

PERSONAL GROUP HOLDINGS PLC
(“Personal Group”, “Company” or “Group”)

Interim Results for the Six Months ended 30 June 2018

Solid progress across all three business segments

Personal Group Holdings Plc, a leading provider of employee services in the UK, announces its interim results for the six months ended 30 June 2018. The Company has continued to make solid progress, performing in-line with management’s expectations and ahead of last year across all three business segments.

Highlights

Financial

- Group revenue of £21.1m (2017: £19.6m), an increase of 7.3%
- EBITDA* from continuing operations of £4.7m (2017: £3.7m), an increase of 27.0%
- Profit before tax from continuing operations of £3.9m (2017: £3.0m), an increase of 27.7%
- Basic EPS from continuing operations of 10.5p (2017: 8.2p), an increase of 28.0%
- Balance sheet remains strong with cash and deposits of £18.4m and no debt
- Dividends per share paid in the period up 1.3% to 11.50p (2017: 11.35p), maintaining progressive dividend policy

Operational

- Strong trading across all three business segments and all market sectors
- Solid performances from both Insurance and PG Let’s Connect (salary sacrifice)
- Strong increase in SaaS revenue to £2.0m (2017: £0.9m)
- Successful launch of the next generation Hapi platform app
- Continued focus on the rollout of the Company’s offer, with further investment in sales planned
- Further expansion into the Public Sector through the Crown Commercial Services Framework
- Company also today announces Mark Scanlon’s (CEO) intention to step down from the board, having led the business through a successful period of growth and diversification (see separate RNS).

* Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation of intangible assets, goodwill impairment, share-based expense payments, corporate acquisition costs, restructuring costs, write back of contingent consideration and release of tax provision. This definition applies to all references to EBITDA within these interim results. A reconciliation from PBT to this adjusted EBITDA has been included in note 3.

Mark Scanlon, Chief Executive of Personal Group, commented:

“It has been an encouraging start to the year, with all three business segments ahead of this time last year. SaaS sales continue to increase as expected; core insurance performance remains robust and growing; PG Let’s Connect is rebounding and we are well positioned to provide our range of employee services to companies of all sizes and within all sectors.

“The momentum we’ve seen in the first half of the year has continued into the second half and the Board remains confident that the Group continues to trade in-line with expectations for the full year.

"Having led the business for almost seven years and taken it through a period of growth and diversification I feel that now is an opportune time to handover to a successor. Personal Group is in great shape, underpinned by the strength and depth of the team, and well positioned for the next phase of growth."

- ENDS -

For more information please contact:

Personal Group Holdings Plc

Mark Scanlon / Mike Dugdale	+44 (0)1908 605 000
Philip Dennis (Investor Relations)	+44 (0)7947 868 206

Cenkos Securities Plc

Max Hartley / Callum Davidson (Nominated Adviser)	+44 (0)20 7397 8900
Russell Kerr (Sales)	

Hudson Sandler

Nick Lyon / Sophie Lister / Lucy Wollam	+44 (0)20 7796 4133
-----------------------------------------	---------------------

Notes to editors

Personal Group Holdings Plc (AIM: PGH) is a technology enabled employee services business, working with employers to drive productivity through better employee engagement and a more motivated workforce. With over 30 years' experience, the Company provides employee benefits and services to over 2 million employees across the UK.

Personal Group's offer comprises 8,000 in-house and third-party products and services, from c.60 supply lines. In-house services include employee insurance products (hospital plans, convalescence plans and death benefit plans) and the provision of technology via salary sacrifice (iPads, computers, laptops, smart phones and smart TVs). Third party services include retail discounts, employee assistance programmes, wellbeing programmes and salary sacrifice cars and bikes.

The offer is provided via the Company's proprietary technology platform, Hapi. The platform is intuitive, designed primarily for app deployment and is also accessible via the web on PC and tablet, driving better engagement, communication and value recognition. Hapi is flexible and can quickly integrate additional services, such as existing employee services and partner platforms. Hapi is a SaaS product.

Through technology and select acquisitions, the Company has grown its addressable market from 6m to 32m UK employees; including 15.6m SME employees targeted via its partnership with Sage, the UK's largest software company.

Personal Group's innovative approach to using technology to deliver its programmes, combined with its face-to-face method of communicating with employees, makes its offer compelling to blue chip clients across the UK as a way of attracting, retaining and motivating employees.

Personal Group has a strong client base across a range of sectors including passenger transport, healthcare, logistics and food manufacturing. Clients include: Stagecoach, Four Seasons Health Care, Priory Group, Spire Healthcare, Bibby, 2 Sisters Food Group and Young's Seafood.

For further information, please see www.personalgroup.com

Interim Results Statement

Introduction

The Group has made a solid start to the year with trading during the six-month period in line with management's expectations and up on last year across all three business segments. The performance of the Company's core insurance business and PG Let's Connect, its salary sacrifice business, was encouraging, while income from SaaS saw a further strong increase in revenues.

The Company continues to deliver on its strategy and remains well positioned to take advantage of the significant and growing employee services market, with the focus having shifted from developing and expanding the offer to growing sales. The market remains strong, with continued increased competition for employees in a tight labour market and wider recognition among employers of the productivity value and cost advantage to their business of attracting and retaining employees.

Financial Performance

Group revenue for the six months to 30 June 2018 increased by 7.3% to £21.1m (2017: £19.6m). This increase was driven by a strong performance in the SaaS business, which saw revenues increase 120.2% over this time last year, alongside a solid performance across the rest of the business.

During the period, EBITDA from continuing operations increased by 27.0% to £4.7m (2017: £3.7m). This again was driven by the strong performance in SaaS and solid performances from the other business segments, combined with a continued focus on costs control.

Profit before tax was up 27.7% to £3.9m (2017: £3.0m), while earnings per share increased 28.0% to 10.5p (2017: 8.2p). During the period the Company maintained its progressive dividend policy, with dividends per share paid up 1.3% to 11.50p (2017: 11.35p). As previously announced, the Company's third dividend for 2018 of 5.75p per share will be paid on 21 September 2018 to members on the register on 10 August 2018.

The Company's balance sheet remained strong with total cash and deposits increasing to £18.4m and no debt. The increase in cash balances was down to a combination of good trading, along with the planned sale of the Company's equity portfolio.

Business Review

The core insurance division again produced a solid performance with revenue slightly ahead of last year and new insurance sales up 6% on the prior year. The insurance business saw momentum continuing into the first half of this year, post the investments made in expanding and developing the sales team in 2017.

PG Let's Connect, the Company's salary sacrifice business, had an encouraging start to the year, with trading marginally ahead of this time last year and in line with management's expectations. The business benefitted from Royal Mail's decision to run its salary sacrifice offer to its employees on a continuous basis from March of this year.

PG Let's Connect also benefitted from the changes made to that business in 2017, including improving and simplifying the customer experience and a revised cost base, to place it in the best possible position to grow as it entered 2018. PG Let's Connect has the most extensive pipeline the Company has ever had

which further underlines how the product offering has increased demand, particularly as the surrounding legislation is now clear and much easier to operate within.

PG Let's Connect remains a Q4 weighted business due to the natural heightened interest in its offer in the run up to Christmas but improved visibility provides cautious optimism for the overall year. With the appointment to the Crown Commercial Service Framework, management remain optimistic that PG Let's Connect is well placed to make additional inroads into the wider public sector.

The Company's SaaS business saw a strong first half, with revenues increasing by 120% over the corresponding period last year. This was driven primarily by revenues generated from Sage licences and an increase in direct sales from clients using the Hapi platform. Additional revenue was also generated via the platform from the increasing provision of products directly to clients, such as the newly developed Hapi Cinema offer. The SaaS business saw several significant new-client wins during the period, including Randstad and St John Ambulance.

As stated in the Company's July trading update, the rationalisation of its supply chain and the increasing provision of some products provided directly to clients, rather than through a third party, is not only providing commercial benefits in terms of additional revenue and margin but is also reducing the Company's external exposure to supply chain risk. This allows the Company to have closer and tighter control of the data flows associated with its business further improving its resilience to potential cyber attacks.

The launch of the new and improved App for the Hapi platform has gone well and is gaining traction with existing and potential clients. The new App is more easily accessible, being available within the Apple App store, and has significantly improved functionality.

The relationship with Sage continues to make progress, with Sage's commitment to the product offer having strengthened this year. The next product version of the Sage Employee Benefits proposition extends the offer to their wider client base. To date the focus has been in Sage's payroll clients, which accounts for only a small portion of their total client base.

Market

The employee services market continues to grow and develop. This is being driven by continued wage pressures in an increasingly competitive labour market, which is increasingly leading employers to compete for labour using non-wage benefits.

The market is also being driven by a continued growing recognition among employers of the commercial benefit to investing in and retaining key staff. High staff turnover creates a direct replacement cost and impacts productivity, due to time to replace and time to develop competency in the new employee. As such, Personal Group's offer has appeal to both employers and their employees alike, improving real income benefits for employees and cost saving and commercial advantage for their employers.

Outlook

Personal Group's trading was strong during the first half of the year and that momentum has continued into the second half of the year. As part of maintaining that momentum for the longer term and in-line with the Company's strategy, there will again be an increased focus and investment in developing sales opportunities as we progress through the second half of this year and into 2019.

Personal Group remains well placed to benefit from the continued growth and development of the employee services market, with the strength of its proprietary technology platform, Hapi, offering a flexible means of distributing owned and third-party products and services to an established, sizeable and growing client base and their employees. The Board has confidence that the Group continues to trade in-line with expectations for the full year.

Mark Winlow
Non-Executive Chairman

Mark Scanlon
Chief Executive

18 September 2018

Consolidated Income Statement

	Note	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Continuing Operations				
Gross premiums written		15,795	15,033	30,739
Outward reinsurance premiums		(117)	(146)	(272)
Change in unearned premiums		(59)	442	233
Change in reinsurers' share of unearned premiums		(8)	(8)	(21)
Earned premiums net of reinsurance		15,611	15,321	30,679
Other insurance related income		120	159	391
IT salary sacrifice income		3,264	3,141	11,292
SaaS income		2,004	910	2,648
Other non-insurance income		53	53	105
Investment property		1	-	1
Investment income		31	60	117
Revenue		21,084	19,644	45,233
Claims incurred		(3,730)	(3,738)	(6,780)
Insurance operating expenses		(7,238)	(6,885)	(13,529)
Other insurance related expenses		(109)	(174)	(244)
IT salary sacrifice expenses		(3,570)	(3,908)	(11,034)
SaaS costs		(1,676)	(1,076)	(2,459)
Other non-insurance related expenses		(353)	(284)	(710)
Share-based payment expenses		(76)	(156)	(192)
Charitable donations		(50)	(50)	(100)
Amortisation of intangible assets		(336)	(329)	(673)
Expenses		(17,138)	(16,600)	(35,721)
Operating profit from continuing operations		3,946	3,044	9,512
Finance costs		(72)	-	-
Share of loss of equity-accounted investee net of tax		(8)	(17)	(2)
Profit before tax from continuing operations		3,866	3,027	9,510
Tax	4	(646)	(516)	(1,486)
Profit for the period from continuing operations		3,220	2,511	8,024
Profit from discontinued operation		8	23	238
Profit for the period after tax		3,228	2,534	8,262

Consolidated Income Statement

	6 months ended 30 June 2018 Unaudited	6 months ended 30 June 2017 Unaudited	12 months ended 31 December 2017 Audited
Earnings per share as arising from total operations	Pence	Pence	Pence
Basic	10.5	8.2	26.9
Diluted	10.3	8.1	26.4

Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2018 Unaudited	6 months ended 30 June 2017 Unaudited	12 months ended 31 December 2017 Audited
	£'000	£'000	£'000
Profit for the period	3,228	2,534	8,262
Other comprehensive income			
Available for sale financial assets:			
Valuation changes taken to equity	-	56	106
Reclassification of (gains)/losses on available for sale financial assets on derecognition	-	(26)	(40)
Income tax on unrealised valuation changes taken to equity	-	(6)	(11)
Total comprehensive income for the period	3,228	2,558	8,317

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

Some reclassifications have been made to the June 17 comparatives to align them with the classifications used from December 2017.

Full details can be seen on p59 of the 2017 Annual Report and Accounts, but these reclassifications have been made without any effect on the profit and loss or net assets.

Consolidated Balance Sheet

		At 30 June 2018 Unaudited	At 31 December 2017 Audited	At 30 June 2017 Unaudited
	Note	£'000	£'000	£'000
ASSETS				
Non-current assets				
Goodwill	6	10,575	10,575	10,575
Intangible assets	7	696	986	1,233
Property, plant and equipment	8	5,402	4,747	4,921
Investment property		130	130	1,070
Equity-accounted investee	11	628	638	627
Deferred tax asset		8	-	27
		<u>17,439</u>	<u>17,076</u>	<u>18,453</u>
Current assets				
Financial assets	9	4,353	4,492	6,219
Trade and other receivables		8,873	14,619	6,029
Reinsurance assets		184	180	290
Inventories		375	560	169
Cash and cash equivalents		14,023	12,641	11,112
		<u>27,808</u>	<u>32,492</u>	<u>23,819</u>
Total assets		<u><u>45,247</u></u>	<u><u>49,568</u></u>	<u><u>42,272</u></u>

Consolidated Balance Sheet

		At 30 June 2018 Unaudited	At 31 December 2017 Audited	At 30 June 2017 Unaudited
	Note	£'000	£'000	£'000
EQUITY				
Equity attributable to equity holders of Personal Group Holdings plc				
Share capital		1,544	1,540	1,540
Capital redemption reserve		24	24	24
Amounts recognised directly into equity relating to non-current assets held for sale		-	85	54
Other reserve		(295)	(310)	(303)
Profit and loss reserve		32,230	32,417	30,166
Total equity		<u>33,503</u>	<u>33,756</u>	<u>31,481</u>
LIABILITIES				
Non-Current Liabilities				
Deferred Tax Liabilities		-	21	-
Current liabilities				
Provisions	12	1,905	1,905	1,905
Trade and other payables		6,688	10,698	5,681
Insurance contract liabilities		2,479	2,507	2,721
Current tax liabilities		672	681	484
		<u>11,744</u>	<u>15,791</u>	<u>10,791</u>
Total liabilities		<u>11,744</u>	<u>15,812</u>	<u>10,791</u>
Total equity and liabilities		<u>45,247</u>	<u>49,568</u>	<u>42,272</u>

Consolidated Statement of Changes in Equity for the six months ended 30 June 2018

	Share capital £'000	Capital redemption reserve £'000	Available for sale financial assets £'000	Other reserve £'000	Profit & loss reserve £'000	Total equity £'000
Balance as at 1 January 2018	1,540	24	85	(310)	32,417	33,756
Dividends	-	-	-	-	(3,541)	(3,541)
Employee share-based compensation	-	-	-	-	53	53
Proceeds of AESOP* share sales	-	-	-	-	32	32
Cost of AESOP shares sold	-	-	-	40	(40)	-
Cost of AESOP shares purchased	-	-	-	(25)	-	(25)
Nominal value of LTIP** shares issued	4	-	-	-	(4)	-
Transactions with owners	4	-	-	15	(3,500)	(3,481)
Profit for the period	-	-	-	-	3,228	3,228
Other comprehensive income						
Available for sale financial assets:						
IFRS 9 Adjustment – See Notes 2 and 13	-	-	(85)	-	85	-
Current tax on unrealised valuation changes taken to equity	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(85)	-	3,313	3,228
Balance as at 30 June 2018	1,544	24	-	(295)	32,230	33,503

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

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

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

Consolidated Statement of Changes in Equity for the six months ended 30 June 2017

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

* All Employee Share Option Plan (AESOP)

** Long Term Incentive Plan (LTIP)

Consolidated Statement of Cash Flows

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Net cash from operating activities (see below)	4,899	7,489	9,928
Investing activities			
Additions to property, plant and equipment	(90)	(70)	(120)
Additions to intangible assets	(46)	(85)	(182)
Proceeds from disposal of property, plant and equipment	67	17	25
Proceeds from disposal of investment property	-	-	933
Purchase of financial assets	(874)	(97)	(195)
Proceeds from disposal of financial assets	994	105	1,995
Interest received	30	14	30
Dividends received	8	20	23
Net cash from investing activities	89	(96)	2,509
Financing activities			
Purchase of own shares by the AESOP	(25)	(25)	(74)
Proceeds from disposal of own shares by the AESOP	32	28	51
Interest paid	(72)	-	-
Dividends paid	(3,541)	(3,490)	(6,979)
Net cash used in financing activities	(3,606)	(3,487)	(7,002)
Net change in cash and cash equivalents	1,382	3,906	5,435
Cash and cash equivalents, beginning of period	12,641	7,206	7,206
Cash and cash equivalents, end of period	14,023	11,112	12,641

Consolidated Statement of Cash Flows

	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Operating activities			
Profit after tax	3,228	2,534	8,262
Adjustment for:			
Depreciation	396	225	437
Amortisation of intangible assets	336	329	673
Profit on disposal of property, plant and equipment	-	2	7
Loss on disposal of investment property	-	-	7
Realised and unrealised net investment losses/(profits)	21	(60)	(101)
Interest received	(30)	(14)	(30)
Dividends received	(8)	(20)	(23)
Interest paid	72	-	-
Share of (profit)/loss of equity-accounted investee, net of tax	8	12	2
Share-based payment expenses	53	85	192
Taxation expense recognised in income statement	646	516	1,543
Changes in working capital:			
Trade and other receivables	5,746	14,191	5,711
Trade and other payables	(5,067)	(10,269)	(5,493)
Inventories	184	259	(132)
Taxes paid	(686)	(301)	(1,127)
Net cash from operating activities	<u>4,899</u>	<u>7,489</u>	<u>9,928</u>

Notes to the Consolidated 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.

The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

The financial information for the year ended 31 December 2017 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2017 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

These consolidated interim financial statements have been approved for issue by the board of directors on 17 September 2018.

2 Accounting policies

These June 2018 interim consolidated financial statements of Personal Group Holdings Plc are for the six months ended 30 June 2018. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 30 June 2018.

The principal accounting policies remain unchanged from the year ended 31 December 2017 with the exception of the adoption of new or amended standards as set out below.

The following standards have become applicable for accounting periods commencing on or after 1st January 2018 and the appropriate adjustments have been made:

- IFRS 9 - *Financial Instruments*
- IFRS 15 - *Revenue from Contracts with Customers*

In addition, the group has elected to early adopt the implementation of the following:

- IFRS 16 - *Leases*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 13 of these financial statements.

3 Segment analysis

The Group operates the following four continuing operating segments:

1) Core Insurance

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

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

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

2) IT Salary Sacrifice

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

3) SaaS

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

4) Other

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

The discontinued segment is:

Mobile

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

Notes to the Consolidated Financial Statements

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

Operating segments	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Continuing Operations £'000	Discontinued Mobile £'000
6 months to June 2018						
Earned premiums net of reinsurance	15,607	-	4	-	15,611	-
Other insurance related income	(2)	-	-	122	120	-
Non-insurance related income	-	3,264	2,004	53	5,321	5
Investment property	-	-	-	1	1	-
Investment income	-	-	-	31	31	-
Total revenue	15,605	3,264	2,008	207	21,084	5
Net result for period before tax	4,160	(515)	257	(36)	3,866	8
PG Let's Connect – amortisation of intangibles	-	165	-	-	165	-
Interest	54	14	4	-	72	-
Share-based payment expenses	-	-	-	76	76	-
Depreciation	337	51	4	4	396	-
Amortisation (other)	72	29	71	-	172	-
EBITDA	4,623	(256)	336	44	4,747	8
Segment assets	25,197	6,051	1,269	12,701	45,228	19
Segment liabilities	6,668	3,710	1,188	166	11,740	2
Depreciation and amortisation	409	245	75	4	733	-

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

The implementation of IFRS 16 has resulted in EBITDA being increased by £72,000 of interest costs and £169,000 of depreciation which would previously have been included within operating profit as lease costs.

Notes to the Consolidated Financial Statements

Operating segments	Core Insurance £'000	IT Salary Sacrifice £'000	SaaS £'000	Other £'000	Continuing - Group £'000	Discontinued - Mobile £'000
6 months to June 2017						
Earned premiums net of reinsurance	15,321	-	-	-	15,321	-
Other insurance related income	(28)	-	-	187	159	-
Non-insurance related income	-	3,141	910	53	4,104	56
Investment property	-	-	-	-	-	-
Investment income	-	-	-	60	60	-
Total revenue	15,293	3,141	910	300	19,644	56
Net result for period before tax	4,310	(949)	(237)	(97)	3,027	23
PG Let's Connect – amortisation of intangibles	-	165	-	-	165	-
Share-based payment expenses	-	-	-	156	156	-
Depreciation	132	14	75	4	225	-
Amortisation (other)	147	17	-	-	164	-
EBITDA	4,589	(753)	(162)	63	3,737	23
Segment assets	21,352	4,707	1,035	15,149	42,242	29
Segment liabilities	6,078	3,113	1,149	179	10,519	272
Depreciation and amortisation	279	196	75	4	554	-

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

Notes to the Consolidated Financial Statements

Operating segments	Core Insurance	IT Salary Sacrifice	SaaS	Other	Continuing - Group	Discontinued - Mobile
	£'000	£'000	£'000	£'000	£'000	£'000
2017 Full Year						
Earned premiums net of reinsurance	30,670	-	9	-	30,679	-
Other insurance related income	57	-	-	334	391	-
Non-insurance related income	-	11,292	2,648	105	14,045	63
Investment property	-	-	-	1	1	-
Investment income	-	-	-	117	117	-
Total revenue	30,727	11,292	2,657	557	45,233	63
Net result for year before tax	9,406	(111)	197	18	9,510	295
PG Mobile – reorganisation costs	-	-	-	-	-	(225)
PG Let's Connect – amortisation of intangibles	-	330	-	-	330	-
Share-based payment expenses	-	-	-	192	192	-
Depreciation	392	30	5	10	437	-
Amortisation (other)	162	39	142	-	343	-
EBITDA	9,960	288	314	220	10,812	70
Segment assets	21,628	10,979	1,384	15,568	49,560	8
Segment liabilities	6,379	8,035	1,257	139	15,810	2
Depreciation and amortisation	554	399	147	10	1,110	-

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

4 Taxation

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

The Group's consolidated effective tax rate in respect of continuing operations for the six month period ended 30 June 2018 was 16.8% (six month period ended 30 June 2017: 17.0%).

Notes to the Consolidated Financial Statements

5 Earnings per share and dividends

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

	6 months ended 30 June 2018	EPS Pence	6 months ended 30 June 2017	EPS Pence	12 months ended 31 December 2017	EPS Pence
Basic	30,785,383	10.5	30,741,056	8.2	30,743,826	26.9
Diluted	31,205,704	10.3	31,397,670	8.1	31,282,267	26.4

During the first six months of 2018, Personal Group Holdings Plc paid dividends of £3,541,000 to its equity shareholders (2017: £3,490,000). This represents a payment of 11.50p per share (2017: 11.35p).

	6 months ended 30 June 2018	6 months ended 30 June 2017	12 months ended 31 December 2017
	£'000	£'000	£'000
Dividends paid or provided for during the period	3,541	3,490	6,979

6 Goodwill

	BMG £'000	PG Let's Connect £'000	Total £'000
Cost			
At 1 January 2018	9,433	10,575	20,008
Additions in the year	-	-	-
At 30 June 2018	<u>9,433</u>	<u>10,575</u>	<u>20,008</u>
Amortisation and impairment			
At 1 January 2018	9,433	-	9,433
Impairment charge for year	-	-	-
At 30 June 2018	<u>9,433</u>	<u>-</u>	<u>9,433</u>
Net book value at 30 June 2018	<u>-</u>	<u>10,575</u>	<u>10,575</u>
Net book value at 31 December 2017	<u>-</u>	<u>10,575</u>	<u>10,575</u>

Notes to the Consolidated Financial Statements

7 Intangible assets

	Customer Value £'000	Computer software and development £'000	Internally Generated Computer Software £'000	Total £'000
Cost				
At 1 January 2018	1,648	758	428	2,834
Additions	-	46	-	46
Disposals	-	-	-	-
At 30 June 2018	1,648	804	428	2,880
Amortisation				
At 1 January 2018	1,265	428	155	1,848
Provided in the period	165	100	71	336
Disposals in the period	-	-	-	-
At 30 June 2018	1,430	528	226	2,184
Net book amount at 30 June 2018	218	276	202	696
Net book amount at 31 December 2017	383	330	273	986

8 Property, plant and equipment

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Leasehold improve- ments £'000	Right of use Assets £'000	Total £'000
Cost							
At 1 January 2018	5,478	214	828	1,238	31	-	7,789
IFRS 16 adjustment – see notes 2 and 13	-	-	-	-	-	344	344
Additions	-	15	73	2	-	684	774
Disposals	-	-	(23)	-	-	(56)	(79)
At 30 June 2018	5,478	229	878	1,240	31	972	8,828
Depreciation							
At 1 January 2018	1,599	79	644	702	18	-	3,042
Provided in the period	47	20	78	67	2	182	396
Eliminated on disposals	-	-	(11)	-	-	(1)	(12)
At 30 June 2018	1,646	99	711	769	20	181	3,426
Net book amount at 30 June 2018	3,832	130	167	471	11	791	5,402
Net book amount at 31 December 2017	3,879	135	184	536	13	-	4,747

9 Financial assets

	At 30 June 2018 Unaudited £'000	At 30 June 2017 Unaudited £'000	At 31 December 2017 Audited £'000
Bank deposits	4,353	5,386	3,591
Investment Bond	-	100	100
Financial assets:			
Available for sale	-	733	801
	<u>4,353</u>	<u>6,219</u>	<u>4,492</u>

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

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

The available for sale financial assets are stated at their bid market price, these are all based on level 1 inputs. All available for sale financial assets were sold in May 2018.

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

The investment bond subscribed to during 2014 is held in Criticaleye Investments plc and has a fixed three-year initial term. Interest is paid at 8% gross per annum. The bond was acquired late in 2014 and was relinquished in June 2018 at its full value of £100,000.

10 Long Term Incentive Plan (LTIP)

LTIP1

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

Full details of the scheme can be found in note 24b) of the 2017 Annual Report and Accounts.

The scheme had ended for all participants by 30 April 2018.

An amount of £nil (2017: £nil) has been charged to the profit and loss account in the six months ended 30 June 2018.

During the six months ended 30 June 2018, 88,628 shares were issued, increasing the equity value and decreasing the retained earnings by £4,431. The shares were issued to Mark Scanlon (38,683 shares), Mike Dugdale (46,351 shares) and one other member of senior management (3,594 shares). There are no LTIP 1 options outstanding at 30 June 2018 and the scheme is now closed.

LTIP2

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

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

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

An amount of £54,500 (2017: £151,000) has been charged to the profit and loss account in the six months ended 30 June 2018 for this scheme, based on the fair values determined by using a Log-normal Monte-Carlo stochastic model. Significant inputs to the model include the closing share price at grant date, a risk free rate of return of 1.32%, a dividend yield of 4.49% and a share price volatility of 15.78%. 10,000 iterations of the model were run to accurately represent the log-normal nature of returns to equity investments. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share based payment.

No awards have been made under this scheme to date.

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

Notes to the Consolidated Financial Statements

11 Equity-accounted investment

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

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

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

Profit and loss account	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Rent receivable	30	24	48
Administration expenses	(46)	(58)	(46)
Operating profit / (loss)	(16)	(34)	2
Profit / (Loss) on ordinary activities before taxation	(16)	(34)	2
Tax on profit/loss on ordinary activities	-	-	(5)
Loss for the financial period retained	(16)	(34)	(3)
Personal Group Holdings share of loss	(8)	(17)	(2)
Balance sheet	6 months ended 30 June 2018 Unaudited £'000	6 months ended 30 June 2017 Unaudited £'000	12 months ended 31 December 2017 Audited £'000
Current assets			
Inventories	1,078	1,082	1,079
Debtors	239	198	218
	1,317	1,280	1,297
Creditors: amounts falling due within one year	(61)	(27)	(24)
Net current assets	1,256	1,253	1,273
Capital and reserves			
Called up share capital	-	-	-
Profit and loss account	1,256	1,253	1,273
Shareholders' funds	1,256	1,253	1,273
Personal Group Holdings' share of net assets	628	627	636

12 Provisions

As at 30 June 2018, the PG Let's Connect PAYE tax provision has been held at £1,905,000. This remains the directors' best estimate of the potential amount payable to HMRC.

The previous directors of PG Let's Connect have provided assurance that, should any liability arise, they will honour any amounts due, however, as no legal agreement is in place for this, the directors have held the provision on the balance sheet. No payments were made to HMRC during 2018 in respect of these schemes (2017: £nil), however, the Company is aware that these schemes are still currently subject to investigation.

13 New and Amended Standards Adopted by the Group

This note explains the impact of the adoption of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

IFRS 9 *Financial Instruments*

The adoption of IFRS 9 *Financial Instruments* from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. However, it was not required to make any restatement of prior years as financial instruments in the Group are limited to equity investments reclassified to Fair Value through Profit and Loss ("FVPL"), the transition of which has been applied from the start of 2018 without need for retrospective adjustment.

Equity investments reclassified from Available-for-Sale to FVPL

The Group has held investments in managed equity shareholdings for several years. These shares were previously held as available for sale financial assets with any changes in value being classified as OCI and dividends being taken to the P&L on receipt. As these assets were held for short term capital appreciation and dividend receipts, they have been reclassified from available for sale assets to FVPL. This has resulted in a transfer of £85,000 on 1st January 2018 from the Available-for-Sale reserve to the Profit and Loss reserve, as disclosed in the Consolidated Statement of Changes in Equity for the six months ended 30 June 2018. All these assets were subsequently sold in May 2018 and the realised change in fair value has been taken directly to the Statement of Profit or Loss.

Impairment of Financial Assets

IFRS 9 requires the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the all the Group's financial assets.

No changes to the impairment provisions were made on transition to IFRS 9. In assessing impairment requirements on financial assets, the Group now considers the historic loss rates, which have been minimal, 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.

Financial assets on which this method has been applied include trade receivables for sales of insurance products, SaaS products, salary sacrifice technology products and other sales made by the Group.

While cash and cash equivalents are also subject to the requirements of IFRS 9, the potential impairment loss identified was negligible.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1st January 2018 and, following a review of the contracts held by the Group, this has not resulted in any changes to existing revenue recognition policies and no adjustments have been made to the amounts recognised in the financial statements.

IFRS 16 Leases

In implementing IFRS 16 *Leases*, the Group has applied the modified retrospective approach such that the standard has been applied on all existing leases from 1st January onwards with no adjustments to the prior period. An appropriate Group discount rate has been used on all leases and, on transition, the new Right of Use assets have been valued at the present value of the remaining lease payments plus any forecast dilapidations reinstatement costs associated with the assets.

As a result of the implementation of IFRS 16 a Right of Use asset of £344,000 and an equal and opposite Right of Use liability were booked on 1st January 2018.

Changes in Accounting Policies

Under IFRS 16 Leases, with the exception of short term or low value leases, all operating and finance leases are accounted for in the statement of financial position. On inception of the lease the future payments, including any expected end of life costs, are calculated based on the stated interest rate in the lease or on the Group's internal interest rate. 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 are debited to the creditor and the P&L is charged with monthly depreciation and interest.

13 Financial calendar for the year ending 31 December 2018

The company announces the following dates in its financial calendar for the year ending 31 December 2018:

- Preliminary results for the year ending 31 December 2018 - March 2019
- Publication of Report and Accounts for 2018 - March 2019
- AGM - May 2019