Press Release 26 March 2019

PERSONAL GROUP HOLDINGS PLC
("Personal Group", "Company" or "Group")

Preliminary Results For the Year Ended 31 December 2018

Another year of solid growth

Personal Group Holdings Plc, a leading provider of employee services in the UK, is pleased to announce its Preliminary Results for the year to 31 December 2018.

Highlights

Financial

- Group revenue increased by 22% to £55.3m (2017: £45.2m)
- Adjusted EBITDA* increased by 5.8% to £11.4m (2017: £10.8m)
- Profit before tax increased by 7.4% to £10.2m (2017: £9.5m)
- Earnings per share of 27.2p (2017: 26.9p)
- Dividend increased by 1.3% to 23.0p
- Strong balance sheet and no debt

Operational

- Further year of strong new insurance sales, despite performance being impacted by GDPR
- PG Let's Connect revenue increased by 33%, with client numbers increasing by 36%
- SaaS related revenue increased by 229%, driven by the increase in customer spend through the Hapi platform combined with several new client wins, including some SaaS-only
- Launched the Sage Employee Benefits (SEB) product to Sage's wider client base in Q4
- Invested in sales and marketing to drive additional revenue opportunities
- Accelerated plans to bring the supply chain in-house

Post period end

- On 28th February, the Company acquired Innecto People Consulting Limited for a cash consideration of £3.0m
- In February 2019, the Company received information from HMRC in relation to the PG Let's Connect tax provision which will result in a further £0.5m being released in 2019

**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.*
A reconciliation from PBT to this adjusted EBITDA can be seen in note 1

Deborah Frost, Chief Executive of Personal Group, commented:

"2018 saw a good performance across the Group, with adjusted EBITDA* of £11.4m broadly in line with market expectations, reflecting the strength of the underlying business. We achieved another year of strong new insurance sales whilst PG Let's Connect showing clear signs of recovery, combined with continued growth in SaaS revenue. This performance reflects investments made by the Group which have strengthened our client offer, supported by our proven team and ability to innovate to meet market needs. As we move into 2019, we continue to be well placed to respond to the opportunities being created.

"I would like to take the opportunity to thank the team at Personal Group, clients and investors for the welcome I've received since taking over as CEO a few weeks ago. I am very much encouraged by what I have seen and look forward to building on the tremendous contribution Mark Scanlon has made to the business."

Notes to Editors:

Personal Group Holdings Plc (AIM: PGH) is a technology enabled employee services business, working with employers to drive productivity though 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 in-house services including employee insurance products (hospital, convalescence plans and death benefit), the provision of home technology via salary sacrifice (iPads, computers, laptops, smart phones and smart TVs). Third party services include retail discounts, e-payslips, 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 also accessible via web 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 digital Saas product.

Through technology and select acquisitions, the Company has grown its addressable market from 6m to over 27m 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. The acquisition of Innecto in February 2019 allows Personal Group to engage with clients earlier in their thinking around Pay and Reward, and to interact with a new base of blue-chip and fast growth clients typically at HR Director and CEO level.

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

For more information please contact:

Personal Group Holdings Plc

Deborah Frost	+44 (0)1908 605 000
Mike Dugdale	
Philip Dennis (Investor Relations)	+44 (0)7947 868 206

Cenkos Securities Plc

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

Hudson Sandler (Financial PR)

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

Chairman's Introduction:

Personal Group was founded 35 years ago and continues to be successful – we are profitable, growing and, once again, increasing our dividend to shareholders.

Over the years, our market has changed, and we have faced external challenges both of which have required thoughtful and sometimes rapid response. 2018 was no different. We achieved success in all three of our divisions, with trading ahead of that for the previous year, despite facing some strong headwinds. The change in the laws relating to personal data (GDPR) and a subsequent security issue at one of our major third-party suppliers led to a notable short term impact on our business, that was swiftly and efficiently resolved. Despite such challenges, we were able to deliver results for the year broadly in line with market expectations.

Personal Group is well placed to respond to the opportunities being created within our market. We believe that we have a market proposition that is unrivalled amongst our peers and a team with a depth of proven experience. Having invested substantially in the business, we are well positioned to capitalise on opportunities presented by an adapting labour market, which continues to increase focus on a positive employment culture.

As a Board and Company, it is our job to unlock that opportunity and value. To that end, in February 2019 we acquired Innecto, a leading independent pay and reward consultancy. This acquisition both broadens the services Personal Group has to offer, as well as strengthening our position across all our services with clients. We can now offer much more to each of our clients, be they Innecto clients, Personal Group clients or those new to the Group. That investment is now in place and we look forward to seeing the benefits of it as 2019 progresses and beyond. Our focus is on driving additional sales.

Personal Group entered 2019 in very good health and I thank everyone for their hard work. I would particularly like to thank Mark Scanlon, our departing CEO, who joined us in 2012. Mark has provided leadership and drive that has materially reshaped Personal Group. His personal energy and enthusiasm were infectious and I thank him for his dedication, passion and overall tremendous contribution. We have, in our new CEO, Deborah Frost, another highly talented individual who is perfectly placed to lead the company in its 35th year and beyond.

Our opportunity is to exploit Personal Group's strengths – old and new – and make 2019 a year worthy of significant celebration.

Business Divisions

The Company’s core insurance business continued to perform well with strong new insurance sales achieved throughout the year. This reflects the strength of the Company’s insurance offer which continues to resonate well with clients’ employees. Five of the last six years have seen record new insurance sales results, with 2018 very close to a best-ever performance. The offer comprises a core hospital cash plan, a convalescence plan and a death benefit plan.

The impact of GDPR in May 2018 resulted in clients delaying their decision making, both in terms of existing business and winning new clients. As the year progressed, the impact lessened as clients became more familiar and comfortable with the legislation. The core platform, Hapi, requires pre-loading of employee data to operate most efficiently and the sensitivity of employers to providing this information was significantly heightened, making the decision process longer and more convoluted. The positive to this is that we have met a very high standard and established stronger ties with our customers as we have become an even more trusted partner.

The security issues in the Company’s third-party supply chain in late 2018 also impacted our client relationships. The team undertook immediate and effective remedial action to rectify these.

The Company’s strong technological capability through Hapi, its proprietary platform, meant that it could effectively deal with the inbound issue but not without some client impact.

These challenges had a knock-on effect on the Company’s insurance sales team and as such the Company exited the year with fewer frontline sales people in the field. A core focus early in 2019 has been to grow the team, with a goal of recruiting and training several new sales people as early in the year as possible. Despite this challenge the team still saw around 160,000 employees face-to-face in 2018.

The Company’s SaaS business achieved very strong growth in 2018, with related revenues increasing by 229% during the year, this follows a 77% increase the year before. Revenue is being driven by the increase in customer spend through the Hapi platform, which now has over 320,000 active users, combined with several key client wins, including St John Ambulance and Randstad. The last quarter of the year saw a record day and month for spend though the Hapi platform.

The Company delivered on plans to launch a standalone version of the Sage Employee Benefits (SEB) offer to Sage’s wider client base in the fourth quarter. This was later than initially planned, due to conflicting priorities within Sage, but early indications are encouraging. Sage has dedicated sales people to support the offer and a team from Personal Group has been onsite to assist and provide background support. In December, Sage undertook an email marketing campaign of the product to some 1,800 clients, which saw significantly higher click through rates and interest than they would normally expect.

The revised version of SEB reflects our improved understanding of working alongside Sage and a better appreciation of the SME market. Sage has reaffirmed its commitment to the offer despite the changes they’ve made to their overall proposition. Sage cite Personal Group as the perfect example of how to work with a third-party supplier and are recommending that similar initiatives should follow our lead.

The value opportunity to both Personal Group and Sage of SEB remains significant and well worth pursuing. Sage remains a natural channel partner for the Company, with established direct relationships covering a very large percentage of UK SMEs. Targeting this market via a channel partner is a cost effective and efficient approach which, in the fullness of time, will also provide additional opportunity to our insurance business as those SMEs seek to take on our products. Sage's target customers span their Payroll, Accounting, Enterprise and Payments businesses which collectively interface with companies who employ some 16 million people in the UK.

PG Let's Connect saw revenue increase 33% and client numbers increased by 36% year on year. The business had a very strong start to the year, benefitting from Royal Mail's decision to run the offer to its employees consistently from March, helping to alleviate the traditional reliance on the Christmas period. We are seeing this pattern again in 2019.

In addition to the impact of GDPR, in the fourth quarter, a number of clients from within the Government's Crown Commercial Services purchasing framework deferred running the offer to their employees in 2018 for internal logistical reasons. The Company will see the benefit of the deferred business in 2019 and enters the year with improved visibility.

PG Let's Connect is recovering, post the impact of the HMRC review into Salary Sacrifice, albeit more slowly than we had hoped. Of those customers served in the fourth quarter many outperformed their forecast which, post the legislative changes, bodes well for the future. In addition to its direct financial contribution, the business supports the wider Group. It strengthens the overall market proposition, creates cross-selling opportunities, opens new markets, particularly within the Public Sector, and encourages client retention.

Operations

Technology is key to the Group. It drives internal productivity, brings our offer together via the Hapi platform and supports SaaS revenue. Over the last five years the Company's core insurance team has seen a 34% increase in productivity through the introduction of technology. Client feedback from the revised app has been very positive. The app is also driving additional client engagement, supporting client retention and creating additional potential sales opportunities for products like video doctor services and Reward and Recognition.

During 2018, a key initiative was to rationalise the Company's supply chain. This was accelerated in the second half of the year. Accelerating the Company's plans required additional investment during 2018 but brings forward advantages including much reduced system risk and far greater data security. Bringing the supply chain in house is expected to provide commercial benefit, including additional revenue and improved margin.

The Company has also continued to invest in system security, having adopted the OutSystems technology on which Hapi was developed. In 2019 we have continued to invest, with a significant upgrade to the system early in 2019.

A key point of contact and client relationship is our claims function. During the year, the team again performed extremely well, paying 76% of insurance claims within 72 hours. The Company has an enviable record, with minimal complaints, which are sufficiently few in number that each one is reviewed by a member of the Senior Management Team.

Sales and Marketing

The Company delivered on plans to invest in its sales and marketing functions during the year. This included the addition of several new sales individuals, all from blue-chip software and sector specific backgrounds, and a 35% increase in the marketing team budget.

With the Company's offer and backend systems in place, the investment in sales and marketing is to drive additional market opportunities. Building on initiatives in 2017 and with the expanded team and budget in place, the sales message has evolved, and the approach has become again more targeted. It has also created the capacity to undertake wider direct marketing initiatives.

In addition to direct sales and marketing, the Company also invested in its customer relations function during the year. The aim of the investment is to further support client retention and create additional sales opportunities through broader client engagement.

Team

The performance of the Company is underpinned by the strength of its employees and their commitment. This was demonstrated during 2018 in the way they reacted to the challenges we faced. Their speed of reaction and dedication to the success of the business was key in minimising any negative impacts.

Our Senior Management Team is very experienced and effective in both the operational and, most importantly, the strategic running of the company. As Deborah Frost, our new Chief Executive, begins her new role it is clear to me that she will be well supported in her future endeavours.

As part of our initiative to invest in our people, a long overdue refurbishment of the Company's head office was completed in the early part of 2019. Supported by improvements in our IT systems, the refreshed office space affords a far better working environment.

Market

The market for employee services remains strong and there are signs that momentum will continue. Key drivers have included a restricted labour market, with the commercial value of investing in and retaining staff becoming increasingly evident. The uncertainty surrounding Brexit raises concerns regarding hiring and retention of skilled labour and has further reinforced this view. Employers cannot rely on pay alone, especially at National Living Wage levels, which has created a completely level playing field. Extra value for employees in the form of easy access to valuable discounts, home technology and face-to-face presentations on 'fair deal' insurance services, helps employers improve employee retention rates. The Company's increased focus on 'financial wellness' plays to the strength of Hapi and our fair deal insurance products.

Financials

Group revenue for the year increased 22% to £55.3m (2017: £45.2m) with growth in all three business segments, despite the challenges the Company faced in the latter part of the year as detailed above.

Adjusted EBITDA for the year was £11.4m (2017: £10.8m), including a beneficial impact of £0.4m due to the application of IFRS16, relating to leases. The Company elected to be an early adopter of IFRS16 to coincide with the replacement of the majority of the Company car fleet in January 2018.

The key driver for the increase in adjusted EBITDA* was the improved trading performance from PG Let's Connect of £0.9m. The insurance business, which continues to contribute the majority of Adjusted EBITDA*, was £0.2m down on last year, following slight increases in the claims' ratio and overheads.

The Company continued to retain a prudent focus on costs, which were below budget for the year but up on the prior year. The increase in costs primarily related to the planned investment in sales and marketing to drive additional sales opportunities and the unplanned costs associated with accelerating the plans to bring the third-party supply chain in-house.

Profit before tax was £10.2m during the year (2017: £9.5m). Basic EPS increased to 27.2p (2017: 26.9p), representing the second year of EPS growth.

The Company again maintained its progressive dividend policy, paying a total dividend of 23p per share over the year (2017: 22.7p), representing a 1.3% increase over the prior year. The first dividend of 2019, of 5.825p per share, is again in line with the Company's commitment to a progressive dividend policy and represents a 1.3% increase over the corresponding period in 2018. The dividend will be paid to shareholders on 29th March 2019.

The Group's balance sheet remains strong, with cash and deposits at the year end of £17.7m and no debt. The Company's main underwriting subsidiary, Personal Assurance Plc, has a conservative solvency ratio of 260% (unaudited), with a surplus over its Solvency Capital Requirement of £6.9m.

Outlook

The challenges the Company faced in the latter part of 2018 are expected to have some further effect in 2019. We also face a more uncertain business environment with the full impact of Brexit still unknown, however, the Company remains confident we will see further progress in the year ahead.

We have created near and long-term opportunities for growth which we are well placed to exploit and see potential opportunity in this less predictable business environment. We will continue to take a prudent approach to costs and maintain and nurture those parts of the business that underpin it, including our core insurance division.

	2018 £'000	2017 £'000
Continuing Operations		
Gross premiums written	**31,445**	30,739
Outward reinsurance premiums	**(231)**	(272)
Change in unearned premiums	**28**	233
Change in reinsurers' share of unearned premiums	**(10)**	(21)
Earned premiums net of reinsurance	**31,232**	30,679
Other insurance related income	**218**	391
IT salary sacrifice income	**14,970**	11,292
SaaS income	**8,729**	2,648
Other non-insurance income	**115**	106
Investment income	**83**	117
Revenue	**55,347**	45,233
Claims incurred	**(7,175)**	(6,780)
Insurance operating expenses	**(15,073)**	(14,239)
Other insurance related expenses	**(261)**	(244)
IT salary sacrifice expenses	**(13,851)**	(11,034)
SaaS costs	**(8,561)**	(2,459)
Share-based payment expenses	**(117)**	(192)
Charitable donations	**(100)**	(100)
Amortisation of intangible assets	**(661)**	(673)
Expenses	**(45,799)**	(35,721)
Operating profit from continuing operations	**9,548**	9,512
Finance costs	(148)	-
Release of provisions	646	-
Share of profit/(loss) of equity–accounted investee net of tax	164	(2)
Profit before tax from continuing operations	**10,210**	9,510
Tax	**(1,819)**	(1,486)
Profit for the year from continuing operations	**8,391**	8,024
Profitfrom discontinued operation	**-**	238
Profit	**8,391**	8,262

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

Earnings per share	**Pence**	Pence
Basic	**27.2**	26.9
Diluted	**27.2**	26.4
Earnings per share – continuing operations	**Pence**	Pence
Basic	**27.2**	26.1
Diluted	**27.2**	25.7

Consolidated Statement of Comprehensive Income

	2018	2017
	£'000	£'000
Profit for the year	**8,391**	8,262
Items that may be reclassified subsequently to the income statement		
Available for sale financial assets:		
Valuation changes taken to equity	**-**	106
Reclassification of gains on available for sale financial assets on derecognition	**-**	(40)
Tax on unrealised valuation changes taken to equity	**-**	(11)
Total comprehensive income for the year	**8,391**	8,317

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

Consolidated Balance Sheet at 31 December 2018

	2017	2017
	£’000	£’000
ASSETS		
Non-current assets		
Goodwill	**10,575**	10,575
Intangible assets	**500**	986
Property, plant and equipment	**6,040**	4,747
Investment property	**130**	130
Equity–accounted investee	**-**	638
	17,245	17,076
Current assets		
Financial assets	**2,530**	4,492
Trade and other receivables	**16,532**	14,619
Equity-accounted investee	**50**	-
Reinsurance assets	**187**	180
Inventories – Finished Goods	**643**	560
Cash and cash equivalents	**15,148**	12,641
	35,090	32,492
Total assets	**52,335**	49,568

Consolidated Balance Sheet at 31 December 2018

	2018	2017
	£'000	£'000
EQUITY		
Equity attributable to equity holders of Personal Group Holdings Plc		
Share capital	**1,544**	1,540
Capital redemption reserve	**24**	24
Amounts recognised directly into equity relating to non-current available for sale assets	**-**	85
Other reserve	**(210)**	(310)
Profit and loss reserve	**33,937**	32,417
Total equity	**35,295**	33,756
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	**102**	21
Trade and other payables	**356**	-
Current liabilities		
Provisions	**1,259**	1,905
Trade and other payables	**12,233**	10,698
Insurance contract liabilities	**2,376**	2,507
Current tax liabilities	**714**	681
	16,582	15,791
Total liabilities	**17,040**	15,812
Total equity and liabilities	**52,335**	49,568

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Available for sale financial assets	Other reserve	Profit and loss reserve	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2018 as previously reported	1,540	24	85	(310)	32,417	33,756
Adjustment on initial adoption IFRS 9	-	-	(85)	-	85	-
Restated balance as at 1 January 2018	1,540	24	-	(310)	32,502	33,756
Dividends	-	-	-	-	(7,087)	(7,087)
Employee share-based compensation	-	-	-	-	94	94
Proceeds of SIP* share sales	-	-	-	-	132	132
Cost of SIP shares sold	-	-	-	179	(179)	-
Cost of SIP shares purchased	-	-	-	(79)	-	(79)
Deferred tax reserve movement	-	-	-	-	88	88
Nominal value of LTIP** shares issued	4	-	-	-	(4)	-
Transactions with owners	4	-	-	100	(6,956)	(6,940)
Profit for the year	-	-	-	-	8,391	8,391
Total comprehensive income for the year	-	-	-	-	8,391	8,391
Balance as at 31 December 2018	**1,544**	**24**	**-**	**(210)**	**33,937**	**35,295**

*PG Share Ownership Plan (SIP)

**Long Term Incentive Plan (LTIP)

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Available for sale financial assets	Other reserve	Profit and loss reserve	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'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 SIP* share sales	-	-	-	-	51	51
Cost of SIP shares sold	-	-	-	94	(94)	-
Cost of SIP shares purchased	-	-	-	(74)	-	(74)
Deferred tax reserve movement	-	-	-	-	(50)	(50)
Transactions with owners	-	-	-	20	(6,906)	(6,886)
Profit for the year	-	-	-	-	8,262	8,262
Other comprehensive income						
Available for sale financial assets:						
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	-	8,262	8,317
Balance as at 31 December 2017	**1,540**	**24**	**85**	**(310)**	**32,417**	**33,756**

* PG Share Ownership Plan (SIP)

Consolidated Cash Flow Statement

	2018	2017
	£'000	£'000
Net cash from operating activities (see next page)	**8,325**	9,928
Investing activities		
Additions to property, plant and equipment	**(1,024)**	(120)
Additions to intangible assets	**(178)**	(182)
Proceeds from disposal of property, plant and equipment	**9**	25
Proceeds from disposal of investment property	**-**	933
Purchase of financial assets	**(105)**	(195)
Proceeds from disposal of financial assets	**2,056**	1,995
Interest received	**82**	30
Dividends received from equity accounted investee	**750**	-
Dividends received	**8**	23
Net cash used in investing activities	**1,598**	2,509
Financing activities		
Interest paid	**(28)**	-
Purchase of own shares by the SIP	**(79)**	(74)
Proceeds from disposal of own shares by the SIP	**132**	51
Payment of lease liabilities	**(354)**	-
Dividends paid	**(7,087)**	(6,979)
Net cash used in financing activities	**(7,416)**	(7,002)
Net change in cash and cash equivalents	**2,507**	5,435
Cash and cash equivalents, beginning of year	**12,641**	7,206
Cash and cash equivalents, end of year	**15,148**	12,641

Consolidated Cash Flow Statement

	2018	2017
	£'000	£'000
Operating activities		
Profit after tax	**8,391**	8,262
Adjustments for		
Depreciation	**797**	437
Amortisation of intangible assets	**661**	673
Loss on disposal of property, plant and equipment	**59**	7
Loss on disposal of investment property	**-**	7
Realised net investment (profit) / loss	**10**	(101)
Interest received	**(82)**	(30)
Dividends received	**(8)**	(23)
Interest charge	**148**	-
Share of (profit)/ loss of equity–accounted investee, net of tax	**(164)**	2
Share-based payment expenses	**94**	192
Taxation expense recognised in income statement	**1,819**	1,543
Changes in working capital		
Trade and other receivables	**(1,920)**	5,711
Trade and other payables	**865**	(5,493)
Provisions	**(646)**	-
Inventories	**(83)**	(132)
Taxes paid	**(1,616)**	(1,127)
Net cash from operating activities	**8,325**	9,928

DRAFT 3

Prelim Statement

FY 2018.

Notes to the Financial Statements

1 Segment analysis

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

1) Core Insurance

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

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

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

2) IT Salary Sacrifice

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

3) SaaS

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

4) Other

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

The discontinued segment is:

Mobile

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

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

DRAFT 3

Prelim Statement

FY 2018.

	Core Insurance	IT Salary Sacrifice	SaaS	Other	Continuing - Group	Discontinued Mobile
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operating segments						
2018						
Revenue						
Earned premiums net of reinsurance	**31,219**	**-**	**13**	**-**	**31,232**	**-**
Other income – Insurance Related	**(9)**	**-**	**-**	**227**	**218**	**-**
Other income – IT Salary Sacrifice	**-**	**14,970**	**-**	**-**	**14,970**	**-**
Other income – Platform	**-**	**-**	**1,800**	**-**	**1,800**	**-**
Other income – Transactional and commission	**-**	**-**	**6,929**	**-**	**6,929**	**-**
Other income	**-**	**-**	**-**	**114**	**114**	
Investment property	**-**	**-**	**-**	**1**	**1**	**-**
Investment income	**-**	**-**	**-**	**83**	**83**	**-**
Total revenue	**31,210**	**14,970**	**8,742**	**425**	**55,347**	**-**
Net result for year before tax	**8,869**	**1,350**	**29**	**(38)**	**10,210**	**-**
PG Let's Connect – Tax provision	**-**	**(646)**	**-**	**-**	**(646)**	**-**
PG Let's Connect – Amortisation of intangibles	**-**	**330**	**-**	**-**	**330**	**-**
Acquisition costs	**-**	**-**	**-**	**150**	**150**	**-**
Interest	**110**	**28**	**10**	**-**	**148**	**-**
Share based payments	**-**	**-**	**-**	**117**	**117**	**-**
Depreciation	**665**	**108**	**15**	**9**	**797**	**-**
Amortisation (other)	**133**	**56**	**142**	**-**	**331**	**-**
Adjusted EBITDA*	**9,777**	**1,226**	**196**	**238**	**11,437**	**-**
Segment assets	**25,403**	**12,567**	**2,612**	**11,753**	**52,335**	**-**
Segment liabilities	**6,947**	**8,035**	**1,883**	**175**	**17,040**	**-**
Depreciation and amortisation	**798**	**494**	**157**	**9**	**1,458**	**-**

DRAFT 3

Prelim Statement

FY 2018.

	Core Insurance	IT Salary Sacrifice	SaaS	Other	Continuing - Group	Discontinued Mobile
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operating segments						
2017						
Revenue						
Earned premiums net of reinsurance	**30,670**	**-**	**9**	**-**	**30,679**	**-**
Other income – Insurance Related	**57**	**-**	**-**	**334**	**391**	**-**
Other income – IT Salary Sacrifice	**-**	**11,292**	**-**	**-**	**14,045**	**63**
Other income – Platform	**-**	**-**	**1,528**	**-**	**1,528**	**-**
Other income – Transactional and commission	**-**	**-**	**1,120**	**-**	**1,120**	**-**
Other income	**-**	**-**	**-**	**105**	**105**	**-**
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 payments	**-**	**-**	**-**	**192**	**192**	**-**
Depreciation	**392**	**30**	**5**	**10**	**437**	**-**
Amortisation (other)	**162**	**39**	**142**	**-**	**343**	**-**
EBITDA*	**9,960**	**288**	**344**	**220**	**10,812**	**70**
Segment assets	**21,628**	**10,979**	**1,384**	**15,568**	**49,560**	**8**
Segment liabilities	**6,379**	**8,035**	**1,257**	**139**	**15,810**	**2**
Depreciation and amortisation	**554**	**399**	**147**	**10**	**1,110**	**-**

DRAFT 3

Prelim Statement

FY 2018.

2. Taxation comprises United Kingdom corporation tax of £1,650,000 (2017: £1,569,000) and a deferred tax charge of £169,000 (2017: credit of £26,000)

3. The basic and diluted earnings per share are based on profit for the financial year of £8,391,000 (2017: £8,262,000) and on 30,798,840 basic (2017: 30,743,826) and 31,806,261 diluted (2016: 31,282,267) ordinary shares, the weighted average number of shares in issue during the year.

4. The total dividend paid in the year was £7,087,000 (2017: £6,979,000)

This preliminary statement has been extracted from the 2018 audited financial statements that will be posted to shareholders in due course. The statutory accounts for each of the two years to 31 December 2017 and 31 December 2016 received audit reports, which were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The 2017 accounts have been filed with the Registrar of Companies but the 2018 accounts are not yet filed.

Alternative Performance Measures

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

For Adjusted EBITDA*, the adjustments taken into account in addition to the standard IFRS measure, are those that are considered to be non-underlying to trading activities and which are significant in size. For example, goodwill impairment is a non-cash item relevant to historic acquisitions; share-based payments are a non-cash item which have historically been significant in size, can fluctuate based on judgemental assumptions made about share price and have no impact on total equity; corporate acquisition costs and reorganisation costs are both one-off items which are not incurred in the regular course of business; and write-back of contingent consideration and the movement in the PG Let's Connect tax provision are both considered to be non-underlying items, relates to a liability inherited on acquisition of that business and have the potential to fluctuate and be of significant size.