20 £'000's
Pay and Reward	**1,236**	875
Benefits Platform	**3,303**	2,354
Affordable Insurance	**24,670**	28,830
Other Owned Benefits	**18,214**	16,420
Other	**238**	310
Revenue pre voucher sales	**47,661**	48,789
Voucher resale	**26,852**	22,735
Total Revenue	**74,513**	71,524

Adj EBITDA Contribution	Dec-21 £'000's	Dec-20 £'000's
Pay & Reward	**303**	(255)
Benefits Platform	**2,098**	2,092
Affordable Insurance	**11,012**	15,082
Other Owned Benefits	**730**	469
Group Admin & Central Costs	**(8,228)**	(6,965)
Other	**179**	(312)
Total Adj EBITDA	**6,094**	10,111

Pay & Reward: Innecto

Innecto, the Group's pay and reward subsidiary, put in a strong performance in 2021, with its consultancy income up 50% on 2020 as demand from HRDs looking to retain and attract their employees reignited. Digital subscription income from its proprietary HR solutions also increased by 33% on the previous year. Annualised Recurring Revenue on these products stood at £0.4m as at 31 December 2021 and is set to increase with the introduction of a further product, Advance, in January 2022.

Benefits platform

Revenue from digital platform subscriptions and commissions from third party benefit suppliers which sit on the benefits platform rose to £3.3m in 2021 (2020: £2.4m).

Whilst subscriptions for our enterprise platform, Hapi, remained relatively static in 2021, the introduction of Hapiflex provides an opportunity to both target a new market sector and to yield higher margins from a more sophisticated and complex product.

The main driver of the growth in revenue in this area of the business was the expansion into the SME market with Sage Employee Benefits, the Group's SME proposition being taken to market through its partner Sage, and this is set to continue with the signing of a new five-year contract in February 2022.

As at 31 December 2021 the Annualised Recurring Revenue from digital platform subscriptions across all channels stood at £3.1m.

Despite increased revenue Adjusted EBITDA contribution remained flat year on year at £2.1m, reflecting investment made in the infrastructure to support the platform, outside of capitalised investment, for future growth.

Insurance

As anticipated, premium income from the Group's core insurance business in 2021 reduced by £4.1m to £24.7m (2020: £28.8m).

This reflected the fact that 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 for 15 months from the end of March 2020. Whilst we were able to mitigate this in part through our adoption of virtual visits and telesales, our annualised new business insurance premiums in 2021 were £3.7m (2020: £2.4m, 2019: £9.0m), with around 15% of this coming from the new, alternative channels. Our face-to-face sales activity recommenced in earnest in July 2021, with availability strong across our increased employee base, and have subsequently seen the insurance book starting to rebuild. As at 31 December 2021 we have in excess of £24m of annnualised premium income renewable on weekly or monthly rolling contracts.

Our retention rates for existing policyholders remained strong during 2021 with both first year and year-on-year retention rates up on pre-pandemic levels. This reinforces 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 stable at 24.5% (2020: 24.4%). The increased loss ratio on death benefit continued into 2021 but, as in 2020, was mitigated by an offsetting reduction for hospital and convalescence in comparison to historic averages, reflective of the capacity of the NHS being limited as a result of COVID-19.

Adjusted EBITDA contribution of £11.0m for the year (2020: £15.1m), reflects both the reduction in underwriting profit and the additional costs associated with the scaling back up of the face-to-face sales team in the second half of the year towards pre-pandemic levels.

Other owned benefits: Let's Connect

Let's Connect, which provides technology and other products to employers as part of their employee benefit provision, saw revenues increase to £18.2m (2020: £16.4m), rebounding in part from the supply chain issues they experienced in 2020 but also benefitting from the return of a number of schemes which had deferred in 2020 due to the pandemic.

Whilst some ongoing nationwide supply issues remained throughout the year, broadening the product range helped mitigate the impact and saw order numbers up 21% on pre-pandemic levels, demonstrating the continued popularity of the benefit for employees.

Adjusted EBITDA contribution increased to £0.7m (2020: £0.5m) reflecting the higher revenues together with a slight increase in gross margin.

Group administration expenses and central costs

The increase in Group administration and central costs to £8.2m (2020: £7.0m) predominantly reflects the additional investment made in Sales and Marketing during the year.

Sarah Mace
Chief Financial Officer
28 March 2022

RISK MANAGEMENT

THE BOARD RECOGNISES THAT THE EFFECTIVE MANAGEMENT OF RISKS AND OPPORTUNITIES IS CENTRAL TO OUR CULTURE AND DECISION MAKING AND KEY TO ACHIEVING THE GROUP'S STRATEGIC OBJECTIVES.

It is important that there is a strong risk management culture embedded throughout the Group. We focus on ethical behaviours, the fair treatment of colleagues and of customers.

We continue to identify, assess, manage and appropriately mitigate the key risks to the Group in achieving its objectives.

The Board is responsible for identifying the risks to its strategic objectives and for setting the overall risk appetite and tolerance levels. The Board delegates oversight of risk management to the Risk and Compliance Committee. The effectiveness of the risk management system may also be independently assessed by the Internal Audit Function.

The risk environment is managed in a two-pronged approach: top-down risks that threaten the strategic plan and bottom-up financial, operational, regulatory and non-insurance risks which are identified within business areas.

The risks are captured on a risk register where the inherent risk is identified, and the residual risk rated after identifying operational controls and mitigating actions.

Responsibility to maintain the register as well as to implement and monitor mitigating actions sits with each member of the Senior Leadership Team. Each month a Risk Forum is held where the Senior Leadership Team discuss the key risks, both current and emerging. Mitigating activities and timelines for implementation are agreed so that the Group can continue to achieve its strategic objectives.

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

Risk governance

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

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

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

Risk Management Three Lines of Defence

BUSINESS AREA OWNER

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

RISK FUNCTION

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

INTERNAL AUDIT

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

Below follows a description of the key enterprise risks the Group has managed in 2021:

Key risks (with an impact of £500k+ within the next year)	Current and emerging	Mitigating activities	Change in risk
Costs and losses Coronavirus (COVID-19)	The claims ratios of the Group's Hospital, Convalescence and Death Benefit plans are all impacted by the pandemic situation. The ongoing impact will be dependent on the continued success of the Government's vaccination programme, the circulation of the current and new strains of the virus, and infection rates. Looking forward to when the NHS recommences its schedule of routine treatments, it is possible that there will be an influx of claims in relation to those routine treatments. In addition, there is an impact on the Group's ability to undertake face-to-face insurance sales as well as an impact on the PG Let's Connect and Innecto businesses.	Both our insurance subsidiaries hold significant surpluses above their capital resource requirements and scenario and stress testing has been carried out to assess the likely financial impact on the Group. Strong operational resilience enables the Group to maintain services and support to its customers and policyholders. Alternative routes for sale of insurance products have been launched and new partnerships are being developed. The long-term impact of COVID-19 is uncertain however we know people are more aware of the importance of good physical and mental health. We continue to offer free access 24/7 to a digital GP service.	Decreased in 2021
Inability to undertake/ maximise workplace marketing and selling	New sales opportunities cannot be fully realised as the traditional face-to-face method of selling is challenging or no longer available. New sales opportunities cannot be fully realised as on-site access is restricted or prohibited by law or by the client. The risk associated to both points above persists due to the ongoing implications of COVID-19 and the subsequent changes in working practices.	A new digital sales channel has been introduced to a key client and is expected to be offered more widely during 2022. The retention of existing clients and customers has been a focal point. Insureds who are leaving their employment have the facility to retain their covers. New opportunities to work with introducers are being sought, to run alongside the arrangements already in existence.	No change
Threats to information and to physical security arrangements	Poor, weak or outdated technology systems and arrangements lead to disruptive cyber attacks, ransomware, security breaches and/or fines, or restrict business innovation. Home working and hybrid working by all staff have increased the potential threat to information security. Data processing protocols facilitate homeworking.	IT systems are regularly tested for security from attack. The systems are backed up regularly and hosted on third-party data centres. Disaster recovery plans are in place and tested annually. ISO 27001 accreditation is held. Awareness training and testing of staff has been increased and adapted to reflect the current environment. A number of internal and external audits have been completed in 2021 in light of the increasing threat of a cyber attack. The threat is increasing worldwide and is not specific to the Group.	No change
Recruit, train and retain staff	The strategic plan to double the premium income from insurance policies is dependent on increasing the size of the face-to-face sales force. Resourcing is challenging across all functions/roles in what is currently a candidate led environment, which has resulted in a rapid increase in salary expectations of external hires. In turn this creates issues due to internal budgets and comparators. We have particularly seen this with Tech roles where there is a candidate shortage across the UK; which again drives expectations much higher than the norm alongside more recruiter approaches being made directly to our staff offering enhanced packages, creating a high risk of attrition.	Introduction of a Strategic Workforce Planning (SWP) approach in late 2021 mapping our people strategy to our business strategy. We aim to optimise the current workforce together with a clear view of the skills and capability needs for now and future to deliver our strategic objectives in the most efficient way possible. This will be the driver for identification and delivery of a Talent Development Strategy which ensures that we have the right people at the right time at the right cost for our business and at the same time a focus on retention and giving managers the tools to have meaningful conversations with their people to avoid a vacancy unnecessarily arising. The Group has reviewed our recruitment and assessment tools. We are educating hiring managers on best practice recruitment techniques, alongside a review of rewards and incentives for our sales force supported by pay benchmarking, and providing more colleague engagement tools such as hybrid and flexible working opportunities.	Increased in 2021
Rising inflation	With consumer prices rising at a fast rate there is an increasing risk of high inflation in the market place which may have an impact on the Group through increased supply chain costs and disruption to customers and clients through appropriate price increases.	The Group undertakes regular reviews of external threats such as inflation and should the need arise has the ability to adjust prices across all business sectors to deal with increases in inflation. This will, in all instances, be done in conjunction with a review of customer fairness to ensure that no stakeholder is disproportionately affected.	Increased in 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

THE BUSINESS IS MOVING FORWARD WITH A STRONG ESG AGENDA.

A purpose-led Group

As a Group driven by a passion and commitment to improving people's health and wellbeing, ESG is at the core of our business. Our purpose is to Protect the Unprotected and Connect the Unconnected. We exist in order to create a positive impact on society:

- Ensuring there is an affordable, straight-forward way for all UK workers to gain access to health insurance.
- Helping organisations provide fair and appropriate remuneration and benefits to their workforces.
- Supporting the holistic wellbeing of people in the UK – both at work and at home.

The progress that we make against our ESG goals is therefore very important to us and a priority at Board level.

We pride ourselves on doing the right thing, a value that is shared throughout our entire organisation. Just as this drives our day-to-day work, it is also reflected in how we operate as a business at all levels.

Progress in last 12 months

Our commitment to being a responsible business is front of mind and the Board is committed to continuing to make progress on the goals formalised in 2020. Some of the highlights are outlined below.

Over the past year we have made progress decreasing our carbon footprint by installing solar panels at our headquarters which will help contribute toward our "base level" energy requirements. In 2021, since installation, 6.1 MWh of energy was generated which would power 1.4 homes for a year and equates to planting 71 trees.

It was the first year we had a Nomination Committee, and their efforts together with that of our diversity and inclusion working group have led to gender and ethnicity representation targets at all levels of the organisation.

Employee wellbeing remains a focus for us and we have continued to invest significantly in training and development, as well as providing best-in-class employee benefits, whilst introducing hybrid work policies in order to create a flexible and collaborative working environment.

The Board recognises the importance of contributing to the wider society and across 2021, the Company has continued to support our partner charities – PACT and The Memusi Foundation – with both financial donations and time volunteered.

Next steps

We have identified a number of ambitious ESG targets that we are working towards. We are committed to holding ourselves accountable and will provide measurements of progress against our stated targets annually.

ESG GOVERNANCE

Ownership of ESG matters

Under the leadership of our Board, 2021 has seen us building on a clear, holistic vision when it comes to our ESG responsibilities and progress.

The Company's ESG strategy is overseen by Non-Executive Director Maria Darby-Walker. Maria, together with the support of the wider Board, is responsible for developing appropriate policies and practices to ensure that we continue to work towards our targets.

This responsibility is reflected in the fact that progression against these targets are linked to Senior Executive and Board compensation, with 15% of the 2021 Long Term Incentive Plan Awards being subject to the attainment of ESG targets.

Read more about Board engagement | **page 48**

We will also be making all ESG information and goals accessible from our corporate website in due course to aid accessibility. We are currently defining which UN Sustainable Development Goals our strategy is linked to and that we will focus on going forward; these will be announced in the 2022 Annual Report.

Our strategy to deliver long-term growth aligns closely with our ESG objectives and the Company is excited about the potential of our ongoing programmes to drive meaningful change over the medium and longer term.

Through collaboration with its people and external stakeholders, the Company has identified core focuses under its ESG strategy which sit under 'Environmental', 'Social' and 'Governance' pillars, listed on pages 40–43.

OUR ESG GOALS AND TARGETS

ENVIRONMENTAL

Although the environmental footprint of our business is relatively small compared to others, reducing our impact on the environment remains a key focus. We invested in renewable energy to power the building (via solar panels) and have started to incorporate more lower emission options for the fleet we operate. For critical and significant partners we use environmental criteria in our selection process and our environmental activities are independently reviewed by Avieco.

GOAL

Improvement on reducing carbon footprint and energy efficiency by using electricity from renewable sources and managing fleet usage effectively.

TARGETS

- Reduce Head Office 2019 carbon emissions by three tonnes per annum.
- Reduce 2019 fleet CO_2 usage by 25% over three years.
- Work towards becoming net carbon neutral by 2031.
- No waste production target as negligible.
- Work on environmental policy for suppliers and partners is ongoing.

PROGRESS IN 2021

- Solar panels installed and producing renewable energy.
- The Group is reviewing the fleet of cars currently in use with a view to transitioning to more environmentally friendly cars in 2022 as the current leases expire.

SOCIAL

Our purpose is helping to Protect the Unprotected and this is something that expands outside of our day-to-day work; we are focused on investing in our people and providing the support they need both inside and outside of work. Our offering is designed for lower income categories and to create meaningful positive social impact. The business has supported vulnerable people within our local community and beyond for many years now, and helping others, not just financially but by dedicating time, is something we take great pride in.

GOAL

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

TARGETS

- Pledge at least 1% of EBITDA with annual minimum of £100k to PACT (Personal Assurance Charitable Trust) per year which will increase funding with profitability.
- Maintaining our long-term pledge to our school project in Kenya (Memusi) and to increase the time-sharing given back to our local community through volunteering and community action.
- Continue working towards equal gender representation at each level in the organisation, maintaining the split at senior level and improving in more junior roles.
- To reflect the ethnic mix of the communities in which we are based, improving our outreach, ensuring our recruitment/talent management approach is inclusive and accessible.

PROGRESS IN 2021

- Diversity & Inclusion Working Group.
- The Group continues to develop its employee proposition, ensuring that its benefits remain competitive and that we remain an employer of choice.
- PACT donation made in line with target.
- Flexible/hybrid working for employees.
- Nomination Committee.

GOVERNANCE

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

GOAL

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

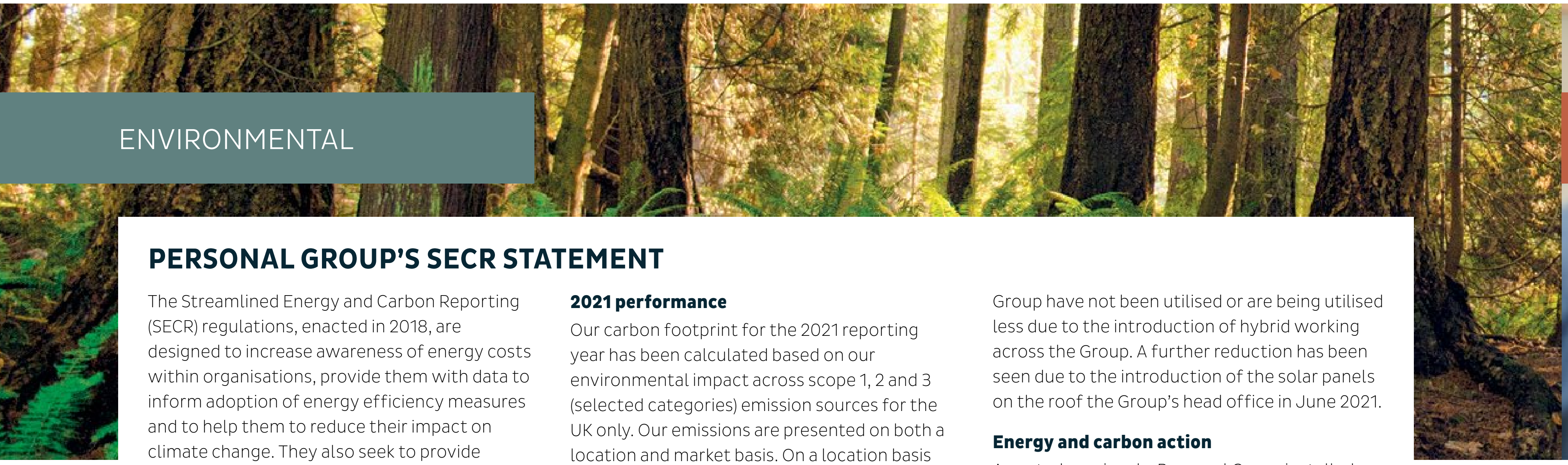
TARGETS

- Maintain current equal representation of independent Directors versus non-independent Directors.
- Maintain equal representation of men and women on the Board – sector average is 19%.
- To meet blended ethnicity representation target of 20% (taking into account the different locations we trade in).
- Keep CEO pay as a multiple of Personal Group median in line with market.

PROGRESS IN 2021

- Policy regarding the gender diversity of the Board.
- The Group has made progress in its target to reflect the local environment representation in its workforce.
- The Group has become one of only four AIM-listed companies with both a female CEO and CFO.
- Through our Accelerated Development Programme the Group is developing a talent pipeline for diverse future leaders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE continued



ENVIRONMENTAL

PERSONAL GROUP'S SECR STATEMENT

The Streamlined Energy and Carbon Reporting (SECR) regulations, enacted in 2018, are designed to increase awareness of energy costs within organisations, provide them with data to inform adoption of energy efficiency measures and to help them to reduce their impact on climate change. They also seek to provide greater transparency for stakeholders.

Personal Group recognises that our operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We have continued the reporting under SECR for the year to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

2021 performance

Our carbon footprint for the 2021 reporting year has been calculated based on our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis our emissions are 381 tCO_2e, which is an average impact of 2.6 tCO_2e per employee (2.5 tCO_2e per employee for scope 1 and scope 2 emissions only), and on a market basis our emissions are 380 tCO_2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

As the business has begun to return to normal trading following the lockdowns resulting from the COVID-19 pandemic there has been a considerable increase in scope 1 (53%) activities. Scope 2, however, has shown a continued reduction (23%) as certain offices within the Group have not been utilised or are being utilised less due to the introduction of hybrid working across the Group. A further reduction has been seen due to the introduction of the solar panels on the roof the Group's head office in June 2021.

Emissions and energy usage

Table 1 – Energy and carbon disclosures for reporting year. All units tCO_2e unless otherwise stated.

	Emissions source	2021	2020	Variance
Scope 1	Natural gas	112	128	(12%)
	Company and leased cars	212	84	152%
Total Scope 1		324	212	53%
Scope 2	Electricity	49	67	(23%)
Total Scope 2		49	67	(23%)
Scope 3	Electricity T&D	4	6	(33%)
Scope 3	Employee cars	3	3	0%
Total Scope 3		7	9	(22%)
Total (Market Based)		380	273	39%
Total (Location Based)		381	282	34%
Total Energy Usage (kWh)[1]		1,702,505	1,347,526	27%
Normaliser	tCO_2e per FTE	2.6	1.9	37%

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

Energy and carbon action

As noted previously, Personal Group installed a roof-mounted solar PV system onto the John Ormond House site in Milton Keynes. This project was completed in 2021. These panels were implemented to reduce reliance on grid electricity and provide a source of low carbon energy for the Group.

The entirety of the Group's fleet is up for renewal in 2022/23 and so a review of what vehicles will be allowed for those who need them is underway at the time of writing. The Group, unfortunately, does not believe that electric cars are an option at this stage for its sales team due to the lack of a nationwide infrastructure. However, as a minimum, constraints on the CO_2 emissions of all vehicles leased are being included in the decision.

2021 results

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

World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version).

DEFRA's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).

UK office emissions have been calculated using the DEFRA 2019, DEFRA 2020 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of January 2021 to December 2021 and using reporting period of January 2020 to December 2020 for comparison.

SOCIAL

PEOPLE

Culture and values

The Group's culture is set from the top of the organisation and as such the Board promotes a culture based around four values: Solid, Engaging, Driven, and Expert. These values form a core part of how the business is managed, from recruitment to training, and ongoing reward and recognition.

Our employees are at the heart of our business and the Group's biggest asset. We carry out an employee satisfaction survey annually and feed the results back to the Board. Despite the implications of lockdown and remote working, our employee engagement score was 72%.

Operating ethically is also very important to us and we have in place policies including: Treating Customers Fairly, Whistleblowing and Anti-Bribery. We also have a Modern Slavery policy which covers our policy on human rights, child labour and forced labour.

In 2021 we made no political donations.

Wellbeing

The Group's core purpose is to support workforce wellbeing and engagement, and our offerings touch more than a million UK employees.

We are also focused on investing in and improving the wellbeing and overall satisfaction of our own workforce both at and outside of work, including having conducted a thorough review of rewards and benefits offered to employees in 2021. Personal Group employee engagement and wellbeing is delivered through our industry leading platform, Hapi and our continued high employee engagement scores reflect our committed and passionate team.

Post-period end the Group appointed the Hon Colonel Dame Kelly Holmes MBE (mil) as Chief Wellbeing Ambassador. In this role Dame Kelly will be helping to guide Personal Group's wellbeing strategy, to ensure that our offering remains as meaningful, relevant and impactful as it can be.

Employees have access to a broad range of best-in-class benefits, including private medical and travel insurance, access to an online GP, options to buy and sell holiday allowances, death in service, long service rewards, access to an Employee Assistance Programme and discounted gym memberships.

The Group pays all staff above the living wage and delivers a programme of culturally relevant wellbeing initiatives. Alongside flexible working hours we have a hybrid working policy in place. We also have an employee health and safety team, as well as training for all executives on health and safety.

Learning and development

Our Chief People Officer oversees learning and development amongst staff, with the Group monitoring the average training hours per employee to ensure that all employees have easy access to enhance their learning.

Despite disruption from the pandemic, in 2021 Group employees completed approximately 6,868 training hours. This is a very positive increase of 283% from 2020.

The increase in training hours was helped by an increase of face-to-face delivery or longer virtual sessions, as opposed to all virtual or just e-learning courses in 2020.

We have policies in place aimed to improve the career development paths of employees, or to improve their skills. The development and promotion of internal candidates is always encouraged as appropriate.

During 2021 the Group began its first ever Accelerated Learning Programme with the aim of upskilling and developing staff in more junior roles in order to support their career growth.

Diversity and inclusion

Diversity, Equity and Inclusion has been identified as an integral part of the Group's objective of providing a welcoming and inclusive working environment where people are engaged, recognised and rewarded. The Board strives for equality of opportunity for all and for the Group to reflect the diverse communities that we serve. Not only is this the right thing to do, but diverse, inclusive teams, we believe, are higher performing and better for our growth. As such the Board has put a number of initiatives in place to ensure the Group's desired culture is enhanced. These include:

- A Diversity and Inclusion working group, to ensure that as an organisation, we continue to celebrate and support inclusivity and diversity within our workforce.
- A Nomination Committee, responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes.
- A policy regarding the gender diversity of the board, aiming to keep the gender balance neutral.

Group employee breakdown by gender as at 31 December 2021

	Male	Female
Directors	4	3
Managers	27	35
Employees	74	90
	105	128

ENVIRONMENTAL, SOCIAL AND GOVERNANCE continued

SOCIAL continued

Supporting our community

PACT

Personal Assurance Charity Trust (PACT) has donated around £2m to charitable causes since it was founded in 1993. The Group has historically donated approx. £100k to PACT per year, which is then allocated in a number of ways. Since 2020, the Trust has refocused to ensure the money being donated was being used effectively. This saw the Committee move from being simply fundraisers to become partners of local charities. We now work with, and allocate funds to, specific projects within many local charities with a view to continue involvement beyond pure financial support. Key local projects around the Milton Keynes head office for 2021 included:

- **MK Winter Night Shelter** – £16k creating the Personal Group Life Skills Programme which enables life skills training (such as basic IT Skills, interview preparedness, managing a household budget, cooking) and employment training (barista, admin etc) for guests of the shelter who have just gained accommodation, beaten an addiction or have the chance to work with one of our employment partners to reach their full potential and stand a better chance of succeeding when they move on from homelessness.
- **MK Community Foundation** – £10k creating the Personal Group Charitable Trust Fund aimed at connecting communities through technology, decreasing digital poverty and improving access to IT technology.

The Memusi Foundation

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

2021 saw:

- After eight months away from school due to the pandemic, the students returned to the classrooms.
- The community continued to suffer from the risk of starvation following the after-effects of COVID.
- After a gap of 18 months due to the restrictions in place, letters and pictures were sent and received from the sponsored children at Memusi.
- A further ad-hoc payment of £2,473 was made in April 2021 for the Smart Aid initiative which provides food to the community.
- A payment of £25,000 (in lieu of cancelled volunteering trips) was made to Memusi in November which will be used to build dormitories on the Memusi B site. These will support 36 girls, providing them with a safe base so that they do not end up having to drop out of school due to their periods, FGM or child marriage.
- Several online fundraisers arranged to adapt to COVID restrictions.

MEMUSI FOUNDATION

GOVERNANCE

GOVERNANCE IS CENTRAL TO OUR ETHOS OF OPERATING WITH INTEGRITY.

GOVERNANCE

The Board recognises the important role a robust corporate governance framework plays in the successful delivery of our long-term strategy and has adopted the QCA Corporate Governance Code which we continue to monitor our performance against in line with each of the 10 principles. (see page 47).

The Chairman and the Board is ultimately responsible for establishing the Group's governance structure, the effectiveness of internal controls, risk management, and the direction of the Group in accordance with our purpose and values to help deliver our strategy.

Board composition

The composition of our Board is carefully selected to ensure a diverse and varied set of skills, cultures, experiences and knowledge to promote success within the business.

We have targets to which we are working towards to ensure that our Board is diverse and inclusive. To support this, we have a policy in place regarding the gender diversity of the Board and currently have 14% of Board members and Senior Executives with a cultural background different from the location of the corporate headquarters.

We also strive to have equal representation of both executive and non-executive Board members to allow for fair, varied and independent opinion. Board members are elected with a majority vote and have the authority to hire external advisers or consultants without management's approval.

2021 saw the inauguration of our Nomination Committee, responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes. The Nominations Committee Report on page 57 contains more detailed information on the Committee's activity during the year.

Board compensation

The Board's compensation is determined by our Remuneration Committee, chaired by Non-Executive Director Maria Darby-Walker. Our shareholders have the right to vote on executive compensation.

For more information on how the Remuneration Committee sets appropriate compensation, see pages 60-63.

POLICIES

The following polices are currently implemented by the Group:

Modern slavery

The Modern Slavery Act (2015) requires a commercial organisation over a certain size to publish a slavery and human trafficking statement for each financial year. This statement can be found on our website personalgroup.com and is made available to our entire workforce. As a business we are committed to eradicating human trafficking and slavery and ensure a zero tolerance policy in relation to our direct and indirect operations and across our supply chain. Our policy also extends to our wider Personal Group community and partners. Across the reporting period there have been no instances that do not comply with the Modern Slavery Act.

Whistleblowing

We have a whistleblowing policy in place, which complies with local regulatory requirements and is designed to protect those who report wrongdoing in the workplace. Details of the policy are communicated to all workforce members.

Bob Head, Independent Non-Executive Director, is the designated Whistleblowers' Champion and has oversight of the arrangements. He is responsible for:

- submitting the Annual Report to the Board for approval;
- ensuring and overseeing the integrity, independence and effectiveness of the policy and arrangements;
- ensuring the Policy and supporting Arrangements protect Whistleblowers from being victimised because they have disclosed reportable concerns;
- receiving all notifications made to the external provider of the whistleblowing line;
- deciding who to engage with in Personal Group when he receives notification of a call, depending on the nature of the report.

Anti-bribery and corruption

The Group's Anti-Bribery and Corruption Policy is reviewed annually and includes all Directors, employees and all third parties operating on its behalf.

There were no instances of bribery or corruption in the period.

We assess all our business partners for potential compliance risks such as bribery and corruption, money laundering, tax evasion facilitation, data privacy breaches or other reputational red flags.

Further detail is included in the Corporate Governance section, pages 46-47.

SECTION 172 STATEMENT

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

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

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

Below follows a description of our key stakeholder groups and how we engaged with them in 2021.

Strategic area	Why we engage	How we engaged in 2021	What matters to the Group
Our Policyholders	Our policyholders are key to the long-term success of the Group. The retention of existing, and attraction of new, policyholders is equally important. We aim to make any interaction with Personal Group as positive and simple as possible. Provision of suitable and targeted employee benefits to our relevant market sectors.	We provide individual face-to-face presentations of our products to potential and existing policyholders at their place of work. Since the beginning of the COVID-19 pandemic this method of selling was impacted and so we developed virtual and telesales methods to allow us to explain our products to customers we were otherwise unable to see. This has now been incorporated as an option in the BAU approach of the Group, albeit now that our representatives are able to see people at their place of work this approach has become increasingly popular in order to provide a personalised service to our potential and existing policyholders. The COVID-19 pandemic forced the Customer Relations Team to work from home for the majority of 2020 and since then we have operated a hybrid working model with staff asked to work from the office three days a week, in times where Government recommendations allow, and to work from home or the office as required for the remainder at the individual and manager's agreed choosing. This flexibility has allowed us to maintain a smooth and supportive outcome for our customers, especially with many of our policyholders calling from a place of vulnerability. In 2021 our Customer Relations Team took over 48,500 calls and dealt with over 54,000 emails and online queries.	– Our products are relevant and provide cost effective protection – Fair and consistent pricing – Efficient and sympathetic processing of claims – Ease of access to customer service – Strong net promoter score – Retention rates
Our Clients	Our purpose is to help companies improve their effectiveness and profitability by improving their staff engagement and retention. Improving such metrics in turn improves our customer retention and encourages new business.	We engage and build relationships with our customers and clients in several ways from face-to-face interaction to holding industry and other business forums and producing white papers on topics that are relevant for their businesses. We also recognise the importance of system security for our customers and their employees and have ISO 27001 accreditation across the whole Group and ISO 9001 covering the Employee Benefits Platform operated by the Group.	– Product range, price and quality – Convenience and accessibility – Customer service – Fair marketing – Responsible use of personal data – Ethics and sustainability
Our Colleagues	The Group's long-term success is predicated on the commitment of our employees to our purpose and demonstration of our values. In order to deliver great customer service and improve our already high staff engagement scores we need to ensure that we provide an appropriate environment to attract and retain great people.	We have an open, collaborative, and inclusive management structure and engage regularly with our employees. We do this through an appraisal process, structured career conversations, employee surveys, our Hapi site and Company presentations. We remunerate with market-based pay, rewards and benefits and our continued high employee engagement scores reflect our committed and passionate team. Following a successful trial, we have introduced a hybrid working policy for all office-based staff. Feedback tells us that this helps employees maintain a better work-life balance, with subsequent gains for engagement and productivity.	– Fair employment – Fair pay and benefits – Training, development and career opportunities – Health and safety – Responsible use of personal data – Ethics and sustainability
Our Suppliers	Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standard of conduct that we set ourselves. Our Hapi platform contains numerous third-party offerings which add value to the overall proposition. It is important that we ensure good working relationships with those suppliers but also to choose partners that allow the Group to fulfil its day-to-day operations to deliver our products and services to the best standard possible.	We regularly engage in open and two-way conversations with our largest suppliers. Key suppliers are invited to attend and present at our client conferences or workshops. We have reviewed and updated our supplier onboarding process through the year, and as part of that process we now feel we have improved our understanding of our suppliers and are able to work together better as a result.	– Long-term partnerships – Collaborative approach – Open terms of business – Fair payment terms
Our Community and Environment	The Board recognises the importance of leading a Group that not only generates value for shareholders but also contributes to the wider society.	We encourage all our employees to engage in the local community and work with our PACT Committee to utilise the funds in the Personal Assurance Charitable Trust to support charities at home and abroad as discussed on page 42. We are conscious of the need for our business to focus on long-term sustainability, during 2021 we have installed solar panels on the roof of our head office and are currently in the process of renewing our fleet with emissions a key factor in any decision made. We are currently reviewing ways in which the Group can be more active in the local community and are beginning discussions with local schools and colleges to support them and to offer ourselves as a work experience possibility for their students.	– Reduce environmental impact – Invest in local community – Promote environmental offerings on platform, ie Cycle to Work – Supporting local community by creating jobs and providing work experience and apprenticeships
Our Shareholders	Our shareholders are key to the long-term success of the business. Through our investor engagement activities, we strive to obtain investor buy-in into our strategic objectives and how we plan to deliver on them. We create value for our shareholders by generating strong sustainable profits and dividends.	Through our investor relations programme, which includes regular updates, meetings, roadshows and our Annual General Meeting, we ensure that shareholders' views are brought into the Boardroom and considered in our decision making. We introduced retail investor roadshows for the first time in 2021, as both live and virtual events. After successive years of closed door AGMs we are looking forward to the possibility of moving to a traditional AGM in 2022 and being able to see and take questions from our shareholders in our head office.	– Financial performance – Strategy and business model – Dividend – Long term growth – Reputation of the Group

CORPORATE GOVERNANCE

THE BOARD CONTINUES TO HAVE A SIGNIFICANT ROLE TO PLAY IN ESTABLISHING THE CULTURE OF THE BUSINESS

Chairman's Introduction

Dear Shareholder

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

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

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

We have worked on an integrated succession plan for the Board and, as noted in my Chairman's report earlier in this document, we have embedded the Board changes (both executive and non-executive) made in 2020 and 2021. With Mark Winlow, Group Chair, departing the Personal Group Holdings Board in May 2021 I am pleased to have taken on his role. In addition, Liam McGrath has joined the Board as Chief Operating Officer and Andy Lothian, having stepped down from his executive duties, has remained with the Board in a Non-Executive capacity.

This year has continued to see challenges as a result of the COVID-19 pandemic and the Board has been focused on supporting the Senior Leadership Team in ensuring the employees of the Company are supported in their roles be it from the office or working from home. Ensuring our staff have the right support, not just in terms of equipment but also with their mental health, has continued to be a major priority for the Board during this time.

In 2021, we continued to develop our governance processes to improve adherence to the Quoted Companies Alliance (QCA) Corporate Governance Code which the Group adopted in 2018. The Board does not consider that it departs from any of the principles of the Code and we continue to monitor our performance against each of the 10 principles. The Board is able to deliver effective decision making and subsequent drive of value for shareholders, based on the quality information which it receives.

Our last independent board effectiveness review was carried out in 2019 and, in line with our commitment under the QCA Code (Principle 7) we will be conducting a further one towards the end of 2022. In the meantime, during 2021 we conducted an internal effectiveness review and are in the process of addressing the points raised.

The Board met 10 times in 2021 and the number of meetings each Director attended can be seen on pages 50 and 51. In addition, the reports of the Audit, Risk and Compliance, Nominations and SM&CR and Remuneration Committees can be seen later in this section.

Martin Bennett
Independent Non-Executive Chair

2021 Committee meeting dates

Board	21 Jan	22 Feb	17 Mar	5 May	26 May	30 Jun	21 Jul	28 Sep	21 Oct	23 Nov
Audit			11 Mar					14 Sep		23 Nov
Risk & Compliance			11 Mar			30 Jun		14 Sep		23 Nov
Nomination							21 Jul			
Remuneration	21 Jan		17 Mar				21 Jul		21 Oct	

QCA Code compliance

Principle 1 **Establish a strategy and business model, which promote long-term value for shareholders.**	Personal Group provides insurance services and a broad range of employee benefits and wellbeing products to businesses across the UK. The Group enables employers to improve employee engagement and support their people's physical, mental, social and financial wellbeing, supporting our vision of creating a brighter future for the UK workforce. Full details of our business model can be found on page 22 and on the Company website (www.personalgroup.com).
Principle 2 **Seek to understand and meet shareholders' needs and expectations.**	Regular dialogue takes place with shareholders through initiatives including the Annual General Meeting, investor roadshows, regulatory announcements and the Report and Accounts. During 2021 our Chief Executive, CFO, Chairman and other Non-Executive Directors met virtually, and in person, with key investors. We also hosted our first retail investor events in March and September 2021.
Principle 3 **Take into account wider stakeholder and social responsibilities and their implications for long-term success.**	As a Board we understand our duty to promote the success of the Company whilst considering the views of, and impact on, our wider stakeholder group of customers, policyholders, suppliers, colleagues and our community and environment as well as our shareholders. A more detailed summary of the Group's engagement with all our stakeholders can be seen on pages 44-45.
Principle 4 **Embed effective risk management, considering both opportunities and threats, throughout the organisation.**	The Board is responsible for identifying and mitigating risks to the Group achieving its strategic objectives. It addresses risk management through an "Enterprise Risk Management Framework", and a system of risk governance, including a Risk and Compliance Committee. During 2021, a risk based internal audit function was again provided by RSM. For further details see page 53.
Principle 5 **Maintain the Board as a well-functioning, balanced team led by the Chair.**	The Group maintains, and is satisfied that, the Board has a suitable balance of independence and knowledge, with Directors encouraged to challenge all matters. The Board meets regularly, with a formal schedule of matters for its approval. The Board is supported by regular engagement with the Senior Leadership Team, and a system of formal Board committees. Directors are required to devote sufficient time to carry out their role.
Principle 6 **Ensure that between them the Directors have the necessary up to date experience, skills and capabilities.**	The background and experience of the Board ensures there is an effective and appropriate balance of skills and knowledge. Additional training is provided where needed and Board members are encouraged to maintain their professional development. As noted on page 46 there have been two additions to the Board in the year with Martin Bennett and Liam McGrath taking up their roles as Chairman and COO respectively. The recent Board effectiveness review has highlighted the need for an additional Non-Executive, the search for which is underway.
Principle 7 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.**	Board members are each set annual objectives, with performance feedback provided by corresponding Executive and Non-Executive members. Board evaluation is the responsibility of the Chairman. Internal Board effectiveness reviews are undertaken yearly, with independent reviews at least every three years. The consistent themes from the 2021 Internal review have been fed back to the Board and actions are being worked on.
Principle 8 **Promote a corporate culture that is based on ethical values and behaviours.**	The Board believes Group culture is set from the top of the organisation. The Board promotes a culture based around four values: Solid, Engaging, Driven and Expert. These values form a core part of how the business is managed, from recruitment to training, and ongoing reward and recognition. An employee satisfaction survey is carried out on an annual basis, with the results fed back to the Board. Despite the ongoing impact of COVID-19 and the move to hybrid working the Group's engagement scores remained very high and remains a source of pride for the Board.
Principle 9 **Maintain governance structures and process that are fit for purpose and support good decision-making by the Board.**	The Board is collectively responsible for the long-term success of the Group and for setting and executing the business strategy. It fulfils this responsibility through Board and other Committee meetings held regularly throughout the year. The meetings held in 2021 for the Board and other Committees can be seen above.
Principle 10 **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**	The Group communicates through a variety of regular digital and traditional communications. These include face-to-face meetings, the Annual Report and Accounts, Interim Results, investor news announcements and information provided on the Group's website.

BOARD ACTIVITY IN 2021

THIS YEAR, THE KEY BUSINESS AND ACTIVITIES OF THE BOARD INCLUDED...

STRATEGY AND DEVELOPMENT

We are focused on building a business with room to grow in the medium and long-term, and those foundations are now in place

At our strategy day in June 2021, we reflected on our previously stated strategic aims and growth aspirations to widen the footprint of the business and to double the EBITDA in the mid-term. We refined this further to concentrate on those areas of the business that we believe have the greatest potential to deliver on this.

This has resulted in the identification of three core pillars of focus to deliver the refined strategy:

- Driving insurance sales through new and existing channels
- Transforming reward and benefits
- Accelerating SME

In response to our strategy reset, we also considered the format of our Board meetings to help support this and have consequently reshaped the structure of our agenda to enable an increased amount of time and focus to be spent on the areas that will help deliver on our strategy.

Read more about Our Strategy | **page 24**

GOVERNANCE AND RISK

We continued to identify, assess, manage and appropriately mitigate the key risks to the Group in achieving its objectives

In line with the revised format for our Board meetings, we also adopted a slightly different approach to our work at the Risk and Compliance Committee.

We have continued to cover all relevant areas of risk and compliance but have focused debate on exceptions. With the time saved we now address two 'deep dives' at each meeting on subjects regarded as either new risks or areas where we perceive we have increased risk which are key to us achieving our business objectives.

In addition, through our outsourced internal audit function, provided by RSM, we have changed our approach to ensure that we not only focus on the effectiveness of key internal controls but also those areas of the business that are potentially going to witness the most change as we progress on our journey to growth.

In 2021 we also introduced a Nominations and SM&CR Committee to enable focused discussions around the composition of the Board and the Group requirements around SM&CR, which had previously been discussed as part of regular Board meetings.

Read more about Risk | **pages 36-37 & 53**

PERFORMANCE MONITORING

The monthly review provided to the Board includes an update on progress for the lead KPIs introduced in 2020

In 2020, as part of our strategy for delivering long-term sustainable growth, we identified a number of lead indicators, the improvement of which will enable us to grow both our revenue and profits and build future value for the business.

In 2021 we have regularly reviewed both these lead indicators and the lower level KPIs which sit beneath them to monitor our performance against our strategy.

In addition we regularly review and consider our KPIs around ESG which were also introduced in 2020.

All of these metrics are brought into consideration by the Remuneration Committee for the development of annual bonus schemes and performance targets for the Group's long term incentive plan for the senior leadership team.

Read more about our Key Performance Indicators | **page 28**

CULTURE AND ENGAGEMENT

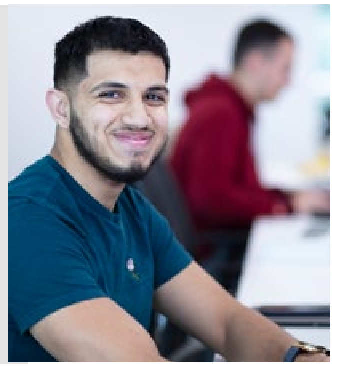
The Board continues to have a significant role to play in establishing the culture of our business, ensuring it is consistent with our business model

Supporting, communicating with and rewarding our own people has been a key focus this year and we implemented a flexible hybrid working policy to cater for a broad variety of personal preferences and spent time reaffirming our core values as a team.

Our culture and values are also an important part of what we look for in new candidates to join our Board and Senior Leadership Team and consequently our appointments in 2021 were a mixture of experienced external appointments alongside several internal promotions.

72% employee engagement score

We ran our yearly employee engagement survey in October 2021. We were delighted with an overall score of 72% across the Group.



Read more about our People | **page 41**

BOARD OF DIRECTORS

THE BOARD HAS A COMBINED WEALTH OF KNOWLEDGE AND EXPERIENCE TO HELP THE BUSINESS ACHIEVE SUCCESS AND KEEP IT MOVING FORWARD.

Committee membership key

Risk and Compliance Committee | Audit Committee | Nominations & SM&CR Committee | Remuneration Committee | C Chair of Committee | I Independent

EXPERIENCED MANAGEMENT TEAM

	 **Martin Bennett** I Non-Executive Chairman	 **Deborah Frost** Group Chief Executive	 **Sarah Mace** Chief Financial Officer	 **Liam McGrath** Chief Operating Officer	 **Maria Darby-Walker** I Senior Non-Executive Director	 **Bob Head** I Non-Executive Director	 **Andy Lothian** Non-Executive Director	 **Damian Kane** Finance Director and Company Secretary
Appointed date	**January 2021** (previously Non-Executive Director; appointed Chairman May 2021)	**September 2015** (previously Non-Executive Director; appointed CEO February 2019)	**October 2020** (previously Company Secretary from April 2014)	**May 2021**	**June 2019** (Appointed Senior Non-Executive Director in January 2021)	**November 2016**	**July 2017** (previously Executive Director, appointed Non-Executive Director in January 2021)	**October 2020**
Experience	Martin is an experienced non-executive and chairman, bringing over 20 years of financial service experience to businesses. He has a diverse and extensive skill set, stretching across commerce, operations and finance. Prior to embarking on a non-executive career in 2018 Martin spent nearly 15 years at HomeServe plc creating a FTSE 250 services business, holding CEO, COO and CFO responsibilities in the UK, US and Europe. Before this he spent three years as Finance Director of Clarity Group and 10 years at Arthur Andersen where he worked in audit and transaction services.	Deborah was appointed Group Chief Executive in February 2019. Before joining Personal Group, Deborah had a diverse background and long-standing career spanning over two decades in both industry and consultancy. She co-founded Innecto Reward Consulting in 2002, which has since become the largest independent reward consultancy in the UK. Her role involved her securing and successfully delivering multiple global projects for prestigious clients including Boden, Caffè Nero, Grosvenor Estate, England & Wales Cricket Board, ITN, and Arsenal Football Club.	Sarah joined Personal Group in January 2014 as Group Financial Controller and Company Secretary. Previously Head of Finance for private equity owned Chicago Leisure Ltd, she also has experience in a broad range of industries including roles at large communications firm Cable and Wireless and various life and pensions companies. Sarah is particularly proud that Personal Group is one of only four out of 844 AIM-listed businesses that have both a female CEO and CFO.	Prior to joining Personal Group, Liam was Group Chief Operating Officer for Advanced, the UK's third largest provider of business software and services to over 19,000 customers where he had responsibility for all customer support and professional services. Liam has held large operational roles in retail financial services for over 15 years, working for brands such as Equniti Group plc, RBS, RSA and GE Consumer Finance.	Maria joined Personal Group as Non-Executive Director in June 2019 and is Chair of the Remuneration Committee. In 2005 she started her own consultancy, advising the Boards of leading brand names on business-critical issues including mergers and acquisitions, crisis management, brand and reputation, ESG, equality and diversity, and financial regulation. Her client list included: The Financial Conduct Authority, The Investment Association, Unum, Iglo / Birds Eye, Cadbury and Rio Tinto amongst others.	Bob joined Personal Group in July 2016. With over 25 years in Non-Executive Director Roles, Bob brings an extensive range of knowledge and experience to the Board. His diverse working life has seen him work worldwide with almost every branch of financial services. He also has experience of software and marketing companies as well as government.	Andy Lothian joined Personal Group in 1998 as a Group Account Executive focusing on new business sales and client servicing. His passion for excellence, drive, and commitment has seen him go from strength to strength. His journey at Personal Group has evolved greatly over the last two decades, through Sales Management roles and eventually 11 years as Managing Director of Personal Group Benefits. In January 2021 Andy moved into a Non-Executive Director role on the Board.	Damian first joined the business in 2015 as Senior Finance Manager, with his role evolving to Financial Controller in 2018. He was appointed Finance Director and Company Secretary in 2020. Damian has extensive knowledge and experience in a variety of industries having held finance positions within Amtech Group Ltd and Connells Group subsequent to his professional training as an auditor for Grant Thornton UK LLP.
Skills, personal qualities and capabilities	An accounting and finance graduate, Martin is a Fellow of the Institute of Chartered Accountants.	A Chartered Fellow of the CIPD, Deborah is a respected and ground-breaking thought-leader in reward.	Sarah is a Fellow Member of the Association of Chartered Certified Accountants and also has a Master's degree in mathematics from Oxford University.	Liam graduated with honours in History from the University of Bristol. His early career was as an Infantry Officer where he completed Operational Tours in Northern Ireland and Iraq.	Beyond her technical and industry qualifications, Maria is also a qualified leadership coach and mentor.	Bob has solid blue-chip experience with big brands and business and a rich tapestry of management roles.	Andy has extensive knowledge and experience of the important day-to-day role that all Personal Group employees play in the development and growth of the business.	Damian is a Chartered Accountant and holds a degree in Economics and Politics from the University of Southampton.
External appointments	Chairman of Venturerprise plc, Lumon, and the Association of Foreign Exchange and Payments Companies (AFEP).	None	None	Non-Executive Director at Astral PS Ltd	Non-Executive Director at Redwood Bank Ltd, Board Governor at University of Central Lancashire, and Non-Executive Director for Amigo Loans Plc.	Non-Executive Director at Alexander Forbes and Chair of Audit and Remcom committees at Mirriad.	None	None
Committee membership and Board attendance	C 10/10 Meetings attended	10/10 Meetings attended	10/10 Meetings attended	6/6 Meetings attended	C 10/10 Meetings attended	C C 10/10 Meetings attended	10/10 Meetings attended	10/10 Meetings attended

SENIOR LEADERSHIP TEAM

AN ADEPT SENIOR LEADERSHIP TEAM REFLECTING ALL FACETS OF THE GROUP

Deborah Frost
Group Chief Executive

See Board spread on previous page.

Sarah Mace
Chief Financial Officer

See Board spread on previous page.

Liam McGrath
Chief Operating Officer

See Board spread on previous page.

Karen Thornley
Chief Commercial Officer

Karen joined Personal Group as Chief Commercial Officer in March 2021, bringing over 20 years' commercial and strategic experience to the role.

Karen is also CEO of Innecto Reward Consulting where she is responsible for providing inspired leadership and strategic direction across all aspects of the company.

Richard Thompson
Chief Customer & Product Officer

Richard was appointed as Chief Customer & Product Officer in January 2022. With a strong technical background, Richard can identify client requirements and drive our continual improvement.

Richard is also Managing Director of Let's Connect. He has a wealth of knowledge of its business operations, products and services and has led the execution of large multifaceted projects for clients.

Julie Stayte
Chief People Officer

Julie joined Personal Group in August 2021 as Interim Human Resources Director, and took on the role of Chief People Officer from January 2022.

Julie possesses a wealth of experience in commercial HR and has operated within demanding, fast-paced environments, including working within Financial Services, Retail, Hospitality, Aviation and Manufacturing.

RISK AND COMPLIANCE COMMITTEE REPORT

THE ROLE OF THE COMMITTEE IS TO OVERSEE COMPLIANCE IN CONJUNCTION WITH THE OVERALL APPROACH TO GOVERNANCE AND RISK MANAGEMENT.

MEETINGS HELD

4

RISK AND COMPLIANCE COMMITTEE MEMBERS

Meeting Attendance

Bob Head (Chair)	4/4
Martin Bennett	4/4
Maria Darby-Walker	4/4
Andy Lothian	4/4
Deborah Frost	4/4
Sarah Mace	4/4
Liam McGrath	3/3
Mark Winlow	1/1

Dear Shareholder

I am pleased to present the Risk and Compliance Committee Report for the year ended 31 December 2021.

Objectives

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

Activity during the year

We have adopted a slightly different approach to our work this year. We still cover the same ground but have focused debate on exceptions. With the time saved we do two "deep dives" in each meeting on subjects that the members regard as either new risks or areas where we perceive we have increased risk. Each meeting we review our list of planned "deep dives" for subsequent meetings.

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

- A review of the Group's approach to Environmental, Social and Governance matters and to the financial risks posed by climate change.
- Fair value for insurance customers.
- The quality of insurance sales made as our field-based sales staff returned to work.
- The Group's resilience against cyber threats.
- Ensuring vulnerable customers are identified and supported during their relationship with the Group.
- Updating and further developing the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc. The ORSA process is well embedded and the Committee and Board apply their minds to new potential or actual risks. For example, inflation is viewed as a more material risk this review compared to prior years.
- Greater focus being applied to the oversight of the Health and Safety Committee, specifically ensuring Government advice relating to the COVID-19 pandemic was complied with at all times.

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

- Oversight of the further embedding of data (specifically GDPR related) arrangements.
- The continued monitoring of the adequacy and effectiveness of the Group's risk management including emerging and focus risks being informed by data from our Treating Customers Fairly (TCF) and Conduct Risk dashboards.
- The ongoing review, consideration and approval of the existing Group policies used across the business.
- Consideration of management information which confirms levels of quality and compliance, and the effectiveness of the Information Security Management System.

As in previous years, the Committee has applied its mind to the risk logs both in terms of completeness and how risks are optimised. The Committee has also worked tightly with the Audit Committee to ensure that the Committees neither duplicate work nor allow things to slip between the gaps.

Bob Head
Independent Non-Executive Director

28 March 2022

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE CONTINUES TO PROVIDE ASSURANCE THAT SHAREHOLDERS' INTERESTS ARE BEING PROPERLY PROTECTED BY APPROPRIATE FINANCIAL MANAGEMENT, REPORTING AND INTERNAL CONTROLS.

"The ongoing disruption caused by COVID-19 has required a dynamic approach to risk management."

Bob Head
Non-Executive Director

MEETINGS HELD

3

AUDIT COMMITTEE MEMBERS

Meeting Attendance

Bob Head (Chair)	*3/3*
Martin Bennett	*3/3*
Maria Darby-Walker	*3/3*
Mark Winlow	*1/1*

Dear Shareholder

The Committee has focused on ensuring that the changes to the working environment and needs of the Group's stakeholders have been appropriately dealt with and relevant changes to financial management and internal controls have been implemented, ensuring that the control environment remains fit for purpose.

Roles and Responsibilities

The Audit Committee assists the Board in discharging its responsibilities with regard to the oversight of:

Financial reporting:

- Monitoring the integrity of the financial statements of the Group, including its annual and half yearly reports, and considering the clarity and completeness of disclosures therein;
- Reviewing and challenging any changes to accounting policies, accounting for significant or unusual transactions and the application of appropriate judgements and estimates; and
- Advising the Board on whether the Group's financial statements are fair, balanced and understandable.

Internal and external audit:

- Overseeing the Group's relationship with its external and internal auditors, including their appointment, remuneration, independence and the effectiveness of the audit process;
- Developing and implementing a policy on the supply of non-audit services by the external auditor; and
- Monitoring and reviewing the effectiveness of the outsourced internal audit function in the context of the Group's overall risk management system.

Internal controls:

- Reviewing the adequacy and effectiveness of the Group's internal financial controls and risk management systems; and
- Reviewing the Group's arrangements with regard to employee/contractor whistleblowing, fraud detection, prevention of bribery and money-laundering.

Membership and meetings

The Audit Committee comprises the Independent Non-Executive Directors and meets at least twice a year.

The Directors' profiles and qualifications are included on page 50.

Risk is covered at the Risk Committee but all members of the Audit Committee are also members of the Risk Committee, which ensures tight co-ordination.

Three formal meetings were held during 2021 and all Committee members were in attendance. Additionally, the remaining Board members, Head of Risk and Company Secretary were present at all meetings.

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

Activities of the Audit Committee during the year

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

- Review and approval of the 2020 Annual Report and Accounts and 2021 Interim Results statement.
- Approval of the Solvency and Financial Condition Report and Own Risk & Solvency Assessment.
- Review of internal audits carried out by RSM.

During 2021 RSM undertook audits, in line with the agreed scope, over areas including remote working, internal controls of Innecto, HR & payroll, conduct risk management, premium collection and supplier management.

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

The approach in developing the internal audit plan for 2022 was based on analysing the corporate objectives, risk profile and assurance framework of the Group, as well as other factors affecting the Group. The aim is to cover all significant risk areas at least once every three years.

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

Significant reporting issues and judgements

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

COVID-19 continued to have a sizeable impact both on Group and its counterparties.

Key Group issues included:

- As with the prior year the amount of new insurance business that could be written was materially affected due to the continued lockdowns and restrictions on movement during the first half of the year. This impact was felt in 2021 by the amount of new business that could be written but given first year profitability is marginal the full effect on profitability will be felt in future years rather than in 2021.
- Whilst the office reopened for most of the calendar year, the national move to a hybrid way of working has meant continued attention has been paid to cyber risks as well as operational resilience to deliver what we have promised our clients and customers.
- Consideration was given to going concern, the adequacy of capital in a variety of scenarios and the ability to pay a dividend whilst maintaining our target of two times regulatory capital.
- The carrying value of goodwill in the Group's financial statements was reviewed in line with the difficult trading environment.

AUDIT COMMITTEE REPORT continued

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

Carrying value of goodwill and other intangibles	Note 15 & 16
As a result of business acquisitions, the Group has recognised significant balances for goodwill. Goodwill must be tested annually for impairment; other intangible assets are tested when there are indicators that they may be impaired. The assessment of potential impairment requires a number of judgements and estimates to be made in determining the relevant future cash flows and the discount rate to be applied.	The Committee reviewed the key financial assumptions underpinning cash flow projections, the discount and long-term growth rates applied thereto and the results of sensitivity analyses. The Committee was satisfied that, considering the sufficient headroom available, no impairment was required, and appropriate disclosure has been made (see note 15 to the financial statements for details).
The presentation of "Adjusted EBITDA" alongside statutory profit.	**Page 32 & Note 4**
Adjusted EBITDA, in this context, looks to adjust for non-underlying trading activity within the financials for year which are material in size, in order to fairly remunerate the management on underlying performance.	The Committee considered the approach adopted and was satisfied that the approach continues to help provide a clear and more balanced view of the underlying performance of the business than simply profit after tax. It also concluded that the approach is being applied consistently from year to year and the rationale is clearly presented and reconciled back to the IFRS published numbers. The Committee is supportive of the revised segmental reporting which provides greater understanding of the make up of the Group for the reader of the financial statements.
The valuation of the claims provision	**Note 25**
The Group retains a provision for the gross estimated liability arising from claims episodes in the current and preceding financial years which have not given rise to claims paid. It is estimated based on the current information, and the ultimate liability may vary as a result of subsequent information and events.	Due to the ongoing COVID-19 pandemic and the nature of the Group's insurance policies the Committee has reviewed the methodology and calculations relating to the claims provisions held by the insurance entities within the Group to ensure that the incurred but not reported claims reflect not only the historical trends of the insurance policies sold but also ongoing review of the data around COVID-19 and in particular the recent rise of the Omicron variant. The Committee was satisfied that the amount reserved for across the Group is appropriate given the data available.

External audit

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

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

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years.

There is also an active, ongoing dialogue between the Committee and the external auditor on actions to improve the effectiveness and efficiency of the external audit process. In addition, the Committee considers risk areas that might inform the audit strategy and discuss this with the external auditors.

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

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

Bob Head
Independent Non-Executive Director

28 March 2022

NOMINATIONS COMMITTEE REPORT

THE OBJECTIVE OF THE NOMINATIONS COMMITTEE IS TO RECOMMEND FOR SELECTION BY THE FULL BOARD, DIRECTOR NOMINEES AND TO ENSURE COMPLIANCE WITH THE REQUIREMENTS AROUND SM&CR.

"The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities."

Martin Bennett
Non-Executive Director

MEETINGS HELD

1

NOMINATIONS COMMITTEE MEMBERS

Meeting Attendance

Martin Bennett (Chair)	1/1
Maria Darby-Walker	1/1
Bob Head	1/1

The CEO, Non-Independent NEDs and Company Secretary are normally present at the meetings.

Dear Shareholder

I am pleased to present the inaugural Nominations Committee Report for the year ended 31 December 2021. The Committee met for the first time in 2021 and it was introduced to enable focused discussions around the composition of the Board and the Group requirements around SM&CR which had been previously discussed as part of other Committee meetings.

Objectives

The aims and objectives of the Nominations Committee is to:

- ensure there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and new members of the senior management team;
- provide oversight of Board composition, membership and Board and senior / executive appointments;
- lead the process for appointments, ensure plans are in place for orderly succession to both the Board and senior management positions, and oversee the development of a diverse pipeline for succession;
- provide independent oversight of the Group's compliance with the Senior Managers and Certification Regime;
- ensure all Board recruitment related processes are transparent, credible, effective and reliable; and
- determine whether employees who are subject to disciplinary procedures have breached the Conduct Rules applicable to their role and whether dismissal is an appropriate outcome.

The Nominations Committee, assisted by external executive search agencies as required, primarily manages appointments to the Board, but all Board members have the opportunity to meet shortlisted candidates, ensuring a wide range of feedback in the appointment process. All Executive Directors are engaged on a full-time basis. Non-Executive Directors have letters of appointment stating their annual fee, the minimum required time commitment and confirmation that their appointment is subject to satisfactory performance. Their appointment may be terminated with a maximum of six months' written notice at any time.

The remuneration of the Chairman and Non-Executive Directors is determined by the Board following proposals from the Nominations Committee, within the limits set out in the Articles of Association, based on a review of the level of fees paid by comparator companies.

NOMINATIONS COMMITTEE REPORT continued

Activity during the year

The Committee's Chairman reports formally to the Board on its proceedings after each meeting and during the year the Committee met once, detail of what was reviewed by the Committee is as follows;

Board succession

We actively manage our Board succession plan, to ensure that our Board has an appropriate and diverse range of skills to enable us to deliver our strategy for the benefit of all of our stakeholders. We are a small and cohesive Board, and take care to ensure that all new members of our Board are aligned to our culture and share our values, whatever their skills and background. Our Board induction process, undertaken by all new members upon appointment, is an important way to get our new Board members up to speed and valued by our Non-Executive Directors. We have a formal plan for how Board membership should develop which aims to balance continuity of service with a regular refreshment of skills and experience needed to deliver our evolving strategy. We regularly review the balance of skills on the Board as a whole, taking account of the future needs of the business, and the knowledge, experience, length of service and performance of the Directors. We are satisfied with the plan which has resulted in the placement of Liam McGrath on the Board and are confident that the search for a further independent Non-Executive Director in 2022 will prove effective.

Board and Director effectiveness

The CEO receives a formal evaluation of their performance during the year, which is conducted by the Chairman. In addition, the CEO discusses with the Non-Executive Directors the performance of individuals of the Executive team and any changes that she proposes to make to this team. Whilst this activity does not take place formally within the meetings of the Nominations Committee, it does form part of its work in overseeing Executive team development and succession process, and the pipeline of talent available for succession to the Board. The performance of our Board and the Committees is evaluated by the Chair and he has concluded that the Board is functioning well, is dynamic, has a breadth and depth of complementary skills and experience and that there is a strong trust between the Non-Executive Directors and the Executive Directors in the running of the Group. A key action to the effectiveness of the Board will be the decision on filling the Non-Executive Director position left after the retirement of Ken Rooney. An internal Board effectiveness review was conducted in 2021 with a formal external review due in 2022.

Diversity

We fully support diversity as an important contribution to good quality decision making and innovative thinking. Diversity has many dimensions and we particularly value diversity of thought, which in turn is assisted by diversity of background and experience, as well as of gender and ethnicity. We already have on our Board a diversity of gender, skills, experience, personality, and cognitive approach. Across the business, teams are diverse with an even split of males and females in management positions. However, we are conscious that our senior leadership population does not currently reflect the broader ethnic mix of our employees and our customers and we will seek to address this. We continue to review how we can further broaden our approach, encouraging diversity and inclusion throughout the Board and the business.

Culture and values

Preservation of our culture has always been a priority, which stems from the values instilled by the Board. Our culture is brought to life through our shared values and business principles which the Board monitors through Board reports and agenda items, engagement with employees, and visits to the Group's offices. Our culture and values are an important part of what we look for in new candidates to join our Board, so that they may promote and engage with the development of these aspects throughout the business. It is important that they are aligned with our values so that they can be role models for all our employees and stakeholders.

Certification & conduct rules

It is important for the ongoing success of the business that rigorous certification processes and training and oversight of compliance with the conduct rules are completed and monitored by the Committee. We have worked hard to articulate the conduct rules as part of the wider Group values and have no tolerance for any breaches of the rules.

TENURE AND RE-ELECTION OF DIRECTORS

The Nominations Committee considers the length of service of Board members at least annually. The tenure of the Directors is set out below:

Member	Appointment	Last AGM renewal	Up for renewal at 2022 AGM	Board role
Martin Bennett	January 2021	AGM 2021		Non-Executive Chairman
Deborah Frost	September 15 (previously NED, appointed CEO Feb 19)	AGM 2021		Chief Executive
Sarah Mace	October 2020	AGM 2021		Chief Financial Officer
Liam McGrath	May 2021	N/A	For renewal as first year	Chief Operating Officer
Maria Darby-Walker	June 2019	AGM 2020	For renewal by rotation	Senior Non-Executive Director
Bob Head	November 2016	AGM 2020	For renewal by rotation	Non-Executive Director
Andy Lothian	July 2017 (previously Executive Director, appointed NED Jan 2021)	AGM 2021		Non-Executive Director

Martin Bennett
Independent Non-Executive Chairman

28 March 2022

REMUNERATION COMMITTEE REPORT

THE COMMITTEE'S OBJECTIVE IS TO ALIGN OUR REWARD STRATEGY WITH THE DELIVERY OF PROFITABLE AND SUSTAINABLE GROWTH FOR THE BENEFIT OF ALL OUR STAKEHOLDERS.

"We remain focused on aligning reward with the business's long-term sustainability and growth."

Maria Darby-Walker
Non-Executive Chair

MEETINGS HELD

4

REMUNERATION COMMITTEE MEMBERS

Meeting Attendance

Maria Darby-Walker (Chair)	4/4
Martin Bennett	3/3
Bob Head	4/4
Mark Winlow	1/1

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Remuneration Committee report. The Remuneration Report provides a comprehensive picture of the structure of our remuneration framework, its alignment with the business strategy and the rest of the workforce, as well as the decisions made by the Committee as a result of business performance for this year and the intended arrangements for FY22.

Aims of the Remuneration Committee

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

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

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

In addition, the Committee:

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

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

- Annual salary and associated benefits (all employees).
- Defined contribution pension scheme and other benefits such as life cover, private medical insurance (all employees).
- Performance based annual bonus linked to delivering stretching financial, business development, and service-oriented targets (selected employees).
- Commission, bonus schemes and incentives for the customer-facing insurance teams (selected sales and sales support employees).
- Share schemes:
  - PG Share Ownership Plan (all employees);
  - Company Share Option Plan (selected employees); and
  - Long Term Incentive Plans (LTIPs) (selected senior executives – see page 63 for further details).

We have continued to consider comparisons of remuneration for senior employees of similar sized quoted companies in related sectors when establishing the levels of packages set. Our most recent executive benchmarking exercise was undertaken in December 2021.

Composition of the Remuneration Committee

The Remuneration Committee consists of the independent Non-Executive Directors, with the Chief Executive, Chief People Officer, Company Secretary and any non-independent Non-Executive Directors invited to be in attendance at times. The Remuneration Committee operates within defined terms of reference, which were updated last year. It met four times in 2021, with ad hoc calls taking place which reflected the changing circumstances around the pandemic.

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

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

Performance for the year

As has been reviewed elsewhere in this report in 2021 the business continued to have a challenging year due to the COVID-19 pandemic. Despite this, due to a number of business objectives and KPIs being met, the Remuneration Committee decided that a proportion of the Senior Leadership Team bonus commensurate with the targets achieved should be paid.

2021 annual bonus

Since the end of the national lockdowns the Group has been working hard to create new routes to market and improved product offerings. Whilst the rewards of this work are still to be reflected in the profit of the Group, it is the opinion of the Committee that staff should be rewarded for the work performed to put the Group in a favourable position moving into 2022.

As a result of this, those with bonuses as part of their employment received amounts commensurate to the objectives being reached.

In addition an all-staff bonus for those employees with no eligibility for other commission or bonus structure, was paid at one week's salary for all eligible employees.

Pay increases

The Remuneration Committee decided that no Company pay review should be applied to the Board for the financial year 2021, although all other employees received a share of a pay increase pot of c3% of payroll.

However, it was agreed during the year to increase the salary of Group Chief Executive Deborah Frost as of 1 October 2022 to £330,000 following benchmarking and a performance review.

Other Committee activities for the year

The Committee has been actively engaged in reviewing the changing nature of reward and benefits in light of changes in packages as a result of the pandemic and working from home becoming an industry norm. The Committee is in regular communication with the Chief People Officer to ensure that the Group understands the market norms and offers packages which are competitive offers for our employees.

The Committee discussed, and approved the issue, of a number of Company Share Option Plan (CSOP) options to senior staff during the year. This is expected to provide further incentive for the level of management below the Senior Leadership Team in fulfilling the Group's goals moving forward.

During the year the Group utilised a new employee engagement survey tool which, in line with prior years, showed exceptionally high scores from the employees of the Group. The Committee regularly reviews the necessary actions the Group needs to take to preserve and enhance our employees' working environment.

The year ahead

In recognition too of the growing importance of ESG reporting for businesses, we will also ensure that any long-term incentives for the business are closely linked and aligned to our ESG strategy which the Company is currently developing.

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

Service contracts

The Executive Directors have service contracts that can be terminated on 6 months' notice with the exception of the Chief Executive who has a 12 month notice period.

These provide for termination payments equivalent to the notice periods basic salary and contractual benefits.

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

REMUNERATION COMMITTEE REPORT continued

Membership of Board and Directors' interests

The membership of the Board throughout the year is set out below.

The interests of the Directors and their families (including transactions committed to before the year end and shares held in the PGH employee share ownership plan) in the shares of the Company as of 31 December 2020 or date of appointment if later, and 31 December 2021, were as follows:

	Ordinary shares of 5p each in Personal Group Holdings Plc	
	At 31 December 2021	At 31 December 2020
Deborah Frost (Chief Executive)	**304,063**	304,919
Sarah Mace (Chief Financial Officer – Appointed October 2020)	**12,030**	11,907
Andrew Lothian (Non-Executive Director – Managing Director PGB Sales until December 2020)	**37,532**	38,128
Bob Head (Independent Non-Executive)	**–**	–
Maria Darby-Walker (Senior Independent Non-Executive)	**–**	–
Martin Bennett (Independent Non-Executive Chair – Appointed January 2021)	**–**	–
Liam McGrath (Chief Operations Officer – Appointed May 2021)	**–**	–

At 31 December 2021, the mid-market closing share price was 325.00p per share (31 December 2020: 206.00p).

Directors' remuneration

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

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

	Salary and fees 2021 £'000	Bonus 2021 £'000	Share-based gains on exercise of options 2021 £'000	Pension contributions 2021 £'000	**Total 2021 £'000**	Total 2020 £'000
Deborah Frost	304	113	–	10	**427**	310
Sarah Mace *	182	45	–	12	**239**	42
Liam McGrath	113	28	–	4	**145**	-
Andrew Lothian **	41	–	–	-	**41**	266
Bob Head	50	–	–	–	**50**	42
Maria Darby-Walker	49	–	–	-	**49**	43
Martin Bennett ***	78	-	–	-	**78**	-
Mark Winlow	33	-	–	-	**33**	81
Mike Dugdale	-	-	–	-	**-**	237
Ken Rooney	-	-	–	-	**-**	45
Total	850	186	–	26	**1,062**	1,066

* Sarah Mace was appointed to the role of Chief Financial Officer. Sarah had worked for the business as Group Financial Controller and Company Secretary previously, the values above show their salary and fees for their time as a Director of the Group.

** Andrew Lothian was Managing Director of PGB, and an Executive Board member, until 31/12/20 at which point he retired from his Executive role and became a Non Independent Non-Executive Director.

*** Martin Bennett became a Non-Executive Director in January 2021 and became Chair in May 2021 following the departure of Mark Winlow.

Directors' share options

CSOP

On 31 December 2021 options outstanding were as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
Andy Lothian	6,026	498.00	14 February 2017
Sarah Mace	6,122	490.00	28 January 2017
Deborah Frost	8,746	343.00	29 November 2024
Liam McGrath	8,746	343.00	29 November 2024

LTIP

On 31 December 2021 options outstanding were as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
Deborah Frost	235,662	5.00	01 January 2024
Deborah Frost	29,615	5.00	31 March 2022
Sarah Mace	62,438	5.00	01 January 2024
Liam McGrath	52,032	5.00	01 January 2024

The options above are subject to the performance criteria of the LTIP.

Long Term Incentive Plans

LTIP 2021

The plan rules and heads of agreement of a new Long Term Incentive Plan were finalised in April 2021. This LTIP has been established in order to reward and incentivise the senior executives to deliver sustainable growth for the Company and to create material value for shareholders, and replaced LTIP 2 which expired without any payments made under the scheme in March 2020. The scheme accommodates performance conditions across market, financial and ESG measures which support the growth of the business.

In April 2021 the first tranche of LTIP 2021 was announced along with a further addition in July 2021 following the appointment of Liam McGrath to the Board. The options in these two tranches were issued to the three Executive directors, as shown in the LTIP share option table above, and also four senior members of staff two of whom had subsequently left the business by 31st December 2021 with no payment made under the scheme. The performance criteria of the options is shown in note 22b of the financial statements.

As noted in the 2020 financial statements the 29,615 share options granted to Deborah Frost in lieu of an LTIP in previous years were also announced in April 2021. There are no performance conditions attached to these options other than continued employment to the exercise date.

A new tranche is currently being finalised following the principles outlined in LTIP 2021. This is expected to be completed in the second quarter of 2022 and will be announced as an RNS when finalised.

Maria Darby-Walker
Non-Executive Director

28 March 2022

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021.

Principal activities

The Group is principally engaged in providing employee services, including short-term accident and health insurance, benefits and platform products, pay and reward consultancy 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 page 32).

The profit from continuing operations for the year is £4,342,000 (2020: £8,557,000) before taxation of £745,000 (2020: £1,663,000). During the year ordinary dividends of £3,244,000 (2020: £4,147,000) were paid.

Directors

The membership of the Board at the end of the year is set out in the Remuneration Report on pages 60–63. The Remuneration Committee Report also includes details of the Directors' remuneration and interests in the ordinary shares of the Company. During the year all Directors and officers were covered by third party indemnity insurance.

Political contributions

Neither the Company nor any of its subsidiaries made any political donation or incurred any political expenditure during the year (2020: £nil).

Charitable donations

Donations to charitable organisations amounted to £100,000 (2020: £100,000).

Principal risks and uncertainties

The principal risks and uncertainties facing the Group, along with the risk management objectives and policies are discussed in the Risk and Audit Committee reports and Note 3 of these financial statements.

Capital requirements

See Note 4 of these financial statements.

Corporate governance

The Board of Personal Group Holdings Plc supports the principles and is committed to achieving high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code in its entirety. The Board's report on the Group's corporate governance procedures is set out on pages 46–47.

Disclosure of information to auditor

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

Auditor

EY LLP have expressed willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006 a resolution to both formally appoint and reappoint EY LLP will be proposed at the Annual General Meeting to be held on Wednesday 5 May 2022.

Other information

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

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

BY ORDER OF THE BOARD

Sarah Mace
Chief Financial Officer

28 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

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

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

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

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSONAL GROUP HOLDINGS PLC

Opinion

In our opinion:

- Personal Group Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Personal Group Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 December 2021	Balance sheet as at 31 December 2021
Consolidated balance sheet as at 31 December 2021	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Cash flow statement for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 32 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 32 to the financial statements (except for the solvency capital position of the Group's regulated companies disclosed in note 4 which is marked as unaudited), including a summary of significant accounting policies	

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers 12 months ending 28 March 2023;
- obtained the financial forecasts prepared by the Group and assessed the appropriateness of assumptions applied in the modelled stress scenarios based on our understanding of the business and the Group's historical performance, including since the start of COVID-19 pandemic;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of COVID-19 on the business; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period ending 28 March 2023.

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

Overview of our audit approach

Audit scope	– We performed full scope audit of four components of the Group: – UK core insurance (Personal Assurance Plc), – Guernsey core insurance (Personal Assurance (Guernsey) Limited), – IT salary sacrifice (PG Let's Connect IT Solutions Limited), – Software as a service (Personal Management Solutions Limited), and In addition, we performed audit procedures on specific balances for Innecto People Consulting Limited, included in the Group component Software as a service. – The components where we performed full or specific audit procedures accounted for 99% of the Group revenue and 99% of the Group profit before tax.
Key audit matters	– Valuation of PG Let's Connect goodwill – Valuation of Innecto goodwill and other intangible assets.
Materiality	– Overall group materiality of £219,000 (2020: £430,000) which represents 5% (2020: 5%) of consolidated profit before tax.

INDEPENDENT AUDITOR'S REPORT continued

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

Tailoring the scope

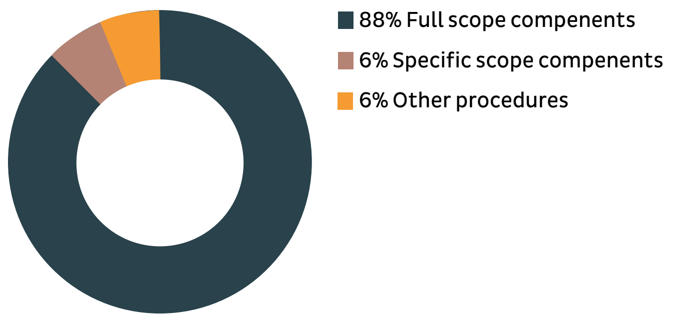
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile,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

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

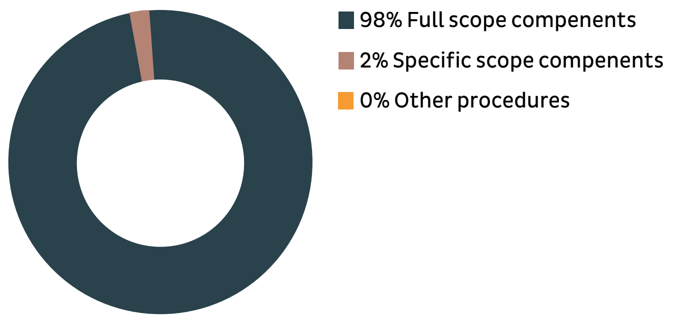
For the current year, the full scope components contributed 88% (2020: 96%) of the Group's profit before tax and 98% (2020: 98%) of the Group's Revenue. The specific scope component contributed 6% of the Group's profit before tax (2020: 3%) and 2% of the Group's Revenue (2020: 1%). The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

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

Profit before tax



Revenue



Involvement with component teams

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

Of the four full scope components, audit procedures were performed on three of these directly by the primary audit team, EY UK, whilst audit procedures on the remaining one component (Personal Assurance (Guernsey) Limited) were performed by the component audit team, EY Guernsey. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. We provided detailed audit instructions to EY Guernsey which included guidance on areas of focus, including the relevant risks of material misstatement, and set out the information required to be reported to us. We held discussions with the component team throughout the audit and reviewed their key working papers. Due to the pandemic, the UK primary audit team did not visit Guernsey and conducted the audit with the EY Guernsey team remotely. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the physical and transition risks from climate change do not currently pose a material risk to the Group. This is explained on page 83 in the Accounting Policies, which form part of the "Other information" rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on challenging management's risk assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change and the adequacy of the Group's disclosures on page 83 of the financial statements which explain the rationale.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of PG Let's Connect Goodwill (2021: £10.6m, 2020: £10.6m) *We consider the risk associated with the valuation of PG Let's Connect goodwill to have increased as a result of increased uncertainty over the future cash flow projections due to the COVID-19 pandemic.* *Refer to Accounting policies (page 84); and Note 14 of the Consolidated Financial Statements (pages 99 to 101).* The PG Let's Connect goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identified assets and liabilities at the date of acquisition of PG Let's Connect in 2014. The PG Let's Connect goodwill balance as at 31 December 2021 is significant based on its size relative to the total assets of the Group. Based on our prior year experience and the updated current year considerations including the impact of the COVID-19 pandemic and global supply chain interruptions, we consider the following key assumptions to have the most significant impact on the PG Let's Connect goodwill valuation. – Discount rate – Future cash flow forecasts These key assumptions involve significant judgement about future events for which small changes can result in a material impact to the resultant valuation and therefore leads to a greater risk of material misstatement.	To obtain sufficient audit evidence to conclude on the valuation of PG Let's Connect goodwill, we performed the following procedures: – Examined and assessed the appropriateness of management's impairment model, including an identification of the cash generating unit ('CGU') and attributable cashflows, an assessment of discounted cash flows, and understanding of the significant assumptions used in the impairment test for the identified CGU; – Considered the increased uncertainty in the underlying forecasts and challenged the future cash flow projections of the CGU, including the appropriateness of the applied short-term and long-term growth rates and estimated conversion rates; – Engaged EY valuation specialists to assess the reasonableness of the discount rate by considering the CGU's specific circumstances as well as comparable companies; – Performed sensitivity analysis to assess the impact of certain key variables on levels of headroom, including discount rate and growth assumptions; and – Considered whether the applied accounting treatment is in compliance with the applicable accounting framework and the Group's accounting policy and the Group disclosure is in line with the required reporting framework and the revised auditing standard – ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures.*	We are satisfied that there is no impairment and the carrying value of the goodwill is appropriate as at 31 December 2021. However, this assumes the ongoing improved future trading of PG Let's Connect following the COVID-19 pandemic and global supply chain interruptions. The timing and scale of the CGU's future growth is currently uncertain, particularly with respect to the speed at which the business' cash flows will revert to pre-COVID-19 levels and historical growth trends (disclosed in Note 14 of the financial statements). Delay in this recovery could have a significant adverse impact on the future cash flows of the PG Let's Connect CGU and may affect the future carrying value of the goodwill. We have reviewed the related disclosures and concluded that these accurately reflect the uncertainty associated with the future cash flows of the Let's Connect CGU, as well as the sensitivities and key assumptions.

INDEPENDENT AUDITOR'S REPORT continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Innecto goodwill and other intangible assets (2021: £2.6m, 2020: £2.8m) *We consider the risk associated with the valuation of Innecto goodwill and other intangible assets to have increased as a result of increased uncertainty over the future cash flow projections due to the COVID-19 pandemic.* ***Refer to Accounting policies (page 84); and Note 14 of the Consolidated Financial Statements (pages 99 to 101).*** The Innecto goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identified assets and liabilities at the date of acquisition of Innecto in 2019. We consider the valuation of Innecto goodwill and other intangible assets to be a significant risk for the Group. Specifically, discount rate and short-term and long-term growth rates have the most significant impact on the valuation. The value of the Innecto goodwill was most sensitive to the discount rate and the short-term growth rates of the digital sales. The forecasted cash flows were dependent on the re-platforming of Innecto's digital pay management suite in 2020, which was delayed further into 2021 due to COVID-19. The applied discount rate took into account the existing uncertainties around the future cash flows. Current 2021 forecasts show a more positive outlook for Innecto, but due to COVID-19 still impacting the business's ability to generate new business, uncertainty related to the future cash flows and sensitivity to the discount rate continue to remain. The identified key assumptions involve significant judgment about future events for which small changes can result in a material impact to the resultant valuation and therefore leads to a greater risk of material misstatement.	To obtain sufficient audit evidence to conclude on the valuation of goodwill at the year end, we performed the following procedures: – Examined and assessed the appropriateness of management's impairment model, including an identification of the cash generating unit ('CGU') and attributable cashflows, an assessment of discounted cash flows, and understanding of the significant assumptions used in the impairment test for the identified CGU; – Considered the increased uncertainty in the underlying forecasts and challenged the future cash flow projections of the CGU, including the appropriateness of the applied short-term and long-term growth rates and estimated conversion rates; – Engaged EY valuation specialists to assess the reasonableness of the discount rate and growth rates by considering the CGU's specific circumstances as well as comparable companies; – Performed sensitivity analysis to assess the impact of certain key variables on levels of headroom, including discount rate and growth assumptions; and – Considered whether the applied accounting treatment is in compliance with the applicable accounting framework and the Group's accounting policy and the Group disclosure is in line with the required reporting framework and the revised auditing standard – ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures.*	We are satisfied that there is no impairment and the carrying value of the goodwill is appropriate as at 31 December 2021. However, this assumes ongoing growth within the CGU following the COVID-19 pandemic (disclosed in Note 14 of the financial statements). Delay in the post COVID-19 recovery could have a significant adverse impact on the future cash flows of the Innecto CGU and may affect the future carrying value of the goodwill. We have reviewed the related disclosures and concluded that these accurately reflect the uncertainty associated with the future cash flows of the Innecto CGU, as well as the sensitivities and key assumptions.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £219,000 (2020: £430,000), which is 5% (2020: 5%) of the consolidated profit before tax. The Group has been profitable over a number of years and we judge the focus of shareholders to be the Group's profitability and earnings per share. While COVID-19 has impacted the profit before tax, we consider that it remains the most appropriate basis to determine materiality for the Group.

We determined materiality for the Parent Company to be £250,000 (2020: £260,000), which is 1% (2020: 1%) of the Parent Company equity. We have used the capital based measure for determining materiality due to the Parent Company being a holding company.

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

We also reassessed initial materiality for the Group from £244,000 to £219,000 due to a decrease in the Group's profit before tax between the interim forecast amount (upon which the initial material was based) and the year-end actual. We reassessed our audit procedures as a result of the decreased materiality.

We also reassessed initial materiality for the Parent Company from £266,000 to £250,000 due to a decrease in the Parent Company's equity between 30 September 2021 (upon which our initial materiality was based) and 31 December 2021. We considered the impact of this on the extent of our audit procedures.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £165,000 (2020: £323,000). We have set performance materiality at this percentage as we have not identified any significant errors in the prior year audits.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £33,000 to £165,000 (2020: £32,000 to £275,000).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £11,000 (2020: £22,000) for the Group and in excess of £12,000 (2020: £13,000) for the Parent Company, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 69, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

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

INDEPENDENT AUDITOR'S REPORT continued

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA') and the Guernsey Financial Services Commission ('GFSC').
- We understood how the Company is complying with those frameworks by making enquiries of management, and through discussions with those charged with governance. We also reviewed correspondence between the Company and the regulatory bodies; reviewed minutes of the Board and the Risk and Compliance Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Where fraud risk, including the risk of management override, was considered to be higher, we performed audit procedures to address each identified risk. These procedures included:
  - Reviewing estimates for evidence of management bias. Supported by our valuation specialists, we assessed if there were any indicators of management bias in the valuation of goodwill.
  - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

In addition, we considered the ongoing impact of Covid-19 on the Group, including an assessment of the consistency of operations and group-wide controls in place as they continued to operate remotely for a significant proportion of 2021, and making enquiries with management via use of videoconferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

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

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

Use of our report

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

Robert Bruce (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor London

28 March 2022

CONSOLIDATED INCOME STATEMENT

	Note	2021 £'000	Restated* 2020 £'000
Gross premiums written		**25,050**	29,265
Outward reinsurance premiums		**(163)**	(182)
Change in unearned premiums		**(208)**	(245)
Change in reinsurers' share of unearned premiums		**(9)**	(8)
Earned premiums net of reinsurance	5	**24,670**	28,830
Employee benefits and services Income	5	**22,753**	19,649
Voucher resale income	5	**26,852**	22,735
Other income	5	**215**	236
Investment income	6	**23**	74
Group revenue		**74,513**	71,524
Claims incurred	7	**(6,049)**	(7,031)
Insurance operating expenses	8	**(4,860)**	(4,171)
Employee benefits and services expenses	5	**(22,370)**	(19,890)
Voucher resale expenses		**(26,894)**	(22,999)
Other expenses		**82**	(258)
Group administration expenses	5	**(9,779)**	(8,437)
Share based payments expenses	22	**(169)**	(8)
Charitable donations		**(100)**	(100)
Group expenses		**(70,139)**	(62,894)
Operating profit		**4,374**	8,630
Finance costs		**(32)**	(73)
Profit before tax		**4,342**	8,557
Taxation	11	**(745)**	(1,663)
Profit for the year		**3,597**	6,894

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

Earnings per share		Pence	Pence
Basic	12	**11.5**	22.1
Diluted	12	**11.5**	22.1

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

* While the results remain unchanged, the presentation of the prior year has been restated to add clarity to the reader. See Note 2.23 for further details.

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

CONSOLIDATED BALANCE SHEET at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Goodwill	14	**12,696**	12,696
Intangible assets	15	**1,637**	1,254
Property, plant and equipment	16	**5,033**	5,456
		19,366	19,406
Current assets			
Financial investments	17	**2,596**	2,587
Trade and other receivables	19	**14,035**	18,346
Reinsurance assets	20	**108**	78
Inventories	18	**898**	861
Cash and cash equivalents	21	**20,291**	17,589
Current tax assets		**310**	55
		38,238	39,516
Total assets		**57,604**	58,922

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

CONSOLIDATED BALANCE SHEET continued for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,561**	1,561
Share premium	22	**1,134**	1,134
Share based payment reserve		**158**	-
Capital redemption reserve		**24**	24
Other reserve		**(32)**	(21)
Profit and loss reserve		**38,436**	38,076
Total equity		**41,281**	40,774
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	**478**	399
Trade and other payables	24	**402**	352
Current liabilities			
Trade and other payables	24	**12,356**	14,274
Insurance contract liabilities	25	**3,087**	3,123
		15,443	17,397
Total liabilities		**16,323**	18,148
Total equity and liabilities		**57,604**	58,922

The financial statements were approved by the Board on 28 March 2022.

S Mace
Chief Financial Officer

D Frost
Chief Executive

Company number: 3194991

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

COMPANY BALANCE SHEET at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	26	**25,203**	25,045
		25,203	25,045
Current assets			
Trade and other receivables	19	**192**	1,278
Cash and cash equivalents	21	**119**	92
		311	1,370
Total assets		**25,514**	26,415
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,561**	1,561
Share premium	22	**1,134**	1,134
Share based payment reserve		**158**	–
Capital redemption reserve		**24**	24
Other reserve		**(32)**	(21)
Profit and loss reserve		**22,172**	23,142
Total equity		**25,017**	25,840
LIABILITIES			
Current liabilities			
Trade and other payables	24	**497**	575
Total liabilities		**497**	575
Total equity and liabilities		**25,514**	26,415

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent Company's profit for the year was £2,278,000 (2020: £2,885,000).

The financial statements were approved by the Board on 28 March 2022.

S Mace
Chief Financial Officer

D Frost
Chief Executive

Company number: 3194991

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2021

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Share Based Payment Reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2021	1,561	1,134	24	–	(21)	38,076	40,774
Dividends paid	–	–	–	–	–	(3,244)	(3,244)
Employee share-based compensation	–	–	–	158	–	11	169
Proceeds of SIP* share sales	–	–	–	–	–	24	24
Cost of SIP shares sold	–	–	–	–	28	(28)	–
Cost of SIP shares purchased	–	–	–	–	(39)	–	(39)
Transactions with owners	**–**	**–**	**–**	**158**	**(11)**	**(3,237)**	**(3,090)**
Profit for the year	–	–	–	–	–	3,597	3,597
Balance as at 31 December 2021	**1,561**	**1,134**	**24**	**158**	**(32)**	**38,436**	**41,281**

Equity attributable to equity holders of Personal Group Holdings Plc

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

* PG Share Ownership Plan (SIP)

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

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2021

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Share Based Payment Reserve £'000	Other reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance as at 1 January 2021	1,561	1,134	24	-	(21)	23,142	25,840
Dividends paid	–	–	–	-	–	(3,244)	(3,244)
Employee share-based compensation	–	–	–	158	–	-	158
Proceeds of SIP* share sales	–	–	–	-	–	24	24
Cost of SIP shares sold	–	–	–	-	28	(28)	-
Cost of SIP shares purchased	–	–	–	-	(39)	-	(39)
Transactions with owners	**–**	**–**	**–**	**158**	**(11)**	**(3,248)**	**(3,101)**
Profit for the year	–	–	–	-	–	2,278	2,278
Balance as at 31 December 2021	**1,561**	**1,134**	**24**	**158**	**(32)**	**22,172**	**25,017**

Equity attributable to equity holders of Personal Group Holdings Plc

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

* PG Share Ownership Plan (SIP)

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

CONSOLIDATED CASH FLOW STATEMENT

	Note	2021 £'000	2020 £'000
Net cash from operating activities (see next page)		**7,588**	8,100
Investing activities			
Additions to property, plant and equipment	16	**(236)**	(341)
Additions to intangible assets	15	**(981)**	(424)
Proceeds from disposal of property, plant and equipment		**1**	382
Purchase of financial assets		**(9)**	(22)
Interest received	6	**23**	74
Net cash from investing activities		**(1,202)**	(331)
Financing activities			
Interest paid		**2**	(2)
Purchase of own shares by the SIP*		**(35)**	(22)
Proceeds from disposal of own shares by the SIP*		**20**	26
Payment of lease liabilities	30	**(427)**	(511)
Dividends paid	14	**(3,244)**	(4,147)
Net cash used in financing activities		**(3,684)**	(4,656)
Net change in cash and cash equivalents		**2,702**	3,113
Cash and cash equivalents, beginning of year	21	**17,589**	14,476
Cash and cash equivalents, end of year	21	**20,291**	17,589

* PG Share Ownership Plan (SIP)

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

	Note	2021 £'000	2020 £'000
Operating activities			
Profit after tax		**3,597**	6,894
Adjustments for			
Depreciation	16	**966**	1,003
Amortisation of intangible assets	15	**585**	470
Profit or loss on disposal of property, plant and equipment		**11**	(150)
Interest received		**(23)**	(74)
Interest charge		**32**	73
Share-based payment expenses	5	**169**	8
Taxation expense recognised in income statement	11	**745**	1,663
Changes in working capital			
Trade and other receivables		**4,280**	247
Trade and other payables		**(1,817)**	384
Inventories		**(37)**	(115)
Taxes paid		**(920)**	(2,303)
Net cash from operating activities		**7,588**	8,100

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

COMPANY CASH FLOW STATEMENT

	Note	2021 £'000	2020 £'000
Net cash from operating activities (see below)		**786**	1,570
Investing activities			
Dividends received		**2,500**	4,000
Net cash used in investing activities		**2,500**	4,000
Financing activities			
Purchase of own shares by the SIP*		**(35)**	(22)
Proceeds from disposal of own shares by the SIP*		**20**	26
Dividends paid	13	**(3,244)**	(4,147)
Net cash used in financing activities		**(3,259)**	(4,143)
Net change in cash and cash equivalents		**27**	(73)
Cash and cash equivalents, beginning of year	21	**92**	165
Cash and cash equivalents, end of year	21	**119**	92

Operating activities			
Profit after tax		**2,278**	2,885
Changes in working capital			
Trade and other receivables		**1,086**	1,792
Trade and other payables		**(78)**	(607)
Dividends received		**(2,500)**	(4,000)
Net cash from operating activities		**786**	1,570

* PG Share Ownership Plan (SIP)

The parent Company has cash and cash equivalents at 31 December 2021 including £50,000 (2020: £7,000) of Company's own cash and £69,000 (£85,000) relating to the purchase and sale of SIP shares by the employee benefit trust.

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

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activities of Personal Group Holdings Plc ("the Company") and subsidiaries (together "the Group") include transacting short-term accident and health insurance and providing employee services in the UK.

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

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

These financial statements have been approved for issue by the Board of Directors on 28 March 2022.

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2021. The financial statements are prepared in accordance with UK endorsed IFRS in conformity with the requirements of Companies Act 2006.

The Group is aware that IFRS 17 – Insurance Contracts is to be effective for periods from 1 January 2023. Based on a review of the current public information it is not believed that the accounting for the Group's insurance contracts will change materially due to the short tail nature of those contracts (with the exception of employee default insurance which is unlikely to be material) although disclosures are expected to be adjusted for new terminology and additional disclosure requirements likely to be required.

2.1 Basis of preparation

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

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

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

Climate Risk
In preparing these financial statements the directors have considered the impact of the physical and transition risks of climate change, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2021. This is because the assets are reported at fair value under UK endorsed IFRS. Market prices will include the current expectations of the impact of climate change on these investments. Insurance liabilities are accrued based on past insurable events so will not be impacted by any future impact of climate change. However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently and the frequency / magnitude of future insurable events linked to the effect of climate risks could change.

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

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

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2021 is included in the following notes:

- Goodwill valuation (Note 14) – key assumptions underlying recoverable amounts.
- Establishing the value of claims outstanding (Note 25); – key assumptions regarding the provisions for claims.

Going concern
The financial statements are prepared on a going concern basis. In considering going concern, the Directors have reviewed the Group's and Company's future cash requirements, earnings projections and capital projections over the next 12 months ending 28 March 2023. Various stress and scenario tests have taken place to assess the potential impact on the Group of COVID-19, considering the potential impact on premiums, claims and solvency ratios for the insurance subsidiaries, together with liquidity and other non-insurance activities for the wider Group. The Directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance over the next 12 months ending 28 March 2023, including the impacts of climate risk discussed above.

Having prepared and considered these stress scenarios the Directors have concluded that the Group and Company will be able to operate without requiring any external funding and therefore believe it is appropriate to prepare the financial statements of the Group and Company on a going concern basis. This is supported by the Group's, and Company's, liquidity position at the year end.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Accounting policies continued

2.2 Basis of consolidation continued

Transactions eliminated on consolidation

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

2.3 Goodwill and acquired intangibles

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

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

2.4 Revenue

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

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

Earned premium

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

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

Other insurance related

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

IT salary sacrifice

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

IFRS 15 – IT salary sacrifice income

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

Platform income

Platform income, including that derived from Hapi, is recognised on a straight-line basis over the length of the contract.

Where a proportion of this income and costs, credited or charged in the current year, relate to the provision of services provided in the following year, they are carried forward as deferred income or costs, calculated on a daily pro-rata basis.

IFRS 15 – Benefits income

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

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

IFRS 15 – Voucher income

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

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

IFRS 15 – Consultancy income

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

Other income

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

Government grants

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

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

Costs incurred to fulfil a contract

Costs incurred to fulfil a contract under IFRS 15 are recognised as an asset under certain conditions laid out in IFRS 15.95. The capitalised contract costs are amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer.

Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in the profit or loss. There are no contracts in the Group for which these conditions are met and, as such, no assets have been recognised.

Investment income

Interest income is recognised on an effective interest rate method.

2.5 Reinsurance

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

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

2.6 Claims recognition and claims provisions

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

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

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

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

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

2.7 Property, plant and equipment and intangible assets

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

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, and has the technical ability and sufficient resources to, complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

The expenditure capitalised includes the cost of materials, external consultancy costs and salary costs where a distinct product has been created. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Disposal of assets

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

NOTES TO THE FINANCIAL STATEMENTS continued

2 Accounting policies continued

2.7 Property, plant and equipment and intangible assets continued

Amortisation and depreciation

Amortisation and depreciation are calculated to write down the cost or valuation less estimated residual value of all intangible assets, and tangible assets other than freehold land excluding investment properties by equal annual instalments over their estimated economic useful lives.

Residual value is reviewed annually and amended if material. The rates generally applicable are:

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

2.8 Leases

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

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

2.9 Impairment of non-financial assets

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

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

2.10 Taxation

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

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

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

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

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

2.11 Financial assets

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

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

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

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

There are no financial assets categorised as at fair value through profit and loss following the sale of the equity investments.

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

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

Impairment of financial assets

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

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

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

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

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

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

2.12 Financial liabilities

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

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

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

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

2.13 Cash and cash equivalents

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

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

2.14 Investments in subsidiary undertakings

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

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

2.15 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium account" represents the amount paid on issue for equity shares in excess of their nominal value.
- "Capital redemption reserve" represents the nominal value of its own equity shares purchased, and then cancelled, by the Company.
- "Share based payments reserve" represents the equity value of the accumulated share based payments expenses in LTIP 2021.
- "Other reserve" represents the investment in own Company shares by the Employee Benefit Trust.
- "Profit and loss reserve" represents retained profits.

2.16 Employee benefits

Defined contribution group and self-invested personal pension schemes.

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

NOTES TO THE FINANCIAL STATEMENTS continued

2 Accounting policies continued

2.17 Share-based payment

Equity-settled share-based payment

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

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

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

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

2.18 Employee benefit trust

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

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

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

2.19 Shares held in an employee benefit trust

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

2.20 Inventories

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

2.21 Provisions

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

2.22 Agent vs Principal

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

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

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

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

2.23 Restatement of segmental information

As described on page 34, during the year management took the decision to change the format of the segmental analysis to better reflect the Group's business activities.

As a result, while there are no adjusting entries to the financial results in these financial statements, the layout of both the consolidated income statement and the segmental analysis have been amended, with prior year results restated in this new format to ensure comparability across the two reporting periods.

3 Risk management objectives and policies

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

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

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

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

In addition to those risks identified, the ongoing COVID-19 outbreak continued to impact operations of the business during 2021. Government imposed lockdowns limited the ability to undertake face-to-face insurance sales in the early parts of the year, but the Group has seen a return to normal trading in its insurance business in the second half of the year.

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Insurance receivables	1,665	2,295	–	–
Reinsurance assets	108	78	–	–
Trade debtors	10,592	14,712	–	–
Accrued interest	10	6	–	–
Cash and cash equivalents	20,291	17,589	119	92
Bank deposits	2,596	2,587	–	–
Total credit risk	**35,262**	37,267	**119**	92

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

Due to the seasonal nature of the PG Let's Connect business, the year-end receivables balance is heavily weighted towards salary sacrifice goods. These receivables are due from the employers of the individuals who place the order. The vast majority of these employers pay the receivable balance within two months of receiving the consolidated invoice for their scheme. Included within trade debtors are £8.4m (2020: £10.1m) relating to PG Let's Connect sales.

The use of payroll deductions by a "host company employer" would not be permitted where the Board believed there may be a significant credit risk. Receivables past their due date are summarised within Note 19. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are all regulated in the UK by the PRA.

At 31 December 2021 the counterparties were as follows: The Co-operative Bank plc, Santander UK plc, HSBC Bank Plc, Lloyds Bank Plc, Close Brothers Ltd and Aberdeen Standard Investments. Long-term rate credit ratings for these counterparties range from AA to B (ratings sourced from Fitch, and Standard & Poor's) (2020: AA to B rating range).

The Group is also exposed to the recoverability of receivables from reinsurers. At 31 December 2021, the Group utilised two reinsurances counterparties, namely, Swiss Re Europe S.A., United Kingdom Branch and AXA XL Insurance Life Syndicate 3002. Credit ratings for this reinsurer range from A+ to AA.

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

Information relating to the fair value measurement of financial assets can be found in Note 19.

NOTES TO THE FINANCIAL STATEMENTS continued

3 Risk management objectives and policies continued

Interest rate risk

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

At 31 December 2021, bank deposits and cash and cash equivalents exceeded borrowings by £22,887,000 (2020: £20,176,000). If UK interest rates increased by 2%, net finance income would increase by approximately £458,000 with a corresponding increase to equity.

Liquidity risk

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

As at 31 December 2021, 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 2021					
Trade and other payables	11,535	182	–	743	12,460
Insurance Contract Liabilities	2,188	–	–	899	3,087
Total liquidity risk	**13,723**	**182**	**–**	**1,642**	**15,547**
At 31 December 2020					
Trade and other payables	14,356	83	–	187	14,626
Insurance Contract Liabilities	2,428	–	–	695	3,123
Total liquidity risk	16,784	83	–	882	17,749
Company					
At 31 December 2021					
Amounts owed to Group undertakings	257	–	–	–	257
Total liquidity risk	**257**	**–**	**–**	**–**	**257**
At 31 December 2020	249	–	–	–	249
Amounts owed to subsidiary undertakings	249	–	–	–	249

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

Currency risk

The Group is not exposed to any currency risk as all business is conducted in GBP and all bank accounts were held in GBP in both 2021 and 2020.

Insurance claim and related risks

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

Hospital cash plans and other personal accident and sickness policies

These have been PA's core products since 1984 and, at 31 December 2021, represent 98.8% (2020: 98.8%) 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 2021 was 19.2% (2020: 19.2%). 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 (2020: £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 2021 was 172,829 (2020: 193,465) and the total annualised premium value of these policies was £19,227,000 (2020: £21,336,000). The average amount paid per claim in 2021 was £205 (2019: £191).

Voluntary Group Income Protection policies (VGIP)

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

At 31 December 2021 these policies represent 1.2% (2020: 1.2%) of PA's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2021 was 50.8% (2020: 38.1%). The total number of these individual policies in force at 31 December 2021 was 692 (2020: 860) and the average amount paid per claim in 2021 was £11,116 (2020: £9,910).

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 2021 was 32.6% (2020: 30.7%). A stop loss reinsurance policy is in place to cover claims over £3,000,000 at any given location. The total number of these individual policies in force at 31 December 2021 was 62,482 (2020: 66,143) and the average amount paid per death in 2021 was £9,518 (2020: £9,504).

Employee default policies

In February 2020 PAGL commenced the underwriting of employee default policies in relation to salary sacrifice sales made by Let's Connect. These policies provided cover to Let's Connect's largest customer in the event that employees left owing salary sacrifice deductions to their employer and these monies were unable to be recovered by alternative means.

At 31 December 2021 these policies represent 11.0% (2020: 7.0%) of PAGL's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2021 was 82.3% (2020: 78.8%) and the average amount paid per individual default in 2021 was £750 (2020: £792).

Group loss ratio

For the year ended 31 December 2021 the gross claims ratio of the Group was 24.9% (2020: 24.0%). A 2% increase in the claims ratio would increase claims incurred by approximately £501,000.

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

4 Capital management and requirements

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

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

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

PA's unaudited Eligible Own Funds, determined in accordance with the SII valuation rules, were £12.6m (2020: £12.4m) which was in excess of the estimated SCR of £3.5m (2020: £4.0m). This represented an estimated solvency coverage ratio of 357% (2020: 308%). The movement year on year remains consistent and is in line with the Board's risk appetite of holding greater than 200% of the requirement.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Capital management and requirements continued

At 31 December 2021, the requirements of the Group's regulated companies were as follows:

	Relevant regulatory body	Capital resources requirement unaudited £'000	Capital resources unaudited £'000	Surplus over capital resources requirement unaudited £'000
Company				
Personal Assurance Plc	FCA, PRA	3,521	12,588	9,067
Personal Assurance Services Limited	FCA	46	3,908	3,862
Personal Group Benefits Limited	FCA	155	292	137
Berkeley Morgan Limited	FCA	25	348	323
Personal Assurance (Guernsey) Limited	GFSC	911	2,010	1,099

Personal Assurance Plc and Personal Assurance (Guernsey) Limited maintains the majority of their assets in cash and short-term fixed interest rate deposits.

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

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

The Group's capital comprises all components of equity.

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

5 Segment analysis

As noted on page 34, the format of the segmental analysis has been changed in 2021. The segments used by management to review the operations of the business are disclosed below.

1) Affordable 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) Other Owned Benefits

This segment constitutes any goods or services in the benefits platform supply chain which are owned by the Group. At present this is made up of a technology salary sacrifice business trading as PG Let's Connect, purchased by the Group in 2014.

3) Benefits and Platform

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) Pay and Reward

Pay and Reward refers to the trade of Innecto, a pay and reward consultancy Company purchased in 2019. Revenue in this segment relates to consultancy and license income derived from selling Innecto digital platform subscriptions.

5) 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. This segment also includes revenue generated from the resale of vouchers (Note 2.22).

	2021 £'000	Restated 2020 £'000
Revenue by segment		
Affordable Insurance	24,670	28,830
Other Owned Benefits	18,214	16,420
Benefits Platform	6,051	4,901
Benefits Platform – Group Elimination	(2,748)	(2,547)
Pay & Reward	1,236	875
Other Income		
Voucher resale	26,852	22,735
Other	215	236
Investment income	23	74
Group Revenue	**74,513**	71,524
Adjusted EBITDA* contribution by segment		
Affordable Insurance	11,012	15,082
Other Owned Benefits	730	469
Benefits Platform	2,098	2,092
Pay & Reward	303	(255)
Other	279	(212)
Group admin and central costs**	(8,228)	(6,965)
Charitable Donations	(100)	(100)
Adjusted EBITDA*	6,094	10,111
Depreciation**	(966)	(1,003)
Amortisation**	(585)	(470)
Interest	(32)	(73)
Share Based Payments Expenses	(169)	(8)
Profit before tax	**4,342**	8,557

* 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

** These constitute Group administration expenses on the face of the Consolidated Income Statement

NOTES TO THE FINANCIAL STATEMENTS continued

5 Segment analysis continued

Segmental assets and liabilities

	2021		2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Insurance	28,205	8,168	26,218	7,564
Other Owned Benefits	10,910	6,176	11,748	6,937
Benefits Platform	2,055	1,400	2,526	1,271
Pay & Reward	471	-	543	-
Other	15,963	579	17,885	2,374
Total segment assets and liabilities	**57,604**	**16,323**	**58,920**	**18,146**

5a Further segmental analysis

The following note provides additional analysis on Group segmental income and expenditure.

Employee benefits and services income

	2021 £'000	2020 £'000
IT Salary Sacrifice	18,214	16,420
Other Owned Benefits	6,051	4,901
Benefits Platform Group elimination*	(2,748)	(2,547)
Pay & Reward	1,236	875
Total employee benefits and service income	**22,753**	**19,649**

Insurance operating expenses

	2021 £'000	2020 £'000
Operating expenses	7,608	6,718
Group elimination*	(2,748)	(2,547)
Total income operating expenses	**4,860**	**4,171**

* In order to properly assess the segments individually, this Group elimination apportions an arm's length value to platform sales offered at a discount in return for insurance selling opportunities at corporate clients. This value is then added to Benefits Platform income and Insurance Operating expenses before being eliminated out.

Employee benefits and services expenses

	2021			2020		
	Cost of sales £'000	Operating expenses £'000	Total expenses £'000	Cost of sales £'000	Operating expenses £'000	Total expenses £'000
IT Salary Sacrifice	15,818	1,666	17,484	14,325	1,640	15,965
Benefits Platform	1,106	2,847	3,953	416	2,393	2,809
Pay & Reward	–	933	933	4	1,126	1,130
Total employee benefits and services expenses	**16,924**	**5,446**	**22,370**	**14,745**	**5,159**	**19,904**

Gross transactional value

Gross transactional value represents the total value of revenue generated from both principal and agency arrangements. Gross transactional value from the sale of goods and vouchers is recognised at the net value when significant risks and rewards of ownership of the goods and vouchers have been passed to the buyer, usually on the dispatch of the goods and vouchers. The Company is considered to be an agent for voucher sales of £6,668,000 (2020: £3,692,000) of the total transaction value of £33,096,000 (2020: £26,143,000).

	2021 £'000	2020 £'000
Voucher revenue recognised as principal	26,428	22,463
Voucher resale for revenue recognised as agency	6,668	3,692
Gross transactional value	**33,096**	**26,155**

6 Investment income

	2021 £'000	2020 £'000
Interest income from cash on deposit	23	74
Total investment income	**23**	**74**

7 Claims incurred

	2021 £'000	2020 £'000
Claims paid	5,884	5,588
Reinsurers' share of claims paid	(63)	(90)
Claims handling expenses paid	542	731
	6,363	6,229
Increase in claims provision	(275)	767
Reinsurers' share of movements in claims provision	(39)	35
	(358)	802
Total claims incurred	**6,049**	**7,031**

8 Insurance operating expenses

	2021 £'000	Restated 2020 £'000
Incurred acquisition costs	3,472	2,915
Administration expenses	1,388	1,256
Total Insurance Operating Expenses	**4,860**	**4,171**

Total commission incurred during the year in respect of direct insurance was £762,000 (2020: £879,000).

NOTES TO THE FINANCIAL STATEMENTS continued

9 Directors' and employees' remuneration

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

	2021 £'000	2020 £'000
Wages and salaries	11,151	9,976
Share-based payments expense	169	8
Social security costs	1,278	1,003
Other pension costs	504	489
Total staff costs	**13,102**	**11,476**

During the year the Group received £126,000 from the job retention scheme (2020: £595,000). These government grants have been offset against the salary costs in the table above.

Average number of employees through the year was as follows:

	2021 Number	2020 Number
Administration	160	139
Sales and marketing	73	89
Total number of employees	**233**	**228**

b) Directors' remuneration:

	2021 £'000	2020 £'000
Emoluments	1,024	1,002
Amounts paid to third parties in respect of Directors' services	12	42
Pension contributions to Group and self-invested personal pension schemes	26	22
Total Director's remuneration	**1,062**	**1,066**

During the year, three Directors (2020: four Directors) participated in Group and self-invested personal pension schemes.

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

	2021 £'000	2020 £'000
Emoluments	416	300
Share-based payments gains on exercise of options	–	–
Pension contributions to Group and self-invested personal pension schemes	10	10
Total	**426**	**310**

Details of individual Director's remuneration are given in the Remuneration Report on pages 60-63. The Company does not incur employee remuneration.

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

	2021 £'000	2020 £'000
Short-term employee benefits:		
Salaries including bonuses	2,052	1,638
Social security costs	283	226
Share-based payments expense	–	–
	2,335	1,864
Post-employment benefits:		
Defined contribution pension plans	66	47
Total remuneration	**2,401**	**1,911**

10 Profit before tax

	2021 £'000	2020 £'000
Profit before tax is stated after:		
Auditor's remuneration (inclusive of non-recoverable VAT):		
Audit services:		
Audit of Company financial statements – Current Year	172	124
Audit of Company financial statements – Prior Year	–	40
Audit of subsidiary undertakings	120	122
Non-audit services	–	–
Depreciation of property, plant and equipment	966	1,003
Amortisation of intangibles	585	470
Rental income receivable	101	97

NOTES TO THE FINANCIAL STATEMENTS continued

11 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 20% (2020: 19%) and the tax expense recognised in the income statement can be reconciled as follows:

	2021 £'000	2020 £'000
Profit before tax	4,342	8,557
Tax rate	19%	19%
Expected tax expense	825	1,626
Adjustment for non-deductible expenses	68	251
Adjustment for tax exempt revenues	(101)	(58)
Other adjustments		
Effect of tax rate changes on deferred tax	67	-
Tax credit in respect of prior years	(109)	(151)
Adjustment for previously non-deductible expenses	(5)	(5)
Actual tax expense	745	1,663
Continuing operations	745	1,663
Current tax expense	775	1,717
In respect of prior years	(109)	(151)
Deferred tax		
Origination and reversal of temporary differences	12	97
Effect of tax rate changes	67	-
Total tax	**745**	**1,663**

During the 3rd March 2021 Budget, it was announced that the rate of corporation tax will increased to 25% from April 2023 which has been substantively enacted.

12 Earnings per share

	2021			2020		
	Earnings £'000	Weighted average number of shares	Pence per share	Earnings £'000	Weighted average number of shares	Pence per share
Basic	3,597	31,205,375	11.5	6,894	31,164,809	22.1
Dilutive effect of shares in Employee Share-based schemes	–	8,162	0.0	–	7,911	0.0
Diluted	3,597	31,213,537	11.5	6,894	31,172,720	22.1

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

13 Dividends

	2021 Pence per share	2020 Pence per share	2021 £'000	2020 £'000
Equity dividends				
Ordinary shares paid in year				
March	–	5.900	–	1,842
June	5.100	1.500	1,591	469
September	–	5.900	–	1,842
December	5.300	-	1,654	–
	10.400	13.300	3,245	4,153
Less: amounts paid on own shares			(1)	(6)
Total dividends	**10.400**	**13.300**	**3,244**	**4,147**

The dividends listed above were paid in the calendar year. Dividends of 18.4p per share were paid relating to the 2020 financial period and an interim payment of 5.3p has been paid relating to the 2021 financial period.

14 Goodwill

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

	PG Let's Connect £'000s	Innecto £'000s	Total £'000s
Cost			
At 1 January 2021	10,575	2,121	12,696
Additions in the year	–	–	–
Disposal	–	–	–
At 31 December 2021	10,575	2,121	12,696
Impairment charged			
At 1 January 2021	–	–	–
Impairment charge for year	–	–	–
At 31 December 2021	–	–	–
Net book value at 31 December 2021	**10,575**	**2,121**	**12,696**

NOTES TO THE FINANCIAL STATEMENTS continued

14 Goodwill continued

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

The net carrying values at 31 December 2021 have been reviewed for impairment.

PG Let's Connect

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

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

Five years of future cash flows were included in the discounted cash flow model. The long-term growth rate into perpetuity was determined as 2.5% (30-year average of UK consumer price index). The cash flows were then discounted using a post-tax discount rate of 13% (2020; 13%) based on PG Let's Connect weighted average cost of capital, using the capital asset pricing model.

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

Key assumptions

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

Discount rate

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

Cash flow revenue projections

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

In assessing the sensitivity of this assumption, it was found that when gross income was assumed to be £2m lower than the weighted average income of the scenarios, an impairment was still not required. Management considers the cash flow scenarios used sufficient to address the risks surrounding the business currently and that this sensitivity further supports the valuation of the CGU.

Gross profit margin

Management applied an expected gross margin of 13% on its future revenue projections, an increase on actual results for the year ended 31 December 2021 where stock availability limitations have continued to have an impact on cost of sales.

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

As the economy starts to recover post COVID-19, and stock availability limitations start to reduce, there is an expectation that future cash projections will reflect improved gross profit margins in line with pre-COVID levels.

Below is a table showing the sensitivity of the key assumptions and the impact of changes in various key assumptions (in base percentage point terms) have on the headroom. The Base column refers to the headroom on the impairment review model completed by management.

Sensitivity Analysis – Impact on Headroom	– % £'000s	Base £'000s	+ % £'000s
Discount Rate (+/- 2%)	6,019	2,531	198
Gross Income (+/- 2%)	688	2,531	5,136
Gross Profit Margin (+/- 2%)	102	2,531	4,940

Innecto

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

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

Key assumptions

Five years of future cash flows were included in the discounted cash flow model including a long-term growth rate of 2.5% (30-year average of UK consumer price index), identical to the rate used in PG Let's Connect workings. These cash flows were then discounted using a risk mitigating post-tax discount rate of 22.4% (2020: 25.2%) based on Innecto's weighted average cost of capital, using the capital asset pricing model with a risk premium in line with the risks associated with the uncertainties around the forecasted growth. The decrease in the discount rate year on year reflects the additional certainty within the Group around the operations of Innecto as well as the significant decrease in the risks incorporated into the future cash flows modelled when calculating the value in use of the CGU.

Sensitivity

While management are confident that Innecto will generate forecasted income, it is recognised that there is an inherent uncertainty within the forecasted cash flows used in the impairment model due to the expected growth.

Below is a table showing the sensitivity of the key assumptions and the impact of various changes (in base percentage point terms) has on the headroom. The Base column refers to the headroom on the impairment review model completed by management.

Sensitivity Analysis – Impact on Headroom	– % £'000s	Base £'000s	+ % £'000s
Discount Rate (+/- 2.5%)	1,492	904	450
Variable Proportion of Costs (+/- 10%)	916	904	893
Terminal Growth Rate (+/- 1%)	787	904	1,033

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

NOTES TO THE FINANCIAL STATEMENTS continued

15 Intangible assets

For the year ended 31 December 2021

	Customer value £'000	Innecto Customer value and tradename £'000	Innecto Technology £'000	Computer software and development £'000	Internally Generated Computer Software £'000	WIP £'000	Total £'000
Cost							
At 1 January 2021	1,648	726	298	1,520	506	–	4,698
Additions	–	–	–	783	–	198	981
Disposals	–	–	–	(16)	–	–	(16)
At 31 December 2021	1,648	726	298	2,287	506	198	5,663
Depreciation							
At 1 January 2021	1,648	266	110	923	498	–	3,445
Provided in the year	–	145	60	374	6	–	585
Disposal	–	–	–	(4)	–	–	(4)
At 31 December 2021	1,648	411	170	1,293	504	–	4,026
Net book amount at 31 December 2021	**–**	**315**	**128**	**994**	**2**	**198**	**1,637**
Net book amount at 31 December 2020	–	460	188	598	8	–	1,254

For the year ended 31 December 2020

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

The Innecto customer values, trademark and technologies are being amortised through the consolidated income statement over a five-year period. The net carrying value on 31 December 2021 has been assessed for impairment and no impairment was deemed necessary. The assets were assessed in conjunction with the goodwill value in Note 14. The total value of amortisation relating to acquired intangibles was £205k (2020:£205k).

16 Property, plant and equipment

For the year ended 31 December 2021

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Lease Improvements £'000	Right of use assets £'000	Total £'000
Cost							
At 1 January 2021	5,037	157	1,085	2,303	38	1,459	10,079
Additions	–	–	209	27	–	307	543
Disposals	–	–	(182)	(20)	–	(562)	(764)
At 31 December 2021	5,037	157	1,112	2,310	38	1,204	9,858
Depreciation							
At 1 January 2020	1,742	102	774	1,064	34	907	4,623
Provided in the year	86	23	194	221	3	439	966
Eliminated on disposals	–	–	(182)	(20)	–	(562)	(764)
At 31 December 2021	1,828	125	786	1,265	37	784	4,825
Net book amount at 31 December 2021	**3,209**	**32**	**326**	**1,045**	**1**	**420**	**5,033**
Net book amount at 31 December 2020	3,295	55	311	1,239	4	552	5,456

For the year ended 31 December 2020

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

17 Financial investments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank deposits	2,596	2,587	–	–
Total financial investments	**2,596**	2,587	–	–

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 (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

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

18 Inventories

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

Inventories held are classified as the below:

	2021 £'000	2020 £'000
Finished Goods – IT Salary Sacrifice	835	820
Vouchers for resale	63	41
Total	**898**	**861**

19 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans and receivables:				
Insurance receivables	1,665	2,295	–	–
Other receivables due within one year	10,592	14,712	–	–
Amounts due from subsidiary undertakings	–	–	21	1,107
Accrued interest	10	6	–	–
Other prepayments and accrued income	1,768	1,333	171	171
Total trade and other receivables	**14,035**	**18,346**	**192**	**1,278**

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

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

	2021			2020		
	Trade/ Insurance Debtor £'000	Weighted Average Provision	Credit Loss Provision £'000	Trade/ Insurance Debtor £'000	Weighted Average Provision	Credit Loss Provision £'000
Not Invoiced	6,633	0.3%	16	7,851	0.3%	19
Current	4,357	0.1%	4	6,983	0.0%	2
30 Days	723	1.0%	8	1,691	1.0%	17
60 Days	257	2.1%	5	177	2.1%	4
90 Days	153	7.8%	12	207	5.7%	12
150 Days	217	17.9%	39	212	28.4%	60
Total	**12,340**	**0.7%**	**84**	**17,121**	**0.7%**	**114**

Credit Loss Provision

	2021 £'000	2020 £'000
Stage 1	–	–
Stage 2	84	91
Stage 3	–	23
Total	**84**	**114**

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

	2021 £'000	2020 £'000
At 1 January	114	62
Provision for expected credit losses	84	114
Provision release	(114)	(62)
At 31 December	**84**	**114**

Insurance receivables and other receivables are also held at amortised cost and the carrying amount is a reasonable approximation of fair value which in the case of the insurance receivables contains a lapse provision of £160,000 (2020: £120,000).

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

20 Reinsurance assets

	2021 £'000	2020 £'000
Reinsurers share of claims incurred	57	18
Reinsurers share of unearned premiums	51	60
Total reinsurance assets	**108**	**78**

NOTES TO THE FINANCIAL STATEMENTS continued

21 Cash and cash equivalents

	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank and in hand	14,945	13,183	119	92
Short-term deposits	5,346	4,406	–	–
Total cash and cash equivalents	**20,291**	**17,589**	**119**	**92**

22 Share capital

	2021 £'000	2020 £'000
Authorised 200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid 31,219,207 (2020: 31,219,207) ordinary shares of 5p each	1,561	1,561
Share Premium	1,134	1,134

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

The total number of own shares held by the Employee Benefit Trust at 31 December 2021 was 87,288 (2020: 87,366). Of this amount, there are 76,135 (2020: 80,781) SIP shares that have been unconditionally allocated to employees.

As at 31 December 2021, 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 three-year period, except for early termination of employment by attaining normal retirement age, ill health or redundancy.

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

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

	2021		2020	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	205,559	394.5	161,657	446.0
Options granted in year	69,968	343.0	43,902	205.00
Options exercised in year	–	–	–	–
Options cancelled or lapsed	(48,784)	368.9	–	–
Outstanding at 31 December	**226,743**	**384.1**	**205,559**	**394.5**

The weighted average exercise price of 95,294 (2020: 120,873) share options exercisable at 31 December 2021 was 472.35 pence per share (2020: 471.83).

The fair values of options which were granted during 2021 were determined by using the Black-Scholes valuation model. The fair value of these options was 45 pence per share. Significant inputs into the calculation include a weighted average share price of 343p and exercise prices as illustrated above. Furthermore, the calculation takes into account future dividends of 4.2% and a volatility rate of 29%, based on expected share price. Risk-free interest rate was determined at 0.1%. The options are exercisable between three and ten years after the date of the grant and have an exercise price of 343 pence per share.

The weighted average remaining contracted life of outstanding options at 31 December 2021 was six years and three months (2020: five years and ten 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, £11,000 of employee compensation by way of share-based payment expense has been included in the consolidated income statement for 2021 (2020: £5,000). The corresponding credit is taken to equity. No liabilities were recognised due to share-based transactions.

b) Long Term Incentive Plan (LTIP)

LTIP 2021

The Remuneration Committee approved a new LTIP on 6 April 2021. Under the scheme share options of Personal Group Holdings Plc are granted to senior executives with an Exercise Price of 5p (nominal value of the shares). The share options have various market and non-market performance conditions which are required to be achieved for the options to vest. The options also contain service conditions that require option holders to remain in employment of the Group.

Total shareholder return (market condition)

50% of the awards vest under this condition. Subject to Compound Annual Growth Rate (CAGR) of the Total Shareholder Return (TSR) over the Performance Period.

EBITDA targets (non-market condition)

35% of the awards vest under this condition. Subject to cumulative EBITDA over the Performance Period.

Environmental, social and governance targets (ESG) (non-market condition)

Up to 15% of the awards vest under this condition. The awards shall vest upon the Remuneration Committee determining that all ESG targets have been met.

The fair value of the share options is estimated at the grant date using a Monte-Carlo binomial option pricing model for the market conditions, and a Black-Scholes pricing model for non-market conditions. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.

There are no cash settlements alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the LTIP as an equity-settled plan.

As noted in the 2020 financial statements, the 29,615 share options granted to Deborah Frost in lieu of an LTIP in previous years were also announced in April 2021. There are no performance conditions attached to these options other than continued employment to the exercise date.

In total, £158,000 of employee share-based compensation has been included in the consolidated income statement to 31 December 2021 (2020: £nil). The corresponding credit is taken to equity. No liabilities were recognised from share-based transactions.

23 Deferred tax

	2021		2020	
	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	17	429	20	314
Intangible Assets	–	66	–	105
	17	495	20	419
Offset	(17)	(17)	(20)	(20)
Total deferred tax	**–**	**478**	**–**	**399**

NOTES TO THE FINANCIAL STATEMENTS continued

23 Deferred tax continued

	2021 £'000	2020 £'000
At 1 January	(399)	(302)
Current year movement	(12)	(92)
Movement in provisions due to tax rate changes	(67)	–
At 31 December	**(478)**	**(399)**

At 31 December 2021 the Group had tax losses of £945,000 (2020: £950,000) available to carry forward to offset against future profits of the same trades. A deferred tax asset has not been recognised in respect of the carried forward tax losses as there is uncertainty as to whether they will be utilised given the trade is no longer a significant component of the Group.

24 Trade and other payables

	Group		Company	
Current	**2021 £'000**	**2020 £'000**	**2021 £'000**	**2020 £'000**
Financial liabilities measured at amortised cost:				
Amounts owed to subsidiary undertakings	–	–	257	249
Other creditors	8,099	10,062	26	38
Right of use creditor	72	304	–	–
Accruals	3,290	3,103	214	288
Deferred income	895	805	–	–
Total trade and other payables	**12,356**	**14,274**	**497**	**575**

	Group		Company	
Non-Current	**2021 £'000**	**2020 £'000**	**2021 £'000**	**2020 £'000**
Right of use creditor	402	352	–	–
Total	**402**	**352**	**–**	**–**

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

25 Insurance contract liabilities

	2021 £'000	2020 £'000
Provision for claims	2,061	2,336
Claims settlement expenses	127	92
Unearned premiums	899	695
Total insurance contract liabilities	**3,087**	**3,123**

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 £1,121,000 (2020: £1,485,000) is estimated by using a Chain Ladder method and the main assumption underlying this technique is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. A change of 5% in the past claims development experience would result in a change of £56,000 (2020: £74,000) in the provision of outstanding claims for Personal Assurance Plc.

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

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

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

a) Claims

	2021			2020		
	Gross £'000	**Reinsurance £'000**	**Net £'000**	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
Provision for claims at 1 January	2,336	(18)	2,318	1,569	(53)	1,516
Claims paid during the financial year	(5,884)	63	(5,821)	(5,588)	132	(5,456)
Increase/(decrease) in liabilities:						
Arising from current year claims	6,469	(43)	6,426	6,325	(9)	6,316
Arising from prior year claims	(860)	(59)	(919)	30	(88)	(58)
Total movement	(275)	(39)	(314)	767	35	802
Provision for claims at 31 December	**2,061**	**(57)**	**2,004**	**2,336**	**(18)**	**2,318**

b) Unearned premiums

	2021			2020		
	Gross £'000	**Reinsurance £'000**	**Net £'000**	**Gross £'000**	**Reinsurance £'000**	**Net £'000**
At 1 January	695	(60)	635	450	(68)	382
Increase in the financial year	25,050	(163)	24,887	29,265	(182)	29,083
Release in the financial year	(24,846)	172	(24,674)	(29,020)	190	(28,830)
Movement in the financial year	204	9	213	245	8	253
At 31 December	**899**	**(51)**	**848**	**695**	**(60)**	**635**

NOTES TO THE FINANCIAL STATEMENTS continued

26 Company investment in subsidiary undertakings and joint venture

	Shares in subsidiary undertakings	
	2021 £'000	**2020 £'000**
Cost		
At 1 January	37,943	37,939
Acquired in the year	–	–
Share-based expenses	158	4
At 31 December	38,101	37,943
Amounts written off		
At 1 January	12,898	12,898
Impairment provision in year	–	–
At 31 December	12,898	12,898
Net book amount at 31 December	**25,203**	**25,045**

At 31 December 2021 the Company held 100% of the allotted share capital of the following trading companies, all of which were incorporated in England and Wales, with the exception of Personal Assurance (Guernsey) Limited which is incorporated in Guernsey, and have been consolidated in the Group financial statements. The registered address of all Group entities is John Ormond House, 899 Silbury Boulevard, Central Milton Keynes, MK9 3XL, with the exception of Personal Assurance (Guernsey) Limited whose registered address is Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ.

	Nature of business
Personal Group Limited	Intermediate holding Company
Personal Assurance Plc*	General insurance
Personal Assurance Services Limited*#	Administration services
Personal Group Benefits Limited*#	Employee benefits sales and marketing
Personal Group Trustees Limited*	Trustee for employee share options Personal
Management Solutions Limited*	Employee benefits sales and marketing
Berkeley Morgan Group Limited*#	Berkeley Morgan Group Holding Company
Berkeley Morgan Limited+	Independent financial advisers
Personal Assurance (Guernsey) Limited*	Death insurance underwriting services
Let's Connect IT Solutions Limited*	Employee benefits salary sacrifice technology products
Innecto People Consulting Limited*	HR consultancy and technology providers
Multiplelisting Limited	Dormant
Mutual Benefit Limited	Dormant
Partake Services Limited	Dormant
Personal Assurance Financial Services Plc	Dormant
Berkeley Morgan Healthcare Limited+	Dormant
B M Agency Services Limited+	Dormant
Berkeley Morgan Property Limited+	Dormant
Summit Financial Solutions Limited+	Dormant
Summit Financial Holdings Plc+	Dormant
Berkeley Morgan Trustees Limited+	Dormant
Personal Group Mobile Limited*	Dormant
Universal Provident Limited+	Dormant

* Indirectly owned by Personal Group Holdings Plc via Personal Group Limited
\+ Indirectly owned by Personal Group Holdings Plc via Personal Group Limited and Berkeley Morgan Group Limited
\# Exempt from audit under parental guarantee

The following subsidiaries of the Group are exempt from the requirements of the Companies Act 2006 ("the Act") relating to the audit of individual accounts by virtue of s479A. The parent undertaking, Personal Group Holdings Plc, gives a guarantee to these subsidiaries under section 479C in respect of the year ending 31 December 2021.

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

27 Capital commitments

The Group has no capital commitments at 31 December 2021 and 31 December 2020.

28 Contingent liabilities

There were no contingent liabilities at 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS continued

29 Pensions

Group and self-invested personal pension schemes

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

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

30 Leasing commitments and rental income receivable

Amounts recognised in the balance sheet

Following the adoption of IFRS 16 the balance sheet at 31 December 2021 includes assets and liabilities relating to Right of Use (ROU) assets as detailed below:

2021 – Right of use assets & lease liabilities

	Net Book Value of Assets £000's	Lease Liability £000's
Motor Vehicles	178	222
Buildings	242	252
Total	**420**	**474**

2020 – Right of use assets & lease liabilities

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

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

Amounts recognised in the consolidated statement of profit or loss

	Depreciation Charge £000's	Interest Expense £000's
Motor Vehicles	353	27
Buildings	86	5
Total	**439**	**32**

Total operating lease payments due until the end of the lease, or the first break clause, total £388,000 (2020: £418,000).

An analysis of these payments due is as follows:

	2021 £'000	2020 £'000
Total lease payments falling due:		
Within one year	193	211
Within one to two years	79	102
Within two to five years	116	105
Total	**388**	**418**

Total operating rent receivable payments due until the end of the lease or the first break clause, total £13,000 (2020: £14,000). An analysis of these receivable payments due is as follows:

	2021 £'000	2020 £'000
Future minimum lease payments:		
Within one year	13	14
Within one to two years	–	–
Within two to five years	–	–
Total	**13**	**14**

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

	1 January 2021 £'000	Cash Flows £'000	New leases £'000	Other £'000	31 December 2021 £'000
Current lease liabilities	304	(427)	251	94	222
Non-current lease liabilities	352	-	-	(100)	252
Total liabilities from financing activities	**656**	**(427)**	**251**	**(6)**	**474**

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

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions

Personal Group Holdings Plc holds a bank account with Lloyds Bank PLC which it uses for payments to Group company specific creditors. During 2021 and 2020 the Company paid its own dividends and expenses.

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

	2021		2020	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Personal Assurance Plc	10	–	–	–
Personal Assurance Services Limited	–	5	–	–
Personal Assurance Financial Services Plc	–	137	–	137
Multiplelisting Limited	–	100	–	100
Mutual Benefit Limited	–	12	–	12
Partake Services Limited	3	-	3	–
Personal Group Limited	-	-	1,103	–
Berkeley Morgan Group Limited	4	-	-	-
Innecto People Group Consulting Limited	4	-	-	-
Total	**21**	**254**	**1,106**	**249**

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

Transactions with Directors
During the year, no transactions were undertaken with Directors, or companies in which Directors were key decision makers.

32 Post balance sheet events

There have been no post balance sheet events.

COMPANY INFORMATION

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3194991

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M Bennett – Non-Executive Director
S Mace – Chief Financial Officer
B Head – Non-Executive Director
L McGrath – Chief Operating Officer
M Darby-Walker – Senior Non-Executive Director
A Lothian – Non-Executive Director

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