Personal Group

The UK workforce is changing,

so are we

Personal Group Holdings Plc

Annual Report and Accounts 2022

Personal Group

Supporting the UK workforce through our broad offering of employee wellbeing and engagement services

Contents

2022 Highlights

Financial

GROUP REVENUE

£86.7m

(2021: £74.5m)

ADJUSTED EBITDA

£6.0m

(2021: £6.1m)

(LOSS) / PROFIT BEFORE TAX

(£6.8m)

(2021: £4.3m)

BASIC EPS

(23.2p)

(2021: 11.5p)

DIVIDEND PER SHARE

10.6p

(2021: 10.6p)

CASH & DEPOSITS

£18.7m

(2021: £22.9m)

Non-financial

UNIQUE CLIENT NUMBER

502

(2021: 387)

NO. OF INSURANCE PAYERS

94,877

(2021: 93,147)

Operational

Significant new contracts secured

with 101 new clients, including Cadent Gas, AJ Bell, Secure Trust Bank, Amnesty International, Severn Group, resulting in a record number of new clients signed across the Group in one year.

Face-to-face insurance product sales grew

throughout the year following 18 months of sales restrictions due to COVID 19.

Record insurance sales in November and December, building strong momentum for the future.

LC Goodwill

following the industrial action at a key client and lack of certainty surrounding future sales to them an impairment has been made to the goodwill on acquisition of LC of £10.6m.

High client retention rate

the Group has maintained a strong retention rate across all of its software as a service (SaaS) offerings.

Offering to the SME sector

with the Sage partnership continued to grow achieving the Group's target of 50,000 paying employees through this channel at year end

Acquisition of Quintige Consulting Group (QCG)

adds to our Pay and Reward division, presenting opportunities for cross selling and adding new clients.

Why Invest in Personal Group?

A progressive, profitable business addressing a rapidly growing market.

The right offering for today's world

The world of work is changing, and our offerings are needed now more than ever. Employers are more aware and more determined to support the wellbeing of their employees, to help retain and incentivise their workforce. Meanwhile, the ongoing effects of long-COVID and NHS waiting lists have highlighted to many the potential impact of poor health on their ability to maintain their income and support their families.

Intrinsic in our DNA is our drive to provide the best value for our clients and customers – services and products that are premium quality but affordable – and in today's challenging economic environment this is proving highly attractive.

HAPI PLATFORM RETENTION

95%

2021: 93%

YEAR ON YEAR INSURANCE RETENTION

81.0%

2021: 80.7%

See our markets | Page 05

Large growth opportunity

The investments we have made in expanding our offerings, sales team and partnerships mean we have emerged from the pandemic a stronger business with an increased growth opportunity.

Our addressable market is now the majority of the UK workforce, either addressed directly or through our partners, such as Sage.

These investments have driven growth across our customer base and improvements in our operational KPIs.

Our financial strength also makes us an attractive home for other smaller businesses, which will be beneficial as we look to augment organic growth with select M&A activity.

UNIQUE CLIENT NUMBERS

^30%

to 502, 2021: 387

SME CUSTOMERS VIA SEB

^91%

to over 2,800, 2021: 1,469

See our market overview | Page 06

Strong financial position

We have proven our ability to remain financially robust during difficult times. We are profitable, cash generative, debt free with a strong balance sheet and dividend paying.

We have seen recurring revenue streams grow in 2022 by 20% to over [illegible]. The high level of revenue visibility means we can be confident in our continued growth.

While EBITDA has been reduced in 2021 and 2022, as a result of the impact of the pandemic on our face-to-face insurance sales and the investments in our teams, we are now back on track towards profit expansion, delivering half on half EBITDA growth in H2 2022.

CASH & DEPOSITS OF

£18.7m

2021: £22.9m

DIVIDEND PER SHARE

10.6p

2021: 10.6p

See our CFO statement | Page 25

Digitally-led model, with proprietary software 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 (ARR) across the Group's digital platforms now stands at [illegible].

2023 will see the launch of Hapi 2.0, our first major re-development of the platform since its launch in 2016. The new platform is updated with improved look and feel, better management information (MI), improved functionality and greater ability to integrate other third-party suppliers.

ACTIVATED USERS ON HAPI AND SAGE EMPLOYEE BENEFITS

582,733

2021: 539,051

ARR FOR SAAS LICENCES

£5.6m

2021: £3.6m

See what we do | Page 04

Our Purpose

We connect the unconnected and protect the unprotected.

What We Do

Helping employees thrive in work and in life

Personal Group provides consultancy, benefits and technology services focused on improving employee health, wellbeing and engagement. Our mission is to build great working environments where people flourish and shine.

Our Vision

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

PAY & REWARD

Consultancy and software solutions

Innecto & QCG offer strategic consultancy on pay and reward through their experts and a suite of cloud based SaaS solutions and surveys

Clients can tailor their solution with our experts to help them define and implement fair, consistent reward programmes that align to their business strategy and workforce

Read about Innecto and QCG | Page 24

BENEFITS PLATFORM

Delivered to employers directly and through channel partners

Hapi is our technology platform that powers growth through enhanced connectivity, engagement, health and wellbeing.

Sage Employee Benefits our tailored engagement product designed for the SME market

Read about HPC Review | Page 09

AFFORDABLE INSURANCE

On weekly or monthly rolling contracts

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

Our easy to understand, affordable plans are secured for the lifetime of the policy, providing peace of mind for diverse workforces from across society.

Read about driving insurance | Page 19

OTHER OWNED BENEFITS

Access to consumer technology

Let's Connect - delivers a benefit scheme that allows employers to give their employees affordable access to the latest consumer technology and a variety of high end products from leading manufacturers. Employees can spread the cost either by salary sacrifice or net pay arrangements

Read about our business model | Page 16

What We Do continued

Our Strategy

Our growth strategy is based on three key areas focused on widening our footprint across a broader range of industry sectors.

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

Our markets

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

26% of clients are currently served by two or more segments

Product offering by vertical

Enterprise
eg: Royal Mail Group, Cranswick

Fair deal health and life insurance products

Our digital benefits platform Hapi

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Public Sector
eg: Sandwell & West Birmingham NHS Trust

Other owned benefits (Let's Connect)

Our digital benefits platform Hapi (our flex option Hapiflex is likely to be the most relevant)

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Talent-Driven
eg: Skyscanner, Refinitiv

Pay and reward consultancy (Innecto)

Our digital benefits platform Hapi (our flex option 'Hapiflex' is likely to be the most relevant)

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SMEs
eg: Any enterprise with <250 employees

Digital benefits platform (Hapi white labelled as 'Sage Employee Benefits' (SEB))

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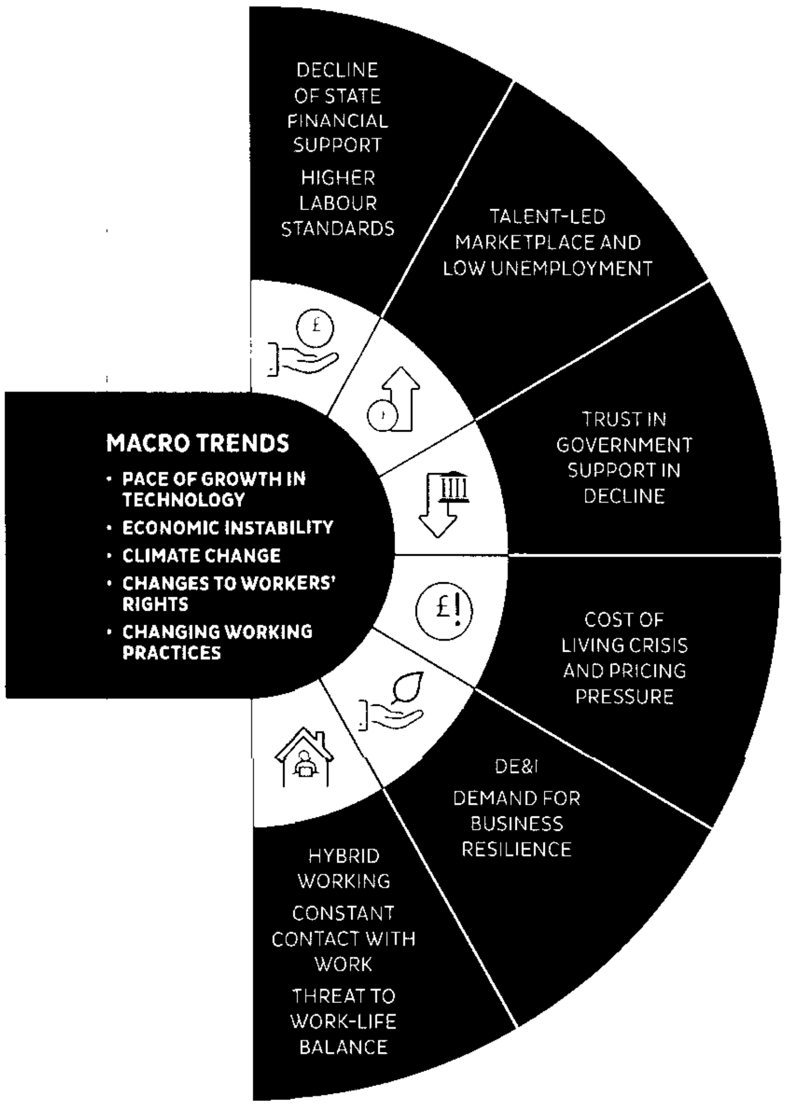
Market Overview

Economic and societal trends



Challenges for clients

> Emergence of the talent-led marketplace – competitive pay is no longer enough

> Increasing regulatory and legal scrutiny on firms that rely on gig economy workers, self-employed and zero hour contracts

> Fair and competitive pay struggling to keep up with inflation

> Increased competition drives constant need to evaluate and define a competitive employee value proposition to attract and retain talent

> Role of the employer has widened, employee expectation rising

> Employees expect help and support to combat the cost of living crisis

> Demand for pay increases, 1 in 8 businesses affected by industrial action

> Need to build resilient workforces through holistic wellbeing support – physical, financial and mental

> Desire to attract diverse talent as a source of competitive advantage

> Importance of creating an inclusive and collaborative working environment

> Increased pace of work, competition, cost pressure places more importance and need for social recognition

> Increased connectivity and constant contact with work threatens employee work-life balance and increases exposure to stress-related illness

> Hybrid working challenges employer's ability to build a connected engaged workforce

> Demand for greater transparency, clearly communicated and monitored goals and objectives

Our growth drivers

ENHANCE EMPLOYEE VALUE
Our consultants design competitive and fair employer value proposition, aligning all aspects of reward and benefits to deliver ESG goals and attract and win talent

CONNECTIVITY
Our benefit platforms deliver seamless digitally enabled experiences that connect diverse workforces with the benefits, discounts and wellbeing support they need

ELEVATE ENGAGEMENT AND HEALTH FOR ALL
We power growth and productivity by educating and supporting employees holistically; recognition, wellbeing, salary sacrifice and protection products that help people thrive in life and work

INTEGRATED PROPOSITION
Work as a strategic partner leveraging our combined capabilities to build resilient healthy workforces. Aligning all aspects of the people strategy to the organisation's purpose and objectives

Our Purpose in Action

BARCHESTER

Sector: Nursing and care homes

Employees: 17,000

Challenge: Workforce connectivity, retention and engagement

The healthcare sector relies heavily on attracting talent to provide quality care for their residents and patients. With a large workforce spread out across the UK, Barchester faces challenges connecting carers with the business. As an employer who is committed to ensuring all their team members are given a voice, the business wanted to engage with its workers better, to hear and harness their views, support them in their work and daily lives and enable them to feel better connected with the business. In doing so, it hoped to expand their benefits offering, improve job satisfaction, their overall wellbeing and reduce staff attrition and turnover.

We worked with Barchester to enhance their support systems for their workers' emotional, social, financial and physical wellbeing, and make them accessible to everyone 24/7. By enabling easier access to counselling, legal advice, wellbeing advice and health protection products, all employees felt added peace of mind. Working with the business to create the new 'Speak Up' programme, also gives frontline carers a voice into management on all aspects of their working life: operational policy, ways of working, learning and development. All enabled through the Hapi App, they now have another consistent channel to raise concerns, provide feedback and pose important questions.

By enabling access to greater support and improving genuine two way communication across the entire workforce, we have helped foster a positive working culture where employees feel they have a voice, and their opinions are valued. Staff also use the Hapi App to engage with a new rewards programme and the business has driven engagement with the platform through quizzes, cash incentives and targeted content such as updates from the Chief Executive Officer

> Personal Group worked in partnership with us to identify key opportunities for the business. Their guidance and technical solutions have helped us create a happier and healthier workforce that feels more protected and better connected.

Genevieve Glover
Group HR Director, Barchester Healthcare

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

Posed by model

Our Purpose in Action continued

THE CARAVAN CLUB

Sector: Leisure, not for profit

Employees: 1,200

Challenge: Pay and reward, employee engagement and connectivity in an evolving market

As a result of the pandemic many more people have opted for UK based holidays. As the Caravan and Motorhome Club's membership and demand for new services increased, it was important to maintain and improve employee engagement. A significant proportion of its loyal and established workforce traditionally mirrored the mature caravan enthusiast, however, this has slowly started to evolve to a younger demographic and they needed to infuse their engagement approach to reflect the new glamping generation.

With each site based in a unique and remote location, employees have always been crucial in overcoming challenges and creating a positive experience for the customer. Those workers need to be engaged and motivated and yet often their detachment from HQ was leaving them isolated from the business and feeling unappreciated - a concern for retention and for attracting new talent in a competitive market.

We identified that by evaluating roles and benchmarking its pay, the Caravan and Motorhome Club could create greater flexibility in its reward structures and take a more strategic view of its Total Employee Value Proposition, including the creation of a new Recognition scheme to engage workers across the Club.

By applying our knowledge and interpreting the data, we helped them build a transparent fair pay strategy that formed the basis of a clear job architecture, and enabled them to build a competitive and fair framework.

To help motivate and engage employees our expert Reward consultants also advised on a new 'Cheers for your Peers' recognition scheme enabling colleagues and managers to thank fellow workers for a job well done, complemented with a quarterly prize draw and an Annual Club Stars award scheme. With all of this delivered through the Hapi app, staff are encouraged to engage with their rewards and benefits through their smart phones, meaning they are also better connected with the business, every day. Since the introduction of Hapi, employee engagement levels have increased, which in turn is reflected in increased member satisfaction and retention.

> Innecto consultants understood our challenges and saw them as opportunities to help us compete and grow. By combining their expertise and technology they have helped us connect with our workforce in a refreshingly transparent way. The Hapi app is like a magic toolbox that brings all the pieces together on a daily basis.

The Caravan Club

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

Posed by model

Our Purpose in Action continued

NRG RIVERSIDE

Sector: Specialist Fleet Management

Employees: 226

Challenge: Employee retention and recruitment in a specialist market

NRG Riverside is one of the UK's largest specialist fleet management companies, offering short and long term truck rental, contract hire, fleet repair and maintenance services across nine sites nationwide. Operating in a specialist environment the company's success relies heavily on attracting strong candidates and retaining staff who have received a high degree of training and regular re accreditation.

By previously offering only a basic package of salary plus pension the company was limiting its appeal in a tough recruitment market, but that situation has been reversed with the launch of a comprehensive new Reward and Benefits Strategy

Since launching in February 2022, Sage Employee Benefits has been used by an impressive 80% of workers and has supported the reduction of staff attrition rate by 12%. In particular, the counselling and On Demand GP services have proved popular, with sick employees now calling On Demand GP that day for a consultation as part of the company's Absence Policy. The diverse package of enhanced benefits has also become a key driver for attracting new talent

Working in partnership with our expert consultants, NRG Riverside is set to launch the next phase of their benefits package a new company-wide Award and Recognition scheme With quarterly nominations and an annual winner across eight categories, this will enable employees to come together and recognise colleagues across multiple sites and help drive engagement with the scheme even higher.

> The On Demand GP service is hugely popular and it has felt great being able to offer counselling and support to those in need. We are now looking forward to rolling out our new Recognition Scheme. This partnership has transformed our business.
>
> **JENNY COOK,**
> People Services Director,
> NRG Riverside

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

Posed by model

Chairman's Statement

"I am pleased to report on a year of strategic progress, in which the team have again delivered on our strategic and financial objectives."

Martin Bennett
Non-Executive Chairman

Chairman's Statement continued

I am pleased to report on a year of strategic progress, in which the team have again delivered on our strategic and financial objectives. The strength of trading in the second half of the year underpins our confidence that we are now firmly back on a growth trajectory, set to benefit from the investments we have made in our offering and team

It is evident to me that the team takes great pride in our role in supporting people's physical, mental, social and financial wellbeing, working together to achieve our vision: to create a brighter future for the UK workforce. This clear sense of purpose, with a passion for clients, partners and the people within the business, has stood Personal Group in good stead through the economic challenges of recent years, and we have emerged a stronger and more diversified business as a result. I would like to thank the team for their continued hard work and embodiment of the Company's values.

Achieving growth

We have successfully delivered growth across a number of our KPIs, increasing our total client numbers and reporting double digit growth in key areas of our recurring revenue

Of particular note in the year was the reinvigoration of the insurance sales model which had been so affected by the pandemic. Recruiting the right people, training, and getting them back in to see clients was by no means a simple task and has been achieved exceptionally well, exemplified by the consecutive record new insurance sales achieved in November and December. Whilst this investment in the field sales team impacts our profits in the short term the benefits of the resultant growth in the insurance book will be seen in future years

Across the benefits platform we won new customers and secured valuable new partners, including the signing of a multi year extension to our engagement with Sage to power the Sage Employee Benefits platform, which is reflective of the success of our partnership to date. Following its establishment several years ago, momentum accelerated in 2022, resulting in an increased gross Annual Recurring Revenue of £3.0m (2021: £1.6m) with c50,000 paying employees on the platform at the end of the year and we are confident that this will continue to be a growth engine for the business.

The acquisition of Quintige Consulting Group Limited ("QCG") in July has enhanced the Group's overall pay and reward offering and consolidated the Group's position as a leading provider of employee services in the UK. Integration of the QCG team into our organisation is progressing well, and we are already benefiting from shared knowledge and activities.

We are of course not immune to the disruption taking place across the UK, whether that be strikes or ongoing supply chain issues. As described in our trading update issued in January 2023, our consumer technology business, Let's Connect, had a challenging second half of the year, as a result of the industrial action taking place at its major client, Royal Mail Group. This continued action has had implications as we have moved into the start of 2023 and as a result, the current salary sacrifice technology scheme we run with them is no longer appropriate for them in its current format. Whilst not reflective of our overall offering, taken alongside continued uncertainties around supply chain and ongoing margin pressures, in undertaking our annual impairment review of the goodwill held from the acquisition of Lets Connect in 2014, we have made the prudent decision to fully impair the £10.6m of goodwill created on acquisition in 2014. Whilst this has impacted our statutory profit before tax for the year it is a non cash item and does not affect the financial strength of the business. For more details please see note 14.

We are all cognisant of operating within an inflationary environment and the management team have negotiated this well, through the careful management of resources and considered investment. With inflation set to remain high throughout 2023, we will continue to carefully balance the investment in the business with profitable growth

A strengthened team

Personal Group places the success and happiness of people at its heart, demonstrated by the very nature of our offering. Internally, this ethos has seen the business maintain our high staff retention rates, whilst also supporting the hiring of additional talented senior managers to strengthen the team as well as the introduction of the QCG team in July. In May, we welcomed Ciaran Astin to the Board as Non Executive Director. Ciaran brings with him a wealth of sales, digital and marketing experience.

ESG

As a Board, we are committed to high standards of ESG and made good progress against our stated objectives during the year, building on our existing foundation of responsible business practice. We have made progress in reducing our carbon footprint, fostering an inclusive, progressive and diverse working environment and ensuring a robust corporate governance framework, all enhancing our wider Environmental, Social and Governance (ESG) strategy.

UNIQUE CLIENT NUMBER

502

(2021: 387)

ANNUALISED PREMIUM INCOME

28.0m

(2021: 24.4m)

DIVIDEND PER SHARE

10.6p

(2021: 11.5p)

Chairman's Statement continued

It is in the area of societal good that we believe we can have the most positive impact, both through our own actions and providing the tools for our customers to similarly effect change. You can read more on these efforts within the ESG section of our Annual Report.

A growing market

The need for organisations to look after their people has never been more important. Caring for health, wellbeing, and building a sense of community is crucial to modern companies and represents the ongoing opportunity for Personal Group in this current macroeconomic environment, there are few, if any, markets about which one can be so optimistic 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 18 May 2023. This makes a total ordinary dividend for 2022 of 10.5 pence per share. The Board has considered the level of dividend in the context of the non cash impairment of goodwill, alongside the underlying growth seen during the year and continued confidence in the Group's business model and prospects.

Outlook

With the impact of the pandemic now largely behind us, and with the growth we have seen in our key areas of recurring revenue, our focus is now on taking Personal Group onto the next stage of growth and we have entered 2023 on the front foot, benefiting from the strong end to FY22. The growth in our insurance book, investments in our Hapi platform and expansion of our Pay and Reward offering all provide confidence in another successful year.

While cognisant of the ongoing economic challenges, we look to the future with a strong sense of optimism and remain committed to the continued execution of our strategy.

Martin Bennett
Non-Executive Chairman

27 March 2023

FURTHER INFORMATION

OUR STRATEGY
Read more | **Page 17**

CFO STATEMENT - from Personal Group CFO Sarah Mace
Read more | **Page 25**

ESG Read our progress against our ESG targets
Read more | **Page 32**

The right team in place – experienced and engaged

Our Board and senior leadership have a deep understanding of the business and industry, and a proven track record in scaling-up businesses and extensive commercial experience. They are committed to ensuring Personal Group couples innovation with strong financial stewardship and delivers on its purpose to the benefit of all stakeholders, whether they be customers, employees, our communities or shareholders.

We are proud of the diversity of our business, from Board level through to our teams, and we will continue to be driven by our social purpose.

WOMEN ON THE BOARD	**INDEPENDENT DIRECTORS**
43%	57%

See our Social section of ESG | **Page 35**

Read more online |
https://www.personalgroup.com/about-us/our-leadership-team

Group Chief Executive's Statement

"I have a great deal of satisfaction on looking back on a pivotal year for Personal Group."

Deborah Frost
Group Chief Executive

Group Chief Executive's Statement continued

Dear Investor,

I have a great deal of satisfaction on looking back on a pivotal year for Personal Group. In 2022, we came out of the pandemic and built on 2021's work in the restarting of the engine of the business. We have delivered a strong year of new business development, insurance book growth and expansion in our key market focus of Small and Medium Business.

In a year when many businesses have issued profit warnings, political turbulence has spilled over into financial markets, and inflation has deeply affected many people in the UK, I am very proud of how my team have been rebuilding the business with double digit growth in many key areas of our book of recurring revenue. Annualised Premium Income ends the year 15% ahead of last year's close, new client numbers are up 17% and we have hit our Sage channel target of 50,000 paying employees from 2,800 companies.

Sales and operational review

Affordable insurance

2022 was always going to be a year of lower profit, primarily because our historical normal investment in our field sales insurance team has been set against lower premium values, as a result of the pandemic. Slightly higher claims ratios this year were expected against previous years of low NHS activity but have remained stable. However, this has been a year of bests: best annual individual performance ever by a field sales colleague, best ever month in November 2022, and best ever December 2022. Our new insurance sales of £9.5m were up 158% on 2021 and at the highest level seen since 2018. These achievements are set against a backdrop of industrial action and staff shortages in our clients, which means our site visits have to be professional and credible in building employee engagement for our clients, as well as offering key insurances for our policyholders. Over 50% of client employees that we present our insurance policies to chose to buy our insurances on the day we meet them which emphasises the value perceived in our products. The majority of our policyholders elect to pay through their payroll on a weekly or monthly basis, these policies typically have a lifetime value of around five years so business written in 2022 builds momentum for the future.

Benefits platform

Our new business and account management teams for Enterprise clients have also had success this year. Our overall client retention rate remains extremely high for the benefits business where, we retained 164 clients in year (95% retention), and added 22 new ones.

The five year deal signed with Sage in February highlights the value that both partners place on the relationship, with us hitting our target of 50,000 paying employees by the end of 2022. This shows growth of 87% from £1.6m ARR end 2021 to £3.0m ARR end 2022. We are now actively seeking other external partners, to widen our reach, and build further ARR streams.

Pay and reward

Since the acquisition of QCG in July 2022, the Pay and Reward division has continued to develop, with cross selling of Innecto Digital and Hapi platforms, and the bringing on of new clients. The division now serves 174 active clients, although as is the nature of consultancy, these clients cyclically move on, as projects are completed. We have been pleased with the retention of Innecto Digital products, covering Job Evaluation, Pay Benchmarking and Pay Review software. Our blended retention rate is 87% against a target of 75%, with 12 new clients added.

Other owned benefits: Let's Connect

Let's Connect has experienced a challenging year: the backdrop of industrial unrest in their biggest client, Royal Mail Group affected our marketing campaigns as well as the ability of striking workers to afford new technology items. We have recognised that this will impact this area of the business going forwards and accordingly determined to take a prudent approach and fully impaired the value of goodwill associated with it as a result. Notwithstanding this, other Let's Connect clients have performed well, emphasising the cost-of-living benefit for employees in being able to spread the cost of technology purchases without the direct interest charges and credit checks that they face on the High Street. Some stock shortages have affected sales in the year, but this has significantly improved in comparison to the last couple of years.

NEW CLIENT WINS ACROSS THE GROUP

101

(2021: 86)

ANNUALISED NEW BUSINESS PREMIUM

£9.5m

(2021: £3.7m)

SEB ANNUALLY RECURRING REVENUE

£3.0m

(2021: £1.7m)

Group Chief Executive's Statement continued

Future outlook

Our business is now significantly stronger and more diversified than 2019, our last year of trading pre pandemic. Previously the business mainly operated in our heartlands of lower wage, hourly paid employees; food production, transport, care homes, warehousing and distribution. Whilst our core business plays a very important role in our future, as we set out in our strategic roadmap in 2019, we have expanded our reach to different sectors of the economy – SMEs, the public and ex public sectors, and salaried employees in the private sector. This widens the Group's platform and market opportunity for growth in the future, and our investment in sales and marketing and technology is now bearing fruit in the number of new clients we are engaging with and delivering for. Underlying organic growth in 2022 will lead to increased EBITDA in 2023 and beyond, as our business model is mainly based on recurring contracts, whether with SMEs, insurance policyholders or our major Enterprise clients.

We also continue to search for acquisitive growth that will increase shareholder value. Alongside the small acquisition made in year, we have continued to review selected acquisition opportunities against a clearly defined criteria of identifying businesses that would be capable of adding complementary, earnings accretive non organic growth.

Whilst we have planned for 2023 to be another difficult year for the economy, trading in 2023 has started positively and we are confident our offer resonates with our target markets, and we will continue to see growth over the forthcoming years.

Deborah Frost
Group Chief Executive

27 March 2023

> We have expanded our reach to different sectors of the economy – SMEs, the public and ex-public sectors, and salaried employees in the private sector.
>
> **Deborah Frost**

Investing in the future

In 2022 we continued to make investment that will help us deliver future growth and evolve our offering to our customers

£5.1m
INVESTED IN THE ACQUISITION COSTS FOR OUR FACE-TO-FACE INSURANCE SALES TEAM

£0.8m
INVESTED IN HAPI 2.0, DUE TO LAUNCH IN 2023

£1.0m
INVESTED IN THE ACQUISITION OF QCG

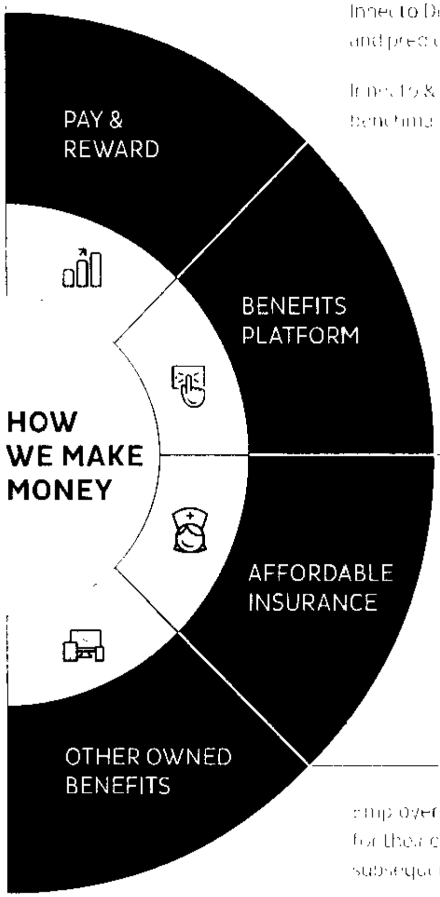
> Whilst some of this investment impacts our in-year profits, we recognise its importance to enable us to deliver on our growth strategy.
>
> **Deborah Frost**

Read more online | https://www.personalgroup.com/about-us/our-story

Our Business Model

Improving the lives of the UK workforce.

We provide a broad range of employee engagement and wellbeing offerings to all sectors of the UK workforce. Our full service solutions, encompassing employee benefits and employee insurance products, enable organisations to stand out as an employer of choice, helping their employees thrive in work and in life.



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

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

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 e.g. Sage Employee Benefits

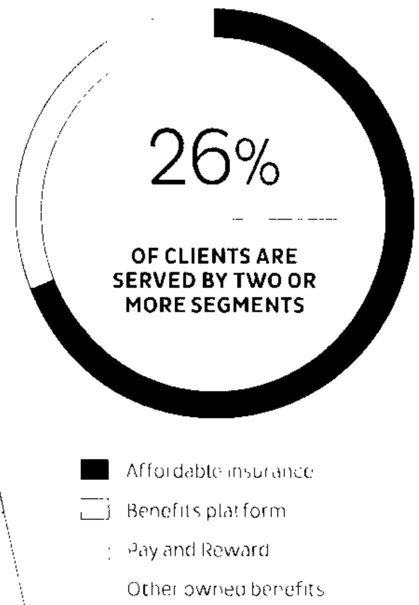
Commission on third party transactions – we earn a margin on some of the discounted vouchers available to employees through Hapi and commission on any third-party financing arranged or employer purchases of partner solutions

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

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

A significant proportion of revenue (c.43%) is pass through voucher resale on Hapi and therefore has minimal impact on earnings

ADJUSTED EBITDA CONTRIBUTION



Our Strategy

We are building on our success with a clear three year strategy.

We continue to focus on building a business with room to grow in the medium and long term and have laid out what our business will need to be 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)
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

TIER 2
Talent Driven
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

TIER 3
Enterprise/Public Sector
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

Our Strategy continued

How we will deliver.

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

1. DRIVING INSURANCE SALES THROUGH NEW AND EXISTING CHANNELS

Our unique sales approach helps employers communicate their key messages about employee wellbeing and the key benefits they offer through a face-to-face conduct with their employees, both introducing them to their benefits package on Hapi, and offering the chance to buy insurance there and then.

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.

For more information | Page 19

2. TRANSFORMING REWARD AND BENEFITS

Our clients often first come to us for consulting help with pay, recognition or bonus issues which we are able to address through our Pay & Reward division, comprising Innecto and QCG. We are then able to deepen the relationship; offering our range of products, including the Innecto Digital suite, Hapi benefits platform, Let's Connect and insurance products.

Our employee benefits app-first solution, Hapi, is a market-leading employee engagement platform which for larger clients is fully customised and white-labelled with their own bespoke mix of benefits and branding, with Hapiflex aimed at more sophisticated client users who want to be able to offer flexible benefits to their employees.

For more information | Page 20

3. ACCELERATING OUR SME OFFER

Our SME version of Hapi enables us to target small businesses with a standardised product. We currently deliver to this traditionally hard to access market through our partnership with Sage with our proposition of 'Sage Employee Benefits (SEB)'.

SEB is pre-populated with key benefits for employers to access such as discount offers, online GP and an Employee Assistance Programme and offered to Sage's client base with an initial free trial.

For more information | Page 21

Strategic Progress

1. DRIVING INSURANCE SALES THROUGH NEW AND EXISTING CHANNELS

2022 Progress

- Close examination of our policyholder journey with key customer decision points assessed, and interventions made. We've seen first 12 month retention increase over two years from <50% to c.58% with more changes to effect change still being developed and trialled.
- Return to a strong and fully functioning face-to-face field sales team, which delivered the highest levels of new business seen since 2018, with records broken for best month and best individual full year performance.
- Delivery and productivity of face-to-face team enhanced through revised organisational design, improved planning approach and more focused performance management infrastructure.
- Launched digital insurance offer to 34 additional clients.
- Introduction of Net Promoter Score (NPS) for both the Customer Relations Team and Customer Loyalty Team to enable feedback and continuous improvement opportunities relating to our customer experience.
- Prepared for the implementation of the FCA Consumer Duty, ensuring that our insurance products continue to provide value to policyholders which will in turn mean that we retain our loyal customer base as well as attract new customers. Workstreams have been in place to ensure that our customer communications and supporting customer service are of the quality expected by the Duty.

2023 Plans

- Continuous improvement of productivity of face-to-face sales team through introduction of 'New Ways of Working' which encompass enhanced leadership capability and improved planning and client engagement, through to sales team wellbeing.
- Further improvement of penetration with existing clients through optimisation of the digital vs face-to-face channels using other activities such as webinars and roadshows with employer support.
- Progress opportunities to partner with third-party insurance providers to offer alternative products suitable for the widening client base.
- Further work on retention journey from initial point of sale through the first year of the policy, with particular focus on retention during the first 14 day early cancellation and the opportunity to switch to an alternative payment method at the point a policyholder leaves their employer and their payroll payment.
- Testing and monitoring of consumer outcomes to enable the continued assessment of whether customers are receiving good outcomes from their relationship with us. This process of continuous improvement will mean we can evidence compliance with the FCA Consumer Duty as well as continuing to improve customer retention and the attractiveness of our products

Strategic Progress continued

2. TRANSFORMING REWARD AND BENEFITS

2022 Progress

- 2022 has been challenging for HR teams, as we have seen high a level of wage demands, industrial unrest, recruitment difficulties and talent shortages. It is unsurprising that clients are reaching out for advice and support as they guide their companies through this new landscape and we have seen an uplift in consultant work as we help clients through changes.
- The division grew 82% in consultancy income.
- 101 new clients.
- 47 clients on Innecto Digital products with retention rate of 87% and 17 holding more than one product.
- Annual recurring revenue on surveys and Innecto Digital products of £0.66m (£0.43m Dec 21).
- Hapi has also seen double digit growth as benefits platform ARR has grown from £1.55m to £2.00m. We are seeing new clients on-boarding, as well as existing clients deepening their relationship with us by widening the benefits they provide through us to their employees. We've seen an uplift in underlying commissions for third party providers, such as Cycle to Work schemes, grow by 158% in 2022 with these schemes continuing into 2023 and beyond. Dame Kelly Holmes, who joined as our Chief Wellbeing Ambassador for 2022, has introduced her wellbeing solution, Transform, for our clients expanding our unique benefits offer.

2023 Plans

- 2023 will see the launch of Hapi 2.0 which is our first major redevelopment of the platform since its launch in 2016. The new platform is updated with improved look and feel, but also better MI, improved functionality for reward and recognition and greater ability to integrate other third-party suppliers.
- We have centralised all Group Marketing functions to improve productivity and knowledge sharing across the Group which allows us to concentrate our efforts on specific B2B and B2C marketing as different channels, driving both employee activation and usage on the Hapi platform and spearheading our B2B business development across Pay, Reward and Benefits.
- We are actively looking for acquisition targets to widen and grow our benefit offer beyond our heartlands of hourly-paid employees

Strategic Progress continued

3. ACCELERATING OUR SME OFFER

2022 Progress

- Following the initial years of development with our Sage partnership we have been delighted at the growth in new customers and the steady reduction in our blended churn number. All SaaS businesses require both, and with the introduction of a new look and feel to the product in July the division is growing very satisfactorily.
- We have introduced new SLAs with our sales colleagues in Sage, so our lead quality has improved, and pipeline is staying steady.
- We have started discussions with other prospective partners in different markets that we hope to see come to fruition in 2023.
- Voucher sales topped £5m for SEB customers, showing the high level of engagement and value that employees place on the platform.

2023 Plans

- SEB will be refreshed in 2023 alongside the new Hapi 2.0 to include an upgraded reward and recognition function and better MI provision for business owners.
- We are also working on the development of a premium version of SEB to include higher levels of functionality and a wider product range to attract larger customers.
- We will continue to continuously improve end to end customer journey to improve lifetime value of clients going onto the platform.

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 2022	31 December 2021
Unique client number	Winning new clients and retaining existing ones will be key to us being able to grow our business.	**502**	387
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.	**128**	132
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.	**1,432,670**	1,210,980
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.	**582,733**	539,051
Number of insurance payers	Re-invigorating growth in insurance payers, 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.	**94,877**	93,147

UNIQUE CLIENT NUMBER

502

(2021: 387)

NUMBER OF INSURANCE PAYERS

94,877

(2021: 93,147)

ACTIVATED USERS ON HAPI AND SAGE EMPLOYEE BENEFITS

582,733

(2021: 539,051)

Key Performance Indicators continued

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.

2022	£28.0m
2021	£24.4m
2020	£27.1m
2019	£30.3m

ANNUALISED PREMIUM INCOME1

£28.0m

(2021: £24.4m)

2022	£9.5m
2021	£3.7m
2020	£2.4m
2019	£9.0m

ANNUALISED NEW BUSINESS PREMIUM2

£9.5m

(2021: £3.7m)

2022	27.7%
2021	24.5%
2020	24.4%
2019	22.1%

CLAIMS RATIO

27.7%

(2021: 24.5%)

2022	83.1%
2021	80.7%
2020	80.5%
2019	76.6%

YEAR ON YEAR INSURANCE RETENTION

83.1%

(2021: 80.7%)

2022	£5.6m
2021	£3.6m
2020	
2019	

ANNUALISED RECURRING REVENUE FOR SAAS LICENCES3

£5.6m

(2021: £3.6m)

2022	34,297
2021	33,155
2020	27,320
2019	31,319

LC ORDERS

34,297

(2021: 33,155)

Acquisition of Quintige Consulting Group (QCG)

QCG was founded in 2000 and has become a leading HR consultancy business supporting a wide range of public and private sector organisations. It provides consultancy supporting employee experience, reward and recognition and has a strong pay benchmarking survey practice.

We were delighted to acquire QCG in July adding substantial knowhow and a new client base to our reward consulting division. The business has a similar fingerprint to Innecto, but operates in different markets specifically Rail, Construction, Governance organisations (Information Commissioner Office, Bar Standards Council) and Museum and Leisure sectors. The team, led by Juan Novoa, has a strong reputation in building long term relationships and providing advice on reward strategy, pay structures, pay benchmarking and actually run specialist pay surveys, with over 90 companies participating in 2022.

Our goals for the division include widening opportunities for the Innecto Digital products into our new client base, sharing knowledge and evolving our benefits provision to meet the needs of the new clients we've acquired.

Read more about Our Strategy | **Page 17**

On 1st July Personal Group purchased Quintige Consulting Group ("QCG") a leading employee experience and reward consultancy, for a cash consideration of £1m.

Chief Financial Officer's Statement

"The Group continues to benefit from an increasing proportion of recurring revenues, providing high levels of visibility for 2023."

Sarah Mace
Chief Financial Officer

Chief Financial Officer's Statement continued

Group revenue

Group revenue for the year increased 16% to £86.7m (2021 £74.5m) reflecting growth across all areas of the business, with the exception of the Other Owned Benefits division (Let's Connect).

With COVID 19 lockdowns, which impacted our ability to carry out our traditional face to face selling of insurance, firmly behind us, our insurance segment returned to growth as anticipated and as at 31 December 2022 we have an insurance book of £28.0m Annualised Premium Income (API) (31 December 2021 £24.4m), the majority of which is renewable on weekly or monthly rolling contracts.

External income from our internally developed Benefits Platform increased by over 45% year on year, following on from the 40% growth seen in the previous year. This growth is a result of our continued expansion into the SME sector through our partnership with Sage and growth in our own HAPI platform sales. Growth in our pay and reward segment reflected the acquisition of Quintige Consulting Group (QCG) at the start of the second half of the year but also growth in consultancy income and digital subscription income in Innecto. Annual Recurring Revenue (ARR) across all the Group's digital platforms now stands at £5.6m (2021: £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, fell short of 2021, primarily as a result of industrial action in its key client impacting its peak trading period in Q4.

Income from voucher resale through the benefits platform also grew significantly in the year and, whilst this predominantly represents pass through revenue, it does continue to demonstrate the value that our Benefits Platform provision can bring to our clients and their employees.

Adjusted EBITDA*

Adjusted EBITDA* for the year was £6.0m (2021: £6.1m). Adjusted EBITDA remained in line with last year but reflected a changing mix in contribution from the various business areas.

As anticipated, we saw a reduced contribution from the insurance business, as we invested heavily in the acquisition costs of the field sales team as it re established itself to pre COVID levels. Offsetting this we saw increased contribution from both our Pay & Reward and Benefits Platform businesses in line with their increased revenues, with the contribution from Other Owned Benefits remaining broadly flat year on year. Outside of the core segments, group administration and central costs reduced in line with a return to more normalised levels of sales and marketing spend.

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.

Group results	2022 £'000	2021 £'000
Revenue	**86,653**	74,513
Adjusted EBITDA*	**6,010**	6,094
Operating profit	**3,835**	4,374
(Loss) / Profit before tax	**(6,760)**	4,342
Tax	**(493)**	(745)
(Loss) / Profit for the year	**(7,253)**	3,597

	2022 £'000	2021 £'000
Profit before tax	**(6,760)**	1,342
Finance costs	**20**	32
Corporate acquisition costs**	**47**	–
Depreciation	**1,052**	966
Amortisation of acquired intangibles	**238**	205
Amortisation (other)	**548**	380
Goodwill impairment***	**10,575**	
Share-based payment expense	**291**	169
Adjusted EBITDA*	**6,010**	6,091

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

** Corporate acquisition costs incurred during the acquisition of QCG.

*** The goodwill impairment is a result of the impairment review of [illegible]

GROUP REVENUE

£86.7m

(2021: £74.5m)

ADJUSTED EBITDA

£6.0m

(2021: £6.1m)

EARNINGS PER SHARE

(23.2p)

(2021: 11.5p)

Chief Financial Officer's Statement continued

"Our strong balance sheet means we remain well positioned for future growth."

Sarah Mace Chief Financial Officer

Loss before and after tax

Statutory loss before tax for the year was £6.8m (2021: profit of £4.3m). This reflects an operating profit of £3.8m together with a £10.6m impairment charge relating to the goodwill balance associated with Let's Connect. Despite the profitability of Lets Connect being maintained at a similar level to 2021, the operating landscape at its key client has changed and the current salary sacrifice technology scheme they run is no longer appropriate for them in its current format. As a result the future revenue stream for this area of the business has significantly changed and an impairment charge has been registered. The tax charge for the year was £0.5m (2021: £0.7m), and loss after tax for the year £7.3m (2021: profit of £3.6m).

Excluding the non-cash impairment charge the profit before tax is £3.8m.

EPS

Resulting earnings per share was (23.2p) (2021: 11.5p), excluding the non-cash impairment charge this would have been 10.6p. The calculation is detailed in Note 12.

Dividend

The Board has recommended a final ordinary dividend of 5.3 pence per share, making a total ordinary dividend for 2022 of 10.6 pence per share. The Board has considered the level of dividend in the context of the non-cash impairment of goodwill, alongside the underlying growth seen during the year and the continued confidence in the Group's business model and prospects.

Balance sheet

As at 31 December 2022 the Group's balance sheet remained strong, with cash and deposits of £18.7m (2021: £22.9m) and no debt. This reduction reflects both the c£1m purchase of QCG and a £1.5m equity investment (valued at £1.3m within Financial Investments) alongside investment of c£1m in our proprietary software. The Group's main underwriting subsidiary, Personal Assurance Plc (PA), continues to maintain a conservative solvency ratio of 333% (unaudited), with a £8.1m 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 312% (unaudited), under its own regime.

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.

FURTHER INFORMATION

ACQUISITION OF QCG
Read more | **Page 24**

CE STATEMENT - from Personal Group
CE Deborah Frost
Read more | **Page 13**

KPIs
Read more | **Page 22**

Chief Financial Officer's Statement continued

The Group continues to see an increasing contribution from its non insurance activities.

Segment	Description	Income Streams
Pay & Reward	Provision of a full reward service to employers through the Group's pay and reward subsidiaries, Innecto and QCG	Consultancy, industry surveys and 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

Segmental results

The Group reports across four core segments as detailed in the table above.

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. 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 not allocated to a segment and are shown separately as 'Group Admin & Central Costs'.

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

Revenue	Dec-22 £'000	Dec-21 £'000
Pay and Reward	2,008	1,236
Benefits Platform	4,819	3,303
Affordable Insurance	25,257	24,670
Other Owned Benefits	16,800	18,214
Other	382	238
Revenue pre voucher sales	**49,264**	47,661
Voucher resale	37,389	26,852
Total Revenue	**86,655**	74,513

Adj EBITDA Contribution	Dec-22 £'000	Dec-21 £'000
Pay & Reward	495	303
Benefits Platform	2,866	2,098
Affordable Insurance	9,032	11,012
Other Owned Benefits	664	730
Group Admin & Central Costs	(7,107)	(8,228)
Other	160	179
Total Adj EBITDA	**6,010**	6,094

Chief Financial Officer's Statement continued

Pay & Reward

Innecto's strong performance in 2021 continued into 2022, with consultancy income up 34% as the battle for talent continued and demand from HRDs looking to retain and attract their employees increased. Digital subscription income from its proprietary HR solutions also increased by 19% on the previous year. Annualised Recurring Revenue on these products stood at £0.5m as at 31 December 2022 (2021: 0.4m).

The acquisition of QCG in July 2022 also added to the Group's Pay & Reward offering with the expectations set out at acquisition achieved in the second half of the year. Whilst operating in a similar market to Innecto, QCG operates in different market sectors, has a strong presence in pay surveys and provides opportunities to cross sell across both client bases.

Collectively this division achieved revenue of £2.0m (2021: £1.2m) and EBITDA of £0.5m (2021: £0.3m) of which QCG contributed £0.4m of revenue and £0.1m of EBITDA post acquisition.

Benefits platform

Revenue from digital platform subscriptions and commissions from third party benefit suppliers which sit on the benefits platform rose to £4.8m in 2022 (2021: £3.3m).

Subscriptions for our enterprise platform, Hapi, gained momentum in 2022 with ARR on the platform increasing by 29% to £2.0m (2021: £1.6m) during the course of the year and are expected to benefit further in 2023 with the refined and refreshed Hapi 2.0.

Our expansion into the SME market also continued to grow at pace, with Sage Employee Benefits, the Group's SME proposition being taken to market through its partner Sage. Having signed a new five-year contract in February 2022 and with an updated version of the platform to be launched in 2023, we are anticipating further growth in its ARR which stood at £3.0m at the end of the year (2021: £1.6m).

As at 31 December 2022 the ARR from Benefits Platform subscriptions across all channels stood at £5.0m (2021: £3.2m).

Adjusted EBITDA contribution of £2.9m (2021: 2.1m) increased in line with increased revenue but also demonstrates the increased margins available as this area of the business scales up.

Affordable insurance

Premium income from the Group's core insurance business increased by £0.6m to £25.3m (2021: £24.7m).

The strong opportunity for our face to face sales activity, driven by employers wishing to re-engage with their workforce post COVID-19, has given opportunity to rebuild the sales team and grow the insurance book back towards levels seen pre COVID. £9.5m of new insurance sales were written during the year (2021: 3.7m) which, together with continued strong retention rates for existing policyholders, meant that as at 31 December 2022 we have £28.0m (2021: £24.4m) of Annualised Premium Income, the majority of which are renewable on weekly or monthly rolling contracts.

Claims ratios for the year increased to 27.7% (KPI's) (2021: 24.5%) higher than historic norms as hospital admittances and visits increased post COVID-19 lockdowns. As the NHS starts to address their long waiting lists, we anticipate this continuing in the short to medium term.

Adjusted EBITDA contribution of £9.0m for the year (2021: £11.0m), reflects the increased premiums and claims costs but also the increased acquisition costs of the field sales team as we invested heavily to re-establish it at pre Covid levels. The benefit of the related new insurance sales will be seen in future years.

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 decrease to £16.8m (2021: £18.2m), although margin improvements helped mitigate the impact on its EBITDA contribution of £0.7m (2021: £0.7m). The industrial action which took place at its key client in the second half of the year impacted its peak trading period in Q4 and has led to a full impairment of the £10.6m goodwill balance associated with its acquisition at group level (see note 14).

Group administration expenses and central costs

Group administration and central costs of £7.1m (2021: £8.2m) reflected a return to a more normalised level of sales and marketing spend post the additional investment made in 2021 alongside a reduced level of bonus costs.

Sarah Mace
Chief Financial Officer

27 March 2023

Risk Management

Effective risk management is central to our culture and key to achieving our strategic objectives.

Oversight

The Board is responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems as well as identifying the nature and extent of the principle risks the Group is willing to take in achieving its strategic objectives, including the setting of the overall risk appetite and tolerance levels

The Board delegates oversight of risk management to the Risk and Compliance Committee, who in turn regularly report up to and make recommendations to the Board.

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. We employ an Enterprise Risk Management Framework (ERM) to manage all types of risk which, alongside our Own Risk and Solvency Assessment activity, enables reasonable assurance to be provided to the Board and external stakeholders that the Group is achieving its risk management and internal controls objectives.

The effectiveness of the risk management system is also independently assessed periodically by the outsourced Internal Audit Function in their role as Third Line of defence, with the results reported to the Audit Committee

The Board is satisfied that the processes set out above enable the Group to effectively identify, assess and manage current and emerging risks and allow the required focus on risk awareness, ethical behaviour and the fair treatment of customers and colleagues

Risk management approach

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, with mitigating activities and timelines for implementation agreed.

We operate a 'three lines of defence' approach to define risk management within roles and responsibilities.
The Group's risk governance is overseen by a Risk function led by the Head of Risk, with independence assured through direct and separate access to the Chair of the Risk and Compliance Committee. In early 2022 we held a Risk Workshop, involving all members of the Board and the Senior Leadership, to reassess how the principal risks of the business had changed in line with the Group's refined strategic plan as we emerged from COVID-19.

Business Area Owner

- Identify, assess and manage risks 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 advice and guidance to business areas and to the Senior Leadership Team and Board
- Assurance of the effectiveness of policies and procedures

Internal Audit (outsourced)

- 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

Risk Management continued

As part of that workshop, we identified 10 'Risk Themes' and have realigned our risk registers in line with these. During the year the Risk Team worked alongside the risk champions within the various business areas to help them identify their own key risks in line with this revised approach

Key risks (with an impact of £500k+ within the next year)	Current and emerging factors	Mitigating activities	Change in risk exposure
Customer and Key Client Risk	Potential to lose a Key Client or Partner that would impact the Group's ability to meet its strategic objectives	Relationship management of key clients and partners. Early renewal/extension of key contracts. Payroll slots for collection of insurance premiums built into contracts as 'enduring' wherever possible.	Increased in 2022
Environmental, economic or regulatory change impact profit	Inflation, rising interest rates, tax rises, and increased costs negatively impact the spending power of the Group's corporate clients and customers, leading to them to spend less on the Group's products and services or cancel their contracts or insurance cover Candidate-led job market means it is harder to retain staff and more challenging to recruit, with employers having to pay increased salaries to attract top talent	Clear go to market message around how the Group's offering can help employees navigate through the 'cost of living crisis' through the use of discounts and the Group's 'value propositions', alongside wellbeing and the employee assistance programme Engage with clients and prospective clients to help employers maximise the benefit of their employee benefits programme to help attract and retain staff Offer support to financially vulnerable customers where appropriate Remunerate with competitive market-based pay, and competitive rewards and benefits alongside a learning culture with great career opportunities. Continue to offer a hybrid working policy	No change
Technology / Cyber	Lack of technological capabilities (infrastructure, systems, solutions, products and people skills and knowledge) could impact the competitiveness of the Group's products and services Weak approach to security could facilitate cyber-attacks or data breaches, leading to lack of trust and reputational damage	Delivery of Hapi version 2.0 Recruitment of specialist talent and training and upskilling of staff. IT systems regularly tested for security from attack Recommendations from internal/external audits completed in 2021 actioned, including upgrade of our firewall and introduction of a security incident and event management system, mobile device management and data loss prevention software.	No change
Products are not designed to meet customer/client requirements	Risk that we fail to deliver innovative or desirable products and services Changing demands and needs of consumers in the personal insurance market	Investment in the design, build and launch of Hapi 2.0 which will have an improved look and feel, better MI, improved functionality and greater ability to integrate third-party suppliers. Annual product governance review of the insurance products which considers market and product research, design, value, build, testing, and launch and sales channels. Better analysis of MI to help drive product enhancements and improve supporting customer service	Decreased in 2022

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. To reflect this purpose, we report not only on our Social goals, but also our Societal ones, wherein we aim to make a positive impact on society through our offerings

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.

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 is 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.

Environmental, Social and Governance continued

ENVIRONMENTAL

While we are a naturally low-emission business, we take a proactive approach to mitigating the environmental impact of our operations and supply chain.

TARGETS

- > Reduce Head Office 2019 carbon emissions by three tonnes per annum
- > Reduce 2019 fleet CO usage by 25% by 2025
- > Work towards becoming net carbon neutral by 2031
- > No waste production target as waste is negligible.
- > Work on environmental policy for suppliers and partners is ongoing

Group Environmental Policy

Our Group Environmental Policy has been formed during the year and acknowledges our impact on the environment and our commitments to preserving the environment in which we operate, including our expectations regarding reporting, supplier credentials, waste management, and the efficient use of resources.

Carbon emissions

Overall the Group's CO_2 production levels have increased in the year. This is due to the benefits from the solar panels installed at our HQ being offset by our increased levels of face to face selling from the mid point of the year and the delayed delivery of lower emission CO vehicles for our fleets due to global shortages. These are now expected in H2 2023.

While we are a naturally low emission business, monitoring and reducing our carbon emissions is core to our environmental approach. Aside from meeting our reporting obligations, we recognise that as a global citizen it is our responsibility to minimise our carbon footprint. We have reported our carbon emissions in our Annual Reports since 2021.

We have installed solar panels at our headquarters, are examining further energy efficiency initiatives, and will be moving to a renewable energy provider once the energy market steadies

The use of solar panels at our headquarters have proven successful in significantly lowering our MegaWatt hours. In 2022, 13.4 MWh of energy were generated which would power 4.6 homes for a year and equates to planting 157 trees.

Task-Force on Climate-Related Financial Disclosures (TCFD)

We continue to monitor the guidance published by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) on corporate disclosures to enable stakeholders to better understand financial exposures to climate related risks TCFD aligned disclosures will be mandatory for AIM listed companies with over 500 UK staff from 2023, and it is not yet clear when they will be mandatory for businesses of our size.

Remote working and business travel

Our carbon emissions and energy use were particularly low during the COVID-19 pandemic, and we are aware that the gradual return to the office and fewer limitations on travel will inevitably increase energy and carbon expenditures. Our employees are supported in hybrid or fully remote working arrangements.

Environmental, Social and Governance continued

Personal Group's SECR Statement

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.

2022 performance

Our carbon footprint for the 2022 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 528 tCO_2e, which represents an average impact of 1.9 tCO_2e per full time employee, and on a market basis our emissions are 532 tCO_2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

There has been a significant year on year increase in location based Scope 2 emissions in 2022 (39%), due primarily to increased activity as COVID restrictions have eased, as well as an increase in the number of full time employees (20%).

A small portion of the increase is also due to the acquisition of a new office in 2022. The end of lockdown has also been the driving factor in a notable increase in emissions from both company cars and employee owned vehicles in year on year comparisons.

While absolute emissions have increased in 2022, an increase in headcount has meant that the increase in emissions intensity (tCO_2e per FTE) has been less severe.

Energy and carbon action

The entirety of the Group's fleet is up for renewal in 2022/23 and so a review of what vehicles will be allowed was completed in year. The Group, unfortunately, does not believe that purely electric cars are an option at this stage for its field sales team due to the lack, for charging, of a nationwide infrastructure. However, as a minimum, constraints on the CO_2 emissions of all vehicles leased were included in the decision. Due to the supply side pressures on new cars in 2022 a number of leases needed short term extensions whilst orders for new vehicles were being fulfilled. At the time of writing the majority of the Group's fleet should be replaced by the end of H1 2023.

2022 results

The methodology used to calculate our greenhouse gas 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 (Mar 19).
- UK office emissions have been calculated using the Defra 2022 issues of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities in the UK fall within the reporting period 1st January 2022 to 31st December 2022, using the reporting period of 1st January 2020 to 31st December 2020 and January 2021 to 31st December 2021 for comparison.

Emissions and energy usage

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

	Emissions source	2022	2021	Variance
Scope 1	Natural gas	**90**	112	(19%)
	Company and leased cars	**370**	212	74%
Total Scope 1		**460**	324	42%
Scope 2	Electricity	**52**	49	5%
Total Scope 2		**52**	49	5%
Scope 3	Electricity T&D	**5**	4	8%
Scope 3	Employee cars	**11**	3	309%
Total Scope 3		**16**	7	124%
Total (Market Based)		**532**	380	40%
Total (Location Based)		**528**	381	39%
Total Energy Usage (kWh)[1]		**2,277,147**	[illegible]	34%
Normaliser[1]	tCO_2e per FTE	**1.9**	1.6	19%

[1] tCO_2e per FTE [illegible] has been recalculated from [illegible] due to [illegible] the inclusion of sales staff in the total figure. The same approach has been taken in 2022.

Environmental, Social and Governance continued

SOCIAL

Our goal is 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

People

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 maintaining hybrid work policies in order to create a flexible and collaborative working environment.

After many years of conducting annual employee surveys with steady high engagement results, we have refreshed our approach with the aim of gaining more meaningful colleague insights by switching to smaller, more frequent pulse surveys. This allows us to focus on what is important to our employees either at a moment of time and/or on a specific topic as part of our co create approach, it allows for more timely action and supports our wellbeing and engagement strategy.

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. Having set gender and ethnicity representation targets at all levels of the organisation in 2021, we have seen solid progress in 2022 on delivering on these targets.

Our focus in 2023 is to continue with our Strategic Workforce Planning approach where we identify the skill and capability needs for now and the future business wide, and design, develop and deliver bespoke learning interventions to support our colleague growth.

In 2022 we made no political donations.

Wellbeing

The Group's core purpose is to protect the unprotected by supporting 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. 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.

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. We will continue to develop our employee proposition, ensuring that the Group's benefits remain competitive and that we remain an employer of choice.

Environmental, Social and Governance continued

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.

In 2022 Group employees completed approximately 9,546 training hours (2021 6,868 hours). This included Continuous Professional Development, Insurance Distribution Directive alongside bespoke training courses and apprenticeship learning. In 2022 we reviewed our apprenticeship opportunities and have invested in existing and new employees to offer apprenticeships aimed at developing skills for the future.

We were delighted with the progress of our Accelerated Learning Programme participants, all of whom have remained with the business of employees, with the majority being promoted internally into new roles. The development and promotion of internal candidates is always encouraged as appropriate.

Diversity and inclusion

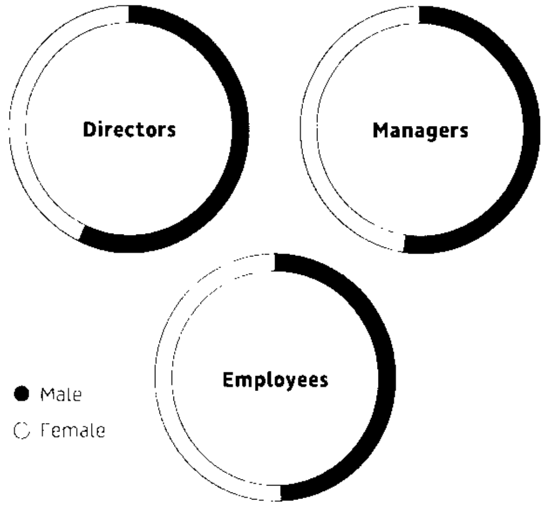
Diversity, Equity and Inclusion has been identified as an integral part of the Group's objective of providing a welcoming and inclusive working environment where people are engaged, recognised and rewarded. The Board strives for equality of opportunity for all and for the Group to reflect the diverse 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 2022



	Male	Female
Directors	4	3
Managers	33	30
Employees	98	101
	135	134

Environmental, Social and Governance 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 continued involvement beyond pure financial support. Key local projects around our offices for 2022 included:

- MK Act - £10K towards funding the Milton Keynes domestic abuse intervention service, predominantly to assist the provision of safe emergency accommodation for women and children escaping domestic violence.
- MK Winter Night Shelter - £10k continuing the funding of the Personal Group Life Skills Programme which enables life skills training and employment training for guests of the shelter who have just gained accommodation, beaten an addiction or have the chance to work with one of the charities employment partners to reach their full potential and stand a better chance of succeeding when they move on from homelessness.
- Northamptonshire Domestic Abuse Service (NDAS) - £10K towards the cost of a children's support worker to help to support victims of domestic abuse with rehabilitation and counselling.
- Baby Basics - £10K supporting families living in Milton Keynes and the immediate surrounding area who are in financial hardship. Providing them with essential items they need, such as cribs, beds and toiletries, for their children aged 0 - 6 years.
- Safety Centre - Hazard Alley - £7.5K to help deliver bespoke knife crime intervention sessions to 1,200 Year 6 students in Milton Keynes.
- Worktree - £5K towards the development of the Virtual Career Workout which allows volunteers to be interviewed remotely by school classes around the country. This helps students better understand the world of work and different career options available to them.
- Rainy Day - £10K supporting households facing fuel poverty through provision of energy saving equipment and free installation, along with contributions direct to the energy suppliers in extreme cases.

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.

2022 saw:

- A team from Personal Group visit the school for the first time since the outbreak of COVID-19.
- Memusi B school increased to Grade 5, providing education to 420 children annually in a dual stream school.
- Infrastructure was continually invested in; including two new classrooms, a staff room, new toilet blocks and two teacher's houses.
- Internal investment was also made including food for all children, desks, text books and all learning material.
- Money received in the previous year for dormitories was spent on their construction which is close to completion and will be opened shortly for the girls to make use of this facility.
- A contribution was made to the Memusi 'Bread & Milk' / See The Child initiative which helped feed homeless children living on the streets and offer support and guidance with the long-term plan of getting children off the streets.

Environmental, Social and Governance continued

SOCIETAL

We believe our vision, to create a brighter future for the UK workforce, brings a responsibility that goes beyond our clients and their employees. We have an opportunity and obligation to drive societal change to help shape and redefine the role businesses play in society.

Examples of the benefits of our offerings in use are included | **Page 05**

TARGETS

Separating Societal from Social is a change implemented by management at the end of 2022. We are currently working on targets for this area and will report them in the 2023 financial statements.

Our Group expertise and portfolio of services enables us to act as an agent for change, empowering businesses to transition from being a target of social change to a mobiliser. Employers are uniquely placed to change people's behaviours in order to benefit society, whether that is through DE&I initiatives, wellbeing support, financial awareness or protection policies and we can enable them to do so.

Our holistic offering has been designed to support and engage employees and their families from all demographics, including those from lower income groups, in both work and life. We are particularly aware that people from lower income groups can find it difficult to access appropriate financial services products – the FCA recognise they are an underserved group. Our simple, easy to buy and low cost products meet a gap for people who find it difficult to use the internet for financial services products and we have specifically adapted our products to meet their needs. Recognising the impact this can have on Societal good, we appointed the Hon Colonel Dame Kelly Holmes MBE (mil) as our Chief Wellbeing Ambassador for 2022 to help guide our strategy and amplify our message to our clients and beyond.

In 2022, in partnership with Dame Kelly we launched Transform our exclusive, market-leading wellbeing solution. Transform provides exercise, mindfulness, meditation, recipes, and broader wellbeing content to enable the individual to take control of their wellbeing. This solution was also immediately made available to all Group employees.

> As Chief Wellbeing Ambassador I want to spread the word about the importance of employee wellbeing and help our clients' employees thrive in work and in life.
>
> **Hon Colonel Dame Kelly Holmes MBE (mil)**
> Chief Wellbeing Officer, Personal Group

In conjunction with the Financial Wellness Group, we also ran a serious of Budgeting Bootcamps, which were made available, for free, to not only our own employees but also those of our clients. This six-week tutorial programme was designed to increase 'money confidence' and provide tips and tools to manage money, from creating budgets through to prioritising spend and making money work harder.

Additional initiatives in 2022 included signing the menopause pledge, campaigning and providing guidance on Fair Pay at leading industry events, whilst continuing with our long-standing recognition (monthly peer-to-peer allowance for all employees) and charitable giving (match funding up to £500).

Environmental, Social and Governance continued

GOVERNANCE

Governance is central to our ethos of operating with integrity.

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.

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

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 45).

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 are carefully selected to ensure a diverse and varied set of skills, cultures, experiences and knowledge to promote success within the business.

We have targets 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 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 Nominations 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 58 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 | Page 54

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

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.

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.

Further detail is included in the Corporate Governance section | Page 44

Section 172 Statement

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.

The table that follows is a description of our key stakeholder groups and how we engaged with them in 2022.

Why we engage with	How we engaged in 2022	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 and ensure that our products are regularly reviewed and fit for purpose Provision of suitable and targeted employee benefits to our relevant market sectors.	Our primary interactions are to provide individual face-to-face presentations of our products to potential and existing policyholders at their place of work. In 2022 we expanded our sales channels further to enhance the flexibility of purchase by enabling an online offering via some of our clients. In early 2022 we carried out a 'backbook communication' to c.90,000 policyholders, which provided a reminder of policy conditions and benefits but also, in many instances, enhanced the benefits received at no additional premium. We also added an additional temporary benefit on the Hospital Plan of an additional outpatient appointment for 2022 and 2023 for existing policyholders who held policies at 31 December 2021, in recognition of the fact that during COVID reduced NHS activity had meant that, in many cases, they were unable to make full use of their plan/benefits. Other activities which took place during the year were development of an 'insurance only' website, to improve accessibility for policyholders, enhancement of the online claims form and detailed one-to-one interviews of existing policyholders through a third party provider Subsequent to the pandemic we have maintained a hybrid working environment for our customer relations team. We value the ability to have colleagues in the office to support training and development of staff and to allow greater flexibility in responding to queries and claims made by our policyholders, some of whom are calling from a place of vulnerability. In 2022 our Customer Relations Team took over 52,400 calls and dealt with over 58,000 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

Section 172 Statement continued

Why we engage with	How we engaged in 2022	What matters to the Group
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 and communication channels to both attract and retain talent for now and the future.	We have an open, collaborative, and inclusive management structure and actively engage regularly with our employees. We do this through multiple channels led by a belief and ethos that engagement is a two-way process. Our colleague voice is critical in enabling a 'co-creation' approach when we seek to enhance not just engagement, but how best we can improve how we do business. We remunerate with competitive market-based pay, sector leading rewards and benefits alongside a learning culture and great career opportunities. We have introduced a hybrid working policy for all office-based staff, feedback tells us that this helps our colleagues achieve a better work-life balance with subsequent gains in engagement and productivity.	> Fair employment > Competitive pay and benefits > Development and career opportunities > Collaborative and supportive work environment > Health and safety and colleague wellbeing > Responsible and respectful 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 continually review and update our supplier onboarding process and conduct annual reviews on all key suppliers to the Group We work with our suppliers to ensure that they have effective controls in place to protect the security and privacy of our customers data.	> 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 37. We are conscious of the need for our business to focus on long-term sustainability, during 2022 the Board discussed the key causes of emissions from the Group and reviewed options around limiting them. Orders for new fleet cars to reduce the emissions per employee have been ordered, albeit it was determined that fully electric cars were not currently suitable for the volume of driving undertaken by the majority of the salesforce. We continue to review ways in which we 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, i.e. 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.	> Financial performance > Strategy and business model > Dividend > Long term growth > Reputation of the Group

Board Activity in 2022

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 2022, we worked on development of the refined strategy first implemented in 2021. An area of key focus was around how best we can continue to improve interactions with our clients and customers to enable us to really drive growth around our three core strategic pillars of:

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

Following recommendations from our independent Board effectiveness review, we have also made the decision to restructure our Board meetings in 2023 to allow greater focus on strategic matters, more details on this can be found on page 44.

Open actions from the Board effectiveness review are being worked and are all due to be completed in 2023.

Read more about Our Strategy **Page 17**

Board Activity in 2022 continued

Governance and Risk

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

During 2022 the we conducted a Board effectiveness review which highlighted some key areas for the Board to work on in the coming year in order to ensure a strategic focus on the long term objectives and key resources underpinning them. There have been eight follow up actions identified by the review all of which are expected to be considered and dealt with during 2023.

We have continued with 'deep dives' into key risk areas at each Risk and Compliance Committee 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 continued to 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.

Read more about Risk | Page 30

Performance Monitoring

The monthly review provided to the Board includes an update on all strategic KPIs as well as an update on performance

In 2022 we have regularly reviewed our lead indicators and together with a suite of KPIs which sit beneath them to enable us to monitor our performance against our strategy, alongside a standard monthly business review.

There has also been a continued focus on our KPIs around ESG, which were introduced in 2020 and have been continually refined thereafter. Work has begun to complete an Energy Reduction Plan as we work towards our ESOS compliance for 2023

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 22

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 remained a key focus this year and we have remained committed to 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 who we are, during the year the Board has been working on revising the Groups values to reflect the work undertaken in recent years and how the business sees itself moving forward. These revised values are still being finalised and will be announced in due course.

Read more about our People | Page 35

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 continue working on an integrated succession plan for the Board and, as noted in my Chairman's report earlier in this document, we have experienced Board changes (both executive and non executive) through 2022 with Ciaran Astin joining the Board as Non Executive Director as of May 2022 and Liam McGrath, Chief Operating Officer, departing the Personal Group Holdings Board in August 2022.

This year represented an opportunity for the Group to rebound following the challenges of the COVID 19 pandemic and the Board has been focused on continued support of the Senior Leadership Team in ensuring the employees of the Group are supported in their roles with our continuing hybrid working environment. 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, especially in light of the ongoing cost of living crisis.

In 2022, 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.

A board effectiveness review was carried out during 2022, in line with our commitment under the QCA Code (Principle 7). We have addressed and will be addressing the recommendations raised. We are committed to external independent reviews every three years and will continue to complete annual internal board effectiveness reviews in the intervening years.

The Board met 10 times in 2022 and the number of meetings each Director attended can be seen on pages 46 and 47. In addition, the reports of the Audit, Risk and Compliance, Remuneration Committees and Nominations and SM&CR Committee can be seen later in this section. As we move into 2023 the Board has decided to reduce the number of in person meetings, with six more in depth meetings, focusing on strategic matters, and four Board meetings conducted remotely and used as updates on performance. This change will have limited impact on the Board's Committees but should enable greater focus on strategic matters.

Martin Bennett
Independent Non Executive Chair

2022 Committee meeting dates

Board	26 Jan	17 Feb	17 Mar	5 May	26 May	30 Jun	21 Jul	28 Sep 20 Sep	21 Oct	24 Nov 24 Nov
Audit			17 Mar 17 Mar		26 May			20 Sep		24 Nov
Risk & Compliance		17 Feb						20 Sep	21 Oct	
Nominations							21 Jul			
Remuneration	26 Jan		17 Mar							

Corporate Governance continued

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 employees 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 16 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 2022 our Chief Executive, CFO, Chairman and other Non-Executive Directors met virtually, and in person, with key investors. We also hosted our investor events in March and September 2022

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 40 and 41.

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 2022, a risk based internal audit function was again provided by RSM. For further details see page 51.

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 44 there has been one addition to the Board in the year with Ciaran Astin taking up his role as Non-Executive, our first Non-Executive to concurrently hold an executive position outside of the Group.

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 findings from the 2022 external 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. These values form a core part of how the business is managed, from recruitment to training, and ongoing reward and recognition. During the year the Group has focused on smaller, more frequent, pulse surveys to obtain meaningful colleague insight on key issues. This has allowed more focus on these issues at the point in time it arises and helps to facilitate the co-create approach with our employees supporting our wellbeing and engagement strategy.

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 2022 for the Board and other Committees can be seen on page 44.

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 of Directors

The Board has a combined wealth of knowledge and experience to help the business achieve success and keep it moving forward.

Martin Bennett
Non-Executive Chairman

January 2021

External appointments

Skills, personal qualities and capabilities

C I

10/10
Meetings attended

Deborah Frost
Group Chief Executive

September 2015

Skills, personal qualities and capabilities

10/10
Meetings attended

Sarah Mace
Chief Financial Officer

October 2020

Skills, personal qualities and capabilities

10/10
Meetings attended

Maria Darby-Walker
Senior Non-Executive Director

June 2019

External appointments

Skills, personal qualities and capabilities

C I

10/10
Meetings attended

Committee membership key

Risk and Compliance Committee

Audit Committee

Nominations & SM&CR Committee

Remuneration Committee

C Chair of the Committee

I Independent

Board of Directors continued

Bob Head
Non-Executive Director

November 2016

External appointments

Skills, personal qualities and capabilities

C C I

10/10
Meetings attended

Ciaran Astin
Non-Executive Director

May 2022

External appointments

Skills, personal qualities and capabilities

I

5/5
Meetings attended

Andy Lothian
Non-Executive Director

July 2017

External appointments

Skills, personal qualities and capabilities

8/10
Meetings attended

Damian Kane
Finance Director and Company Secretary

October 2020

Skills, personal qualities and capabilities

10/10
Meetings attended

Committee membership key

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

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.

Karen Thornley
Chief Commercial Officer

Richard Thompson
Chief Information Officer

Julie Stayte
Chief People Officer

> "The Senior Leadership Team bring a range of experience and commercial drive which has created a solid and committed team, driving the business forward through both innovation and a focus on execution."
>
> **Deborah Frost**
> Group Chief Executive

Risk and Compliance Committee Report

The Committee's role is to oversee compliance with regulatory requirements, assess the effectiveness of the Group's risk management framework and to set the group's risk appetite.

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
Ciaran Astin*	3/3
Deborah Frost	2/4
Sarah Mace	4/4
Liam McGrath**	2/2

Dear Shareholder

I am pleased to present the Risk and Compliance Committee Report for the year ending 31 December 2022.

Objectives

The role of the Committee is to manage and monitor the risks and threats to the strategic objectives of the group, set the risk appetite for the Group, monitor and review the impact of business decisions upon the Group's risk profile and manage and monitor compliance with Prudential Regulation Authority and Financial Conduct Authority requirements and other appropriate regulations which impact the Group.

Activity during the year

The Committee focuses its debate on key risks, emerging risks, new risks and areas where we perceive we have increased risk.

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:

- Consideration of the Group's approach to the challenging economic outlook which took hold in the Autumn, including how to optimise the Group's current offering and tailor the go to market message to mitigate the risk of any impacts on income from clients and customers.
- Consideration of the Group's resilience against cyber threats following on from external audits and reviews of systems and controls. The Group used specialist companies for this work and it was designed to support the Group's ISO accreditation.
- Close monitoring of the potential impact of the energy crisis affecting the country including development of contingency plans for any power outages or rolling blackouts that may occur.
- A strategic review of the Group's main risk exposures and challenging whether certain activities provide return on investments which are relative to the inherent risks involved.
- Update and further development of the Own Risk and Solvency Assessment (ORSA) for Personal Assurance Plc to account for current risks and exposures, particularly in relation to inflationary pressures and negative cost of living effects which have increased throughout 2022.
- Review and approval of Personal Assurance Plc's operational resilience self assessment and ratification of the supporting business impact assessments.

Risk and Compliance Committee Report continued

In addition, other work undertaken during the year included:

- The regular review, consideration and approval of existing Group policies used across the business
- Oversight of the further embedding of data related systems and controls (specifically GDPR)
- Consideration of management information which assess levels of quality and compliance, and the effectiveness of the Information Security Management System
- Oversight of the further development and embedding of risk management in the "first line" environment across the Group – including rolling out risk management training to nominated business area "Risk Champions", who have the role of coordinating risk management activities in conjunction with their respective Senior Leadership Team member and being a point of contact for their designated Risk Team partner
- Oversight of the implementation of the FCA Consumer Duty, including challenging, reviewing and approving the Group's gap analysis against the requirements and implementation plan. This is currently work in progress.
- Annual review of Fair Value for insurance customers
- Assessing the results from a quality assurance review of insurance sales to customers, which had an emphasis on ensuring that vulnerable customers are receiving outcomes "at least as good as those" experienced by any other customer

As in previous years, the Committee has continued to apply its mind to the risk logs both in terms of completeness and how risks are optimised. The Committee has also worked closely 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

27 March 2023

Audit Committee Report

The primary role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the internal controls as well as oversight of the internal and external audit functions.

Meetings Held

3

Audit Committee members

Meeting Attendance	
Bob Head (Chair)	3/3
Martin Bennett	3/3
Maria Darby-Walker	3/3
Ciaran Astin	2/2

Dear Shareholder

The Committee oversees the appointment of, and relationship with, the external auditor and ensures compliance with other regulatory requirements that are relevant to the Group, as well as gaining reassurance that the control environment is fit for purpose. The internal audit function is currently outsourced to a third party, and the Committee is also responsible for overseeing the effectiveness of internal audit in line with the Chartered Institute of Internal Auditors (IIA's) Guidance on Effective Internal Audit.

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;

> Considering new accounting standards and pronouncements and comments from the Financial Reporting Council; and

> Advising the Board on whether the Group's financial statements are fair, balanced and understandable. Particular attention has been given to ensuring the business commentary is consistent with the reported results.

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 processes;

> Developing and implementing a policy on the supply of non audit services by the external auditor; and

> Monitoring and reviewing the scope of work and 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 pages 46 and 47.

Risk matters are covered at the Risk and Compliance Committee but all members of the Audit Committee are also members of the Risk and Compliance Committee, which ensures tight co ordination.

Three formal meetings were held during 2022 and all Committee members were in attendance. Additionally, the remaining Board members, Head of Risk and Company Secretary were present at all meetings.

Audit Committee Report continued

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. As a part of these discussions the Committee has considered whether there are further risk areas that need to be considered in addition to those raised by both sets of auditors. 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 2021 Annual Report and Accounts and 2022 Interim Results statement.
- > Approval of the Solvency and Financial Condition Report.
- > Review of internal audits carried out by RSM.

During 2022 RSM undertook audits, in line with the agreed scope, over areas including field sales team remuneration, change management and a follow up review of responses to 2021 action recommendations. RSM also undertook an advisory report providing a GAP analysis against key ESG documents, metrics and controls.

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 (and for 2023) 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. The areas the Audit Committee have focused on are detailed later in the report.

Key Group issues included:

- > Investment in the salesforce and its direct impact on the Group's profitability; following two years of interrupted new business premium levels due to lockdowns and other restrictions, the Group needed to return to a full sales team complement to return to normal and service the demand of its clients.
- > An ongoing focus on cyber risks as well as operational resilience to deliver what we have promised our clients and customers remains a key topic of discussion for the Committee.
- > 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.
- > The acquisition accounting surrounding the purchase of Quintige Consulting Group Limited.

The Committee reviewed the recommendations of the finance function and received reports from the external auditor on their findings. Where cost effective to do so the Committee has encouraged the external auditors to adopt a controls approach to the audit rather than substantive audit approach.

Audit Committee Report continued

The significant reporting matters and judgements the Committee considered during the year included:

Carrying value of goodwill and other intangibles	**Note 14 & 15**
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 with the conclusion of management that, due to the macroeconomic impact on material customer, an impairment was required to the value proposed for Let's Connect and appropriate disclosure has been made (see note 14 to the financial statements for details). The Committee was satisfied that no impairment was needed on the goodwill of Innecto and that the accounting surrounding the purchase of QCG and the initial assessment of the acquired intangible assets and goodwill was appropriate.
The presentation of "Adjusted EBITDA" alongside statutory profit.	**Note 5**
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 focusing on 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 valuation of the claims provision	**Note 25**
The Group retains a provision for the gross estimated liability arising from claims in the current and preceding financial years which have not yet 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.	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 continuing impacts post COVID-19 including considerations such as increased hospital waiting lists. The Committee was satisfied that the amount reserved for across the Group is appropriate given the data available. It should be noted that the insurance business is short tail and post year end claims are examined before the accounts are signed off.

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, as noted, 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 discusses 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

27 March 2023

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.

Meetings Held

4

Remuneration Committee members

Meeting Attendance	
Maria Darby-Walker (Chair)	4/4
Martin Bennett	4/4
Bob Head	4/4
Ciaran Astin	2/2

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.

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 Directors 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 57 for further details).

> We remain focused on aligning reward with the business's long-term sustainability and growth.
>
> **Maria Darby-Walker**
> Independent Non-Executive Director

Remuneration Committee Report continued

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 and Non-Executive Directors' benchmarking exercise was undertaken in December 202

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 2022, with ad hoc calls taking place when required.

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 & 2022 annual bonus

Despite significant progress in achieving KPIs and underlying growth, the Group did not achieve its goals for 2022. As a result it has been agreed by the Committee that no bonuses would be paid to the Executive Directors for 2022. It has, however, been agreed to review the bonus potential for the leadership in future years

The remainder of staff below the SLT level with a contractual bonus target have received amounts commensurate to personal objectives being reached but not for Group wide targets

Pay increases

The Remuneration Committee approved a pay increase pot of c.3.5% for all eligible employees, including the Board, in January 2022.

Other Committee activities for the year

The Committee has been actively engaged in reviewing the changing nature of reward and benefits. 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 for our employees. The Committee particularly focused on the attraction and retention of scarce talent, with a detailed review of the pay of all employees, and those at particular flight risk in crucial roles identified. Market rate adjustments were completed and key employees were retained through 2022.

The Committee discussed, and approved the change to, the remuneration and incentive programme surrounding the field sales team. The revised programme looked to simplify the existing scheme whilst supporting long term career paths for staff and adjusting for best practise guidance offered by a recent internal audit into the subject

The Committee also reviewed pension arrangements for employees, and established a Pension Working Group to prioritise our review of pension take up and encourage employees to plan for their futures.

The year ahead

ESG goals and targets have been included in the 2022 LTIP design, demonstrating our commitment to ESG goals, and ensuring that they remain top of mind for our Executive Directors and their teams

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 six 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 period's 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 herein.

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 2021 or date of appointment if later, and 31 December 2022, are shown in the table to the right.

At 31 December 2022, the mid-market closing share price was 196.00p per share (31 December 2021: 325.00p).

	At 31 December 2022	At 31 December 2021
Deborah Frost (Chief Executive)	**333,678**	304,063
Sarah Mace (Chief Financial Officer)	**12,071**	12,030
Andrew Lothian (Non-Executive Director – Managing Director PGB Sales until December 2020)	**37,532**	37,532
Martin Bennett (Independent Non-Executive Chair – Appointed January 2021)	**18,070**	-
Bob Head (Independent Non-Executive)	**-**	-
Maria Darby-Walker (Senior Independent Non-Executive)	**-**	-
Ciaran Astin (Independent Non-Executive – Appointed May 2022)	**-**	-

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 shown to the right.

	Salary and fees 2022 £'000	Bonus 2022 £'000	Share-based gains on exercise of options 2022 £'000	Pension contributions 2022 £'000	Total 2022 £'000	Total 2021 £'000
Deborah Frost	332		79	10	421	427
Sarah Mace	189	-	-	13	202	239
Liam McGrath *	124	-	-	6	130	145
Andrew Lothian	41				41	41
Bob Head	50	-	-	-	50	50
Maria Darby-Walker	51		-	-	51	39
Martin Bennett **	101		-	-	101	78
Ciaran Astin ***	28				28	-
Mark Winlow	-			-	-	33
Total	916	-	79	29	1,021	1,062

* Liam McGrath left the business in August 2022

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

*** Ciaran Astin joined the Board as a Non-Executive Director in May 2022

Remuneration Committee Report continued

Directors' share options

CSOP

On 31 December 2022 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

LTIP

On 31 December 2022 options outstanding were as follows

	Number of shares	Exercise price pence per share	Earliest exercisable date
Deborah Frost	135,362	5.00	01 January 2024
Sarah Mace	147,040	5.00	01 January 2024

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

Company Share Option Plan

Awards under CSOPs have taken place for a number of years and have been predominantly allocated to senior members of staff across the business in line with the rules on the government scheme. The options have a requirement to be held for three years prior to exercise and no performance obligations.

Long Term Incentive Plan

The Long Term Incentive Plan introduced in April 2021 was established in order to reward and incentivise the senior executives to deliver sustainable growth for the Company and to create material value for shareholders. The scheme accommodates performance conditions across market, financial and ESG measures which support the growth of the business.

The scheme has made two awards of share options to date in April 2021 and April 2022.

The performance criteria of the awards are detailed in Note 22.

In addition to the Executive Directors, members of the Senior Leadership Team also had awards.

Maria Darby-Walker
Independent Non Executive Director

27 March 2023

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 Senior Managers and Certification Regime (SM&CR).

Meetings Held

2

Nominations Committee members

Meeting Attendance	
Martin Bennett (Chair)	2/2
Maria Darby-Walker	2/2
Bob Head	2/2
Ciaran Astin	1/1

The CEO, Non Independent NEDs, Chief People Officer and Company Secretary are normally present at the meetings

Dear Shareholder

I am pleased to present the Nominations Committee Report for the year ended 31 December 2022. The Committee's primary function is to enable focused discussions around the composition of the Board and the Group requirements around SM&CR

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; 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. Non Executive Directors do not participate in discussions about their own remuneration

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 twice, 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

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

Martin Bennett
Independent Non-Executive Chairman

Nominations Committee Report continued

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 Ciaran Astin on the Board. Liam McGrath left the business during 2022.

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. An external Board effectiveness review was conducted in 2022 with development areas being worked on.

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 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 2023 AGM	Board role
Martin Bennett	January 2021	AGM 2021	For renewal by rotation	Non-Executive Chairman
Deborah Frost	September 2015 (previously NED, appointed CEO Feb 19)	AGM 2021		Chief Executive
Sarah Mace	October 2020	AGM 2021	For renewal by rotation	Chief Financial Officer
Maria Darby-Walker	June 2019	AGM 2022		Senior Non-Executive Director
Ciaran Astin	May 2022	-	For renewal as first year	Non-Executive Director
Bob Head	November 2016	AGM 2022		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

27 March 2023

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

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 25).

The loss from continuing operations for the year is £6,760,000 (2021: profit of £4,342,000) before taxation of £510,000 (2021: £743,000). During the year ordinary dividends of £3,311,000 (2021: £3,244,000) were paid.

Directors

The membership of the Board at the end of the year is set out in the Remuneration Report on pages 54 to 57. 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 (2021: £nil).

Charitable donations

Donations to charitable organisations amounted to £100,000 (2021: £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 Compliance 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 44 and 45.

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 Thursday 4 May 2023.

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.

BY ORDER OF THE BOARD

S Mace

Sarah Mace
Chief Financial Officer

27 March 2023

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 UK (UK adopted IFRS) 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 UK adopted IFRS.
- 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 2022 and of the group's loss 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 been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; 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 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2022	Balance sheet as at 31 December 2022
Consolidated income statement for the year then ended	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 33 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 33 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 below. 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 public interest 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 27 March 2024;
- 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;
- 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 market conditions 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.

Independent Auditor's Report continued

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 27 March 2024

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) 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 97% of the Group revenue and 98% of the Group profit before tax.
Key audit matters	> **Valuation of PG Let's Connect goodwill** > **Valuation of Innecto goodwill and other intangible assets** > **Acquisition of Quintage Consulting Group**
Materiality	> Overall group materiality of £195,050 which represents 5% of consolidated profit before tax

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity 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, the potential impact of climate change and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

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, of the five reporting components of the Group, we selected four components, which represent the principal business units within 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. For the remaining component ("specific scope components"), we performed audit procedures on specific accounts within that component 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.

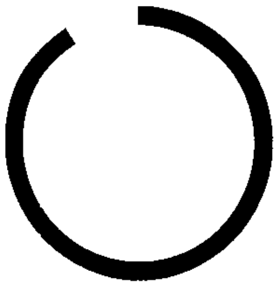
For the current year, the full scope components contributed 91% (2021: 89%) of the Group's Profit before tax, 93% (2021: 98%) of the Group's Revenue.

The specific scope component contributed 7% (2021: 6%) of the Group's Profit before tax, 4% (2021: 2%) of the Group's Revenue. 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

Independent Auditor's Report continued

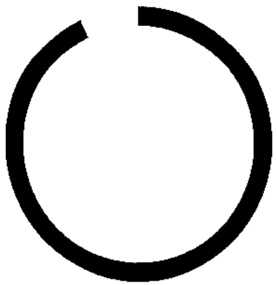
The charts below illustrate the coverage obtained from the work performed by our audit teams

Profit before tax



- 91% Full scope components
- 7% Specific scope components
- 2% Other procedures

Revenue



- 93% Full scope components
- 4% Specific scope components
- 3% Other procedures

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 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.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations in the ESG section of the strategic report. The Group has also explained their climate commitments on page 33 in the ESG section of the strategic report. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements

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 79 of the financial statements which explain the rationale.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter

Independent Auditor's Report continued

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 (2022: £0m, 2021: £10.6m) *We consider the risk associated with the valuation of PG Let's Connect goodwill to be greater as a result of increased uncertainty in relation to future cash flow projections as a result of the impact from the COVID-19 pandemic, economic uncertainty along with key customer contract renewals and ongoing supply issues.* *Refer to Accounting policies (page 83), and Note 14 of the Consolidated Financial Statements (pages 95 and 96).* The PG Let's Connect goodwill balance as at 31 December 2022 has been fully impaired to nil.	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; > Reviewed post year end information available to assess the likelihood of the key contract renewal > Assessed the appropriateness of the identified CGU and attributed cash flows; > Challenged the future cash flow projections of Lets Connect to ensure pipeline business and conversion rates included in the projections are appropriate by comparing to prior year accuracy of forecasting; > Engaged our valuation specialists to assess the reasonableness of the impairment including an assessment of the discount rate, and > Considered whether the applied accounting treatment is in compliance with IFRS and the Group's accounting policy, and the Group disclosures are in line with the required reporting framework.	We have reviewed managements Let's Connect impairment paper along with post year end information available which shows the loss of a major customer, leading to a fall in cash flows which no longer support the recoverability of goodwill. Based on the above considerations, we are satisfied that the Let's Connect goodwill impairment of £10.6m being recognised at 31 December 2022 is appropriate. We have reviewed the related disclosures and concluded that these accurately reflect the impairment recorded during the year.

Independent Auditor's Report continued

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of Innecto goodwill (2022: £2.6m, 2021: £2.6m) *We consider the risk associated with the valuation of Innecto 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 83), and Note 14 of the Consolidated Financial Statements (pages 95 to 97)* 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 As at 31 December 2022 we noted *that 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 *are dependent on the continued* projected growth from digital and consultancy income. Current 2023 forecasts show a more positive outlook for Innecto, but due to the economic uncertainty and inflationary pressures that may *impact 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 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 and appropriate *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, > *Assessed the appropriateness of the* identified CGU and attributed cash flows; > Challenged the future cash flow *projections of Innecto to ensure pipeline* business and conversion rates included in the projections are appropriate by *comparing to prior year accuracy of* forecasting and applying sensitivity analysis, > Engaged our valuation specialists to assess methodologies and assumptions used in the analysis including the reasonableness *of the discount rate by considering* Innecto'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 IFRS and the Group's accounting policy, and the Group disclosures are in line with the required reporting framework	Based on our work *we are satisfied that* the carrying value of *Goodwill in relation* to the acquisition of *Innecto is not materially* misstated However, there is *inherent uncertainty* within the forecasted cash flows used in the impairment model due to the expected growth in Innecto (disclosed in Note 14 of the financial statements) These uncertainties could have *a significant adverse* impact on the future *cashflows 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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of goodwill and other intangible assets arising on acquisition of Quintage Consulting Group (2022: £0.9m) *Refer to Accounting policies (page 83); and Note 14 of the Consolidated Financial Statements (pages 95 to 97).* **On 1st July 2022, Personal Group Holdings Plc acquired Quintage** Consulting Group Limited ('QCG'), a leading employee experience and reward consultancy, for a cash consideration of £0.9m *We consider the identification* and valuation of identifiable *intangible assets such as* customer relationships, acquired workforce and brand. The QCG acquisition has been classed as a *significant risk due to the nature* of judgments and estimates *involved in valuing the intangible* assets acquired	To obtain sufficient audit evidence to *conclude on the valuation of intangible* assets arising on acquisition of QCG and *the valuation of goodwill at the year end,* we performed the following procedures: > Examined the QCG Sale and Purchase *Agreement to understand terms and* conditions and their impact on the acquisition accounting, > Assessed appropriateness of the identified intangible assets and cash flows identified as attributable to these assets; > Reviewed the valuation report of management's expert and assessed the methodology and assumptions adopted by *management for calculating the fair values* of intangible assets arising on acquisition, > Engaged EY valuation specialists to assess *the reasonableness of the key assumptions* by considering Personal Group's (QCG's) *specific circumstances as well as* comparable companies, > Assessed completeness of the intangible *assets arising from acquisition,* > Assessed appropriateness of the identified *CGU and challenged the profitability* projections of the CGU, specifically growth *rate, royalty rates and obsolescence* assumptions, > Assessed appropriateness of the impairment model and challenged the *key assumptions applied by management,* specifically discount rate and short-term *and long-term growth rates; and* > *Considered whether the applied* accounting treatment is in compliance *with IFRS and the Group's accounting* policy, and the Group disclosures are in line *with the required reporting framework.*	We are satisfied that the *intangible assets arising* from the acquisition of *QCG are appropriately* identified and accounted *for and their valuation* at the acquisition date is *materially correct.* *We are satisfied that* there is no impairment *and the carrying value* of the goodwill is *appropriate as at* 31 December 2022 In addition, we are satisfied that the accounting for the acquisition and related disclosures are in compliance with the *applicable accounting* framework.

Independent Auditor's Report continued

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 £195,050 (2021: £219,000), which is 5% (2021: 5%) of the consolidated profit before tax, adjusted for the Let's Connect impairment of £10.6m. Given the one off nature of the impairment, we have excluded it from our materiality calculation. The Group has been profitable over a number of years, and we judge the focus of shareholders to be the Group's underlying profitability and earnings per share. We consider that it remains the most appropriate basis to determine materiality for the Group.

We reassessed the initial materiality for the Group from £217,000 to £195,050 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. When reassessing materiality, we gave due consideration to the impact of the goodwill impairment as set out above. We reassessed our audit procedures as a result of the decreased materiality.

We determined materiality for the Parent Company to be £252,832 (2021: £250,000), which is 1% (2021: 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

We also reassessed initial materiality for the Parent Company from £267,300 to £252,832 due to a decrease in the Parent Company's equity between 31 October 2022 (upon which our initial materiality was based) and 31 December 2022. 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 judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £146,288 (2021: £165,000). 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 £16,440 to £146,288 (2021: £33,000 to £165,000).

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 £9,000 (2021: £11,000), 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.

Independent Auditor's Report continued

Other information

The other information comprises the information included in the annual report set out on pages 1 to 62, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 and the part of the Directors' Remuneration Report to be audited 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 61, 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.

Independent Auditor's Report continued

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

> 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.

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

27 March 2023

Consolidated Income Statement

	Note	2022 £'000	2021 £'000
Gross premiums written		25,660	25,050
Outward reinsurance premiums		(138)	(153)
Change in unearned premiums		(254)	(208)
Change in reinsurers' share of unearned premiums		(11)	(9)
Earned premiums net of reinsurance		**25,257**	24,670
Employee benefits and services income		23,627	22,753
Voucher resale income		37,389	26,852
Other income		237	[illegible]
Investment income		145	[illegible]
Group revenue		**86,655**	[illegible]
Claims incurred		(6,990)	(6,049)
Insurance operating expenses		(6,619)	(4,860)
Employee benefits and services expenses		(22,236)	(22,370)
Voucher resale expenses		(37,368)	(26,894)
Other expenses		(33)	82
Group administration expenses		(8,973)	(9,779)
Share based payments expenses		(291)	(163)
Unrealised losses on equity investments		(210)	-
Charitable donations		(100)	(100)
Group expenses		**(82,820)**	(70,139)
Operating profit		**3,835**	4,374
Finance costs		(20)	(32)
Goodwill impairment		(10,575)	-
(Loss)/Profit before tax		**(6,760)**	4,342
Taxation		(493)	(745)
(Loss)/Profit for the year		**(7,253)**	3,597

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

Earnings per share	Note	Pence	Pence
Basic	12	(23.2)	[illegible]
Diluted	12	(23.2)	[illegible]

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

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

Consolidated Balance Sheet at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Goodwill	14	**2,684**	12,696
Intangible assets	15	**2,384**	1,637
Property, plant and equipment	16	**4,639**	5,033
		9,707	19,366
Current assets			
Financial investments	17	**3,031**	2,596
Trade and other receivables	19	**15,863**	14,035
Reinsurance assets	20	**95**	108
Inventories	18	**726**	898
Cash and cash equivalents	21	**16,958**	20,291
Current tax assets		**229**	310
		36,902	38,238
Total assets		**46,609**	57,604

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

Consolidated Balance Sheet at 31 December 2022 continued

	Note	2022 £'000	2021 £'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,562**	1,561
Share premium	22	**1,134**	1,134
Share based payment reserve		**367**	158
Capital redemption reserve		**24**	24
Other reserve		**(55)**	(32)
Profit and loss reserve		**27,946**	38,436
Total equity		**30,978**	41,281
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	**681**	478
Trade and other payables	24	**130**	402
Current liabilities			
Trade and other payables	24	**11,346**	12,356
Insurance contract liabilities	25	**3,474**	3,087
		14,820	15,443
Total liabilities		**15,631**	16,323
Total equity and liabilities		**46,609**	57,604

The financial statements were approved by the Board on 27 March 2023

S Mace

S Mace
Chief Financial Officer

D Frost
Chief Executive

Company number [illegible]

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

Company Balance Sheet at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	26	**25,474**	25,203
		25,474	25,203
Current assets			
Trade and other receivables	19	**322**	192
Cash and cash equivalents	21	**237**	119
		559	311
Total assets		**26,033**	25,514
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,562**	1,561
Share premium	22	**1,134**	1,134
Share based payment reserve		**429**	158
Capital redemption reserve		**24**	24
Other reserve		**(55)**	(32)
Profit and loss reserve		**22,217**	22,172
Total equity		**25,311**	25,017
LIABILITIES			
Current liabilities			
Trade and other payables	24	**722**	497
Total liabilities		**722**	497
Total equity and liabilities		**26,033**	25,514

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 £3,363,000 (2021: £2,278,000).

The financial statements were approved by the Board on 27 March 2023

SMace

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 2022

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 2022	**1,561**	**1,134**	**24**	**158**	**(32)**	**38,436**	**41,281**
Dividends paid	-	-	-	-	-	(3,310)	(3,310)
Employee share-based compensation	-	-	-	271	-	20	291
Proceeds of SIP* share sales	-	-	-	-	-	11	11
Cost of SIP shares sold	-	-	-	-	20	(20)	-
Cost of SIP shares purchased	-	-	-	-	(43)	-	(43)
LTIP options exercised	1	-	-	(62)	-	62	1
Transactions with owners	**1**	-	-	**209**	**(23)**	**(3,237)**	**(3,050)**
Loss for the year						(7,253)	(7,253)
Balance as at 31 December 2022	**1,562**	**1,134**	**24**	**367**	**(55)**	**27,946**	**30,978**
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

* [illegible]

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 2022

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 2022	**1,561**	**1,134**	**24**	**158**	**(32)**	**22,172**	**25,017**
Dividends paid	-	-	-	-	-	(3,310)	(3,310)
Employee share-based compensation	-	-	-	271	-	-	271
Proceeds of SIP* share sales	-	-	-	-	-	11	11
Cost of SIP shares sold	-	-	-	-	20	(20)	-
Cost of SIP shares purchased	-	-	-	-	(43)	-	(43)
Shares issued in the year	1	-	-	-	-	-	1
Transactions with owners	**1**	**-**	**-**	**271**	**(23)**	**(3,319)**	**(3,070)**
Profit for the year						3,364	3,364
Balance as at 31 December 2022	**1,562**	**1,134**	**24**	**429**	**(55)**	**22,217**	**25,311**
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

* [illegible]

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

Consolidated Cash Flow Statement

	Note	2022 £'000	2021 £'000
Net cash from operating activities (see next page)		**3,240**	7,588
Investing activities			
Additions to property, plant and equipment	16	**(332)**	(256)
Additions to intangible assets	15	**(1,196)**	(961)
Proceeds from disposal of property, plant and equipment		**39**	1
Proceeds from disposal of financial assets		**871**	-
Purchase of financial assets		**(1,517)**	(9)
Interest received	6	**145**	23
Acquisition of QCG Limited	32	**(812)**	-
Net cash from investing activities		**(2,802)**	(1,202)
Financing activities			
Proceeds from issue of shares		**1**	
Interest paid		**-**	2
Purchase of own shares by the SIP*		**(54)**	(35)
Proceeds from disposal of own shares by the SIP*		**21**	20
Payment of lease liabilities	30	**(429)**	(427)
Dividends paid	13	**(3,310)**	(3,244)
Net cash used in financing activities		**(3,771)**	(3,684)
Net change in cash and cash equivalents		**(3,333)**	2,702
Cash and cash equivalents, beginning of year	21	**20,291**	17,589
Cash and cash equivalents, end of year	21	**16,958**	20,291

* [illegible]

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

Consolidated Cash Flow Statement continued

	Note	2022 £'000	2021 £'000
Operating activities			
(Loss)/Profit after tax		(7,253)	3,597
Adjustments for			
Depreciation	16	1,052	966
Amortisation of intangible assets	15	786	585
Goodwill impairment	14	10,575	
Profit or loss on disposal of property, plant and equipment		12	11
Realised and unrealised investment losses		210	
Interest received		(145)	(23)
Interest charge		20	32
Share-based payment expenses	5	291	169
Taxation expense recognised in income statement	11	493	745
Changes in working capital			
Trade and other receivables		(1,637)	4,280
Trade and other payables		(1,010)	(1,817)
Inventories		172	(37)
Taxes paid		(326)	(920)
Net cash from operating activities		3,240	7,588

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

Company Cash Flow Statement

	Note	2022 £'000	2021 £'000
Net cash from operating activities (see below)		**10**	786
Investing activities			
Dividends received		**3,450**	2,500
Net cash used in investing activities		**3,450**	2,500
Financing activities			
Proceeds from issue of shares		**1**	
Purchase of own shares by the SIP*		**(54)**	(35)
Proceeds from disposal of own shares by the SIP*		**21**	20
Dividends paid	13	**(3,310)**	(3,244)
Net cash used in financing activities		**(3,342)**	(3,259)
Net change in cash and cash equivalents		**118**	27
Cash and cash equivalents, beginning of year	21	**119**	92
Cash and cash equivalents, end of year	21	**237**	119
Operating activities			
Profit after tax		**3,364**	2,278
Changes in working capital			
Trade and other receivables		**(129)**	1,086
Trade and other payables		**225**	(78)
Dividends received		**(3,450)**	(2,500)
Net cash from operating activities		**10**	786

* [illegible]

The parent Company has cash and cash equivalents at 31 December 2022 including £168,000 (2021: £50,000) 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 providing employee services and transacting short term accident and health insurance 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 27 March 2023

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2022 The financial statements are prepared in accordance with UK endorsed IFRS in conformity with the requirements of Companies Act 2006

IFRS 17 Insurance Contracts is to be effective for periods from 1 January 2023 IFRS 17 'Insurance contracts' provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary features and is expected to have a significant impact on accounting for insurance contracts and presentation of the insurance revenue and insurance service result for many insurers.

Under IFRS 17, different measurement approaches for the insurance contract liabilities apply, depending on the length and nature of the insurance contracts being accounted for For certain contracts, IFRS 17 foresees a simplified (premium allocation) approach, which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage and liability for incurred claims, that would not differ materially from the one obtained applying the general model

All hospital plan, death benefit plan and convalescence plan policies written by the Group are less than 12 months in length While Employee Default policies may be longer than 12 months, calculations performed by the Group indicate that the application of the simplified premium allocation approach under IFRS 17 does not yield a materially different result than that obtained by applying the general model (profit difference identified for 2022 would have been circa £50k higher under the General Method).

The Group has, therefore, assessed that all insurance contracts issued, and held in force as of the transition date, will be eligible for the application of the simplified approach and will apply the simplified approach for such contracts under IFRS 17. Due to their short term nature such in force contracts will typically use the fully retrospective transition approach.

The Group will adopt IFRS 17 retrospectively and restate the comparative period of 2022 where required. The Group expects the impact of IFRS 17 on net equity at 1 January 2022 and 31 December 2022 to be immaterial.

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 2022 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.

Notes to the Financial Statements continued

2 Accounting policies continued

2.1 Basis of preparation continued

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 2022 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 27 March 2024. The Directors believe that projections 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 27 March 2024, 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

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

Notes to the Financial Statements continued

2 Accounting policies continued

2.4 Revenue continued

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.

Other Owned Benefits – 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 (Other Owned Benefits)

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 – Platform income (Benefits Platform)

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 resale 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.

Notes to the Financial Statements continued

2 Accounting policies continued

2.4 Revenue continued

IFRS 15 – Consultancy income (Pay and Reward)

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.

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. When IFRS 17 becomes effective from 1st January 2023, the margin of prudence added to the claims provision will form the basis of the risk adjustment for non financial risk. 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.

Notes to the Financial Statements continued

2 Accounting policies continued

2.7 Property, plant and equipment and intangible assets continued

Research and development continued

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

Disposal of assets

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

Amortisation and depreciation

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

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

Freehold properties	50 years
Motor vehicles	3 – 4 years
Computer equipment	2 – 4 years
Furniture, fixtures and fittings	5 – 10 years
Computer software and development	2 – 4 years
Internally generated intangibles	3 – 5 years
Intangible assets	3 – 5 years
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 14 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.

Notes to the Financial Statements continued

2 Accounting policies continued

2.10 Taxation continued

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, equity investments, 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.

Equity investments are financial assets categorised as at fair value through profit and loss and are initially recognised at fair value on the date acquired and are subsequently re measured at their fair value. Changes in the fair value of equity investments are recognised in profit or loss.

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.

Notes to the Financial Statements continued

2 Accounting policies continued

2.11 Financial assets continued

Impairment of financial assets continued

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.

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".

Notes to the Financial Statements continued

2 Accounting policies continued

2.17 Share-based payment continued

Equity-settled share-based payment continued

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.

Notes to the Financial Statements continued

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.

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Insurance receivables	2,391	1,665	-	
Reinsurance assets	95	[illegible]	-	-
Trade debtors	11,349	10,[illegible]92	-	-
Accrued interest	14	10	-	-
Cash and cash equivalents	16,958	20,291	237	119
Equity investments	1,290		-	-
Bank deposits	1,741	2,[illegible]96	-	
Total credit risk	**33,838**	[illegible]5,262	**237**	119

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.

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 £8.2m (2021: £8.4m) 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 2022 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 2022, 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 17.

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 2022, bank deposits and cash and cash equivalents were £18,700,000 (2021: £22,887,000). If UK interest rates increased by 2%, net finance income would increase by approximately £371,000 with a corresponding increase to equity.

Market risk

The Group is exposed to market risk, in the form of equity price risk, in respect of its equity investments in managed funds which are invested in worldwide equities and so are valued via directly observable inputs (level 1 inputs). The assets are measured at fair value through profit and loss.

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 2022, 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 2022					
Trade and other payables	10,422	186	–	868	11,476
Insurance contract liabilities	2,321	–	–	1,153	3,474
Total liquidity risk	**12,743**	**186**	**–**	**2,021**	**14,950**
At 31 December 2021					
Trade and other payables	11,535	182	–	743	12,460
Insurance contract liabilities	2,168		–	899	3,067
Total liquidity risk	13,703	182		1,642	15,527
Company					
At 31 December 2022					
Amounts owed to Group undertakings	431	–	–	–	431
Total liquidity risk	**431**	**–**	**–**	**–**	**431**
At 31 December 2022	257		–		257
Amounts owed to subsidiary undertakings	257			–	257

* Non-cash items [illegible]

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 2022 and 2021.

Insurance claim and related risks

During the year, Personal Assurance Plc (PA) underwrote two categories of business and Personal Assurance (Guernsey) Ltd (PAGL) a further two categories, 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 2022, represent 99.1% (2021: 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 26.4% (2021: 19.2%). While the loss ratio has increased year on year, historic losses have been consistent over the period of time that these policies have been underwritten and therefore the Board has taken the decision to continue to accept the underwriting risk in full and not to use reinsurance as a way of managing insurance claim risk. This will continue to be reviewed to ensure that this remains appropriate going forward.

At present the maximum payable on any one single claim is £91,375 (2021: £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 2022 was 174,887 (2021: 172,329) and the total annualised premium value of these policies was £20,720,000 (2021: £19,227,000). The average amount paid per claim in 2022 was £184 (2021: £205).

Notes to the Financial Statements continued

3 Risk management objectives and policies continued

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 2022 these policies represent 0.9% (2021: 1.2%) of PA's gross premiums written. The total annualised premium value of these policies was £208,000 (2021: £231,000). The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2022 was 41.1% (2021: [illegible]8.8%). The total number of these individual policies in force at 31 December 2022 was 509 (2021: 674) and the average amount paid per claim in 2022 was £8,908 (2021: £11,116).

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.

At 31 December 2022 these policies represent 90% (2021: 89%) of PAGL's gross premiums written. The total annualised premium value of these policies was £7,068,000 (2021: £5,929,000). The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2022 was 23.6% (2021: 32.6%). 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 2022 was 54,497 (2021: 62,482) and the average amount paid per death in 2022 was £9,365 (2021: £9,518).

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 2022 these policies represent 10% (2021: 11%) of PAGL's gross premiums written. The gross loss ratio (excluding claims handling costs) on these policies at 31 December 2022 was 37% (2021: 82.3%) and the average amount paid per individual default in 2022 was £538 (2021: £750).

Group loss ratio

For the year ended 31 December 2022 the gross claims ratio of the Group was 26.9% (2021: 24.9%), by taking claims incurred as a proportion of earned premium. A 2% increase in the claims ratio would increase claims incurred by approximately £513,000.

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 £11.5m (2021: £12.6m) which was in excess of the estimated SCR of £3.5m (2021: £3.5m). This represented an estimated solvency coverage ratio of 333% (2021: 357%). The movement year on year remains consistent and is in line with the Board's risk appetite of holding greater than 150% 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 2022, 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	3,469	11,541	8,071
Personal Assurance Services Limited	FCA	43	4,330	4,287
Personal Group Benefits Limited	FCA	51	521	470
Berkeley Morgan Limited	FCA	75	411	336
Personal Assurance (Guernsey) Limited	GFSC	914	2,849	1,935

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

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 PG Let's Connect 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 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 SMF sectors.

4) Pay and Reward

Pay and Reward refers to the trade of the Group's pay and reward consultancy Company Innecto, purchased in 2019, and QCG, purchased in 2022. Revenue in this segment relates to consultancy, surveys, and licence income derived from selling 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).

Notes to the Financial Statements continued

5 Segment analysis continued

	2022 £'000	2021 £'000
Revenue by segment		
Affordable Insurance	25,257	24,670
Other Owned Benefits	16,800	18,214
Benefits Platform	7,446	6,051
Benefits Platform – Group Elimination	(2,627)	(2,748)
Pay & Reward	2,008	1,236
Other income		
Voucher resale	37,389	26,852
Other	237	217
Investment income	145	23
Group Revenue	**86,655**	74,513
Adjusted EBITDA* contribution by segment		
Affordable Insurance	9,032	11,012
Other Owned Benefits	664	730
Benefits Platform	2,866	2,098
Pay & Reward	495	303
Other	160	279
Group admin and central costs**	(7,107)	(8,228)
Charitable donations	(100)	(100)
Adjusted EBITDA*	**6,010**	6,094
Depreciation**	(1,052)	(966)
Amortisation**	(786)	(585)
Interest	(20)	(32)
Share based payments expenses	(291)	(169)
Impairment	(10,575)	
Corporate acquisition costs	(46)	
(Loss)/Profit before tax	**(6,760)**	4,342

Segmental assets and liabilities

	2022 Assets £'000	2022 Liabilities £'000	2021 Assets £'000	2021 Liabilities £'000
Insurance	25,080	8,419	28,205	8,168
Other Owned Benefits	9,608	4,794	10,910	6,176
Benefits Platform	2,410	1,325	2,055	1,400
Pay & Reward	1,190	17	471	-
Other	8,321	1,076	15,963	579
Total segment assets and liabilities	**46,609**	**15,631**	57,604	16,323

Other assets comprise mostly of goodwill, intangible assets, and assets associated with the sale of e vouchers through the platform. Other liabilities comprise mostly of liabilities associated with the sale of e vouchers.

5a Further segmental analysis

The following note provides additional analysis on Group segmental income and expenditure.

Employee benefits and services income

	2022 £'000	2021 £'000
Other Owned Benefits	16,800	18,214
Benefits Platform	7,446	6,051
Benefits Platform Group elimination*	(2,627)	(2,748)
Pay & Reward	2,008	1,236
Total employee benefits and service income	**23,627**	22,753

Insurance operating expenses

	2022 £'000	2021 £'000
Operating expenses	9,246	7,608
Group elimination*	(2,627)	(2,748)
Total insurance operating expenses	**6,619**	4,860

Notes to the Financial Statements continued

5a Further segmental analysis continued

Employee benefits and services expenses

	2022			2021		
	Cost of sales £'000	**Operating expenses £'000**	**Total expenses £'000**	**Cost of sales £'000**	**Operating expenses £'000**	**Total expenses £'000**
Other Owned Benefits	14,502	1,639	16,141	15,818	1,666	17,484
Benefits Platform	1,590	2,992	4,582	1,106	2,817	[illegible]
Pay & Reward	29	1,484	1,513	–	933	933
Total employee benefits and services expenses	**16,121**	**6,115**	**22,236**	16,924	[illegible]	22,370

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 £3,677,000 (2021: £6,668,000) of the total transaction value of £40,830,000 (2021: £33,096,000).

	2022 £'000	2021 £'000
Voucher revenue recognised as principal	37,153	26,428
Voucher resale for revenue recognised as agency	3,677	6,668
Gross transactional value	**40,830**	33,096

6 Investment income

	2022 £'000	2021 £'000
Interest income from cash on deposit	145	23
Total investment income	**145**	23

7 Claims incurred

	2022 £'000	2021 £'000
Claims paid	6,353	5,884
Reinsurers' share of claims paid	(66)	[illegible]
Claims handling expenses paid	570	542
	6,857	6,363
Increase in claims provision	132	(275)
Reinsurers' share of movements in claims provision	1	(39)
	133	(358)
Total claims incurred	**6,990**	6,049

8 Insurance operating expenses

	2022 £'000	2021 £'000
Incurred acquisition costs	5,078	[illegible]
Administration expenses	1,541	[illegible]
Total Insurance operating expenses	**6,619**	[illegible]

Total commission incurred during the year in respect of direct insurance was £1,107,000 (2021: £762,000).

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:

	2022 £'000	2021 £'000
Wages and salaries	11,289	11,151
Share-based payments expense	291	169
Social security costs	1,450	1,278
Other pension costs	561	504
Total staff costs	**13,591**	13,102

During the year the Group received £nil from the job retention scheme (2021: £126,000). These government grants have been offset against the salary costs in the table above.

Average number of employees through the year was as follows:

	2022 Number	2021 Number
Administration	161	160
Sales and marketing	101	73
Total number of employees	**262**	233

b) Directors' remuneration:

	2022 £'000	2021 £'000
Emoluments	916	1,024
Amounts paid to third parties in respect of Directors' services	-	12
Gain on exercise of options	79	
Pension contributions to Group and self-invested personal pension schemes	29	26
Total Director's remuneration	**1,024**	1,062

During the year, three Directors (2021: three 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.

	2022 £'000	2021 £'000
Emoluments	332	[illegible]
Gain on exercise of options	79	-
Pension contributions to Group and self-invested personal pension schemes	10	[illegible]
Total	**421**	[illegible]

Details of individual Director's remuneration are given in the Remuneration Report on pages 54 to 57. 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:

	2022 £'000	2021 £'000
Short-term employee benefits:		
Salaries including bonuses	1,443	2,052
Social security costs	199	283
Gain on exercise of options	79	-
	1,721	2,335
Post-employment benefits:		
Defined contribution pension plans	62	66
Total remuneration	**1,783**	2,401

Notes to the Financial Statements continued

10 Profit before tax

	2022 £'000	2021 £'000
Profit before tax is stated after:		
Auditor's remuneration (inclusive of non-recoverable VAT).		
Audit services:		
Audit of Company financial statements – Current Year	158	172
Audit of subsidiary undertakings	139	120
Non-audit services	–	–
Depreciation of property, plant and equipment	1,052	966
Amortisation of intangibles	786	785
Rental income receivable	94	101

11 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 19% (2021: 19%) and the tax expense recognised in the income statement can be reconciled as follows:

	2022 £'000	2021 £'000
Profit before tax	(6,760)	4,342
Tax rate	19%	19%
Expected tax expense	(1,284)	825
Adjustment for non-deductible expenses – Goodwill impairment	2,009	-
Adjustment for non-deductible expenses – Other	122	68
Adjustment for tax exempt revenues	(254)	(101)
Other adjustments		
Effect of tax rate changes on deferred tax	–	67
Tax credit in respect of prior years	(100)	(109)
Adjustment for previously non-deductible expenses	–	(5)
Actual tax expense	493	745
Continuing operations	493	745
Current tax expense	471	775
In respect of prior years	(100)	(109)
Deferred tax		
Origination and reversal of temporary differences	122	12
Effect of tax rate changes	–	67
Total tax	**493**	**745**

Notes to the Financial Statements continued

12 Earnings per share

	2022			2021		
	Earnings £'000	Weighted average number of shares	Pence per share	Earnings £'000	Weighted average number of shares	Pence per share
Basic	(7,253)	31,214,765	(23.2)	3,597	31,205,375	11.5
Dilutive effect of shares in Employee Share-based schemes	0.0	755,224	0.0	0.0	8,162	0.0
Diluted	(7,253)	31,969,989	(23.2)	3,597	31,213,537	11.5

The weighted average number of shares shown above excludes unallocated own Company shares held by Personal Group Trustees Ltd. Excluding the goodwill impairment, the earnings per share for 2022 were 10.9p (Diluted 10.6p).

13 Dividends

	2022 Pence per share	2021 Pence per share	2022 £'000	2021 £'000
Equity dividends				
Q2	5.300	5.100	1,655	1,591
Q4	5.300	5.300	1,657	1,654
	10.600	10.400	3,312	3,245
Less: amounts paid on own shares			(2)	(1)
Total dividends	10.600	10.400	3,310	3,244

The dividends listed above were paid in the calendar year. Dividends of 10.6p per share were paid relating to the 2021 financial period and an interim payment of 5.3p has been paid relating to the 2022 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	QCG £'000s	Total £'000s
Cost				
At 1 January 2022	10,575	2,121	-	12,696
Additions in the year (note 32)	-	-	563	563
Disposal	-	-	-	-
At 31 December 2022	10,575	2,121	563	13,259
Impairment charged				
At 1 January 2022	-	-	-	-
Impairment charge for year	10,575	-	-	10,575
At 31 December 2022	-	-	-	-
Net book value at 31 December 2022	-	2,121	563	2,684

	PG Let's Connect £'000s	Innecto £'000s	QCG £'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

The net carrying values at 31 December 2022 have been reviewed for impairment.

Notes to the Financial Statements continued

14 Goodwill continued

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 a result in the change of the operational landscape at a key customer, PG Let's Connect has lost access to a significant portion of its customer base from previous years. This, combined with the ongoing impacts of COVID 19 on stock availability and profit margins, has resulted in the revenue and profitability outlooks of the business being lessened at the end of December 2022.

The value in use of the CGU was found to no longer support the recognition of any goodwill. As such, an impairment of £10,575,000 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.

In line with previous years, an expected cash flow approach, based on various 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.

Discount rate

The long term growth rate into perpetuity was determined as 2.5% (30 year average of UK consumer price index). To reflect the increased uncertainty of the business operations, the cash flows were then discounted using a post tax discount rate of 18% (2021: 13%) based on PG Let's Connect weighted average cost of capital, using the capital asset pricing model.

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.

Gross profit margin

Management applied an expected gross margin of 15% on its future revenue projections, a slight increase on actual results for the year ended 31 December 2022 (14%). This is due to the fact that the customer mix in future periods, as a result of the lost key customer, is expected to result in a higher margin.

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 value of the impairment. The Base column refers to the value of the impairment following the review completed by management.

Sensitivity Analysis – Impact on impairment	- % £'000s	Base £'000s	+ % £'000s
Discount Rate (+/- 2%)	10,548	10,575	10,575
Gross Income (+/- 5%)	10,575	10,575	10,071
Gross Profit Margin (+/- 2%)	10,575	10,575	10,484

Notes to the Financial Statements continued

14 Goodwill continued

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 2.3% (30 year average of UK consumer price index). These cash flows were then discounted using a risk mitigating post tax discount rate of 22.4% (2021: 22.4%) 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

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) 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%)	2,091	1,438	937
Terminal Growth Rate (+/- 1%)	1,301	1,438	1,577

QCG

The third cash generating unit (CGU) considered was for QCG. 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 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 2.3% (30 year average of UK consumer price index). These cash flows were then discounted using a risk mitigating post-tax discount rate of 24.8% based on QCG'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.

Sensitivity

While management are confident that QCG 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) 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 (+/- 3%)	382	141	(1)
Terminal Growth Rate (+/- 1%)	109	141	(71)

Management believe that there is no cause for an impairment in either QCG 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 2022

	Customer value £'000	Pay & Reward customer value and trade name £'000	Innecto technology £'000	Computer software and development £'000	Internally generated computer software £'000	WIP £'000	Total £'000
Cost							
At 1 January 2022	1,648	726	298	2,287	506	198	5,663
Acquisitions	–	337	–	–	–	–	337
Additions	–	–	–	201	–	995	1,196
Transfers	–	–	–	190	–	(190)	–
Disposals	–	–	–	–	–	–	–
At 31 December 2022	**1,648**	**1,063**	**298**	**2,678**	**506**	**1,003**	**7,196**
Amortisation							
At 1 January 2022	1,648	411	170	1,293	504	–	4,026
Provided in the year	–	179	60	545	2	–	786
Eliminated on disposal	–	–	–	–	–	–	–
At 31 December 2022	**1,648**	**590**	**230**	**1,838**	**506**	**–**	**4,812**
Net book amount at 31 December 2022	**–**	**473**	**68**	**840**	**–**	**1,003**	**2,384**
Net book amount at 31 December 2021		315	128	994	2	198	1,637

The Pay & Reward customer values and trademark include acquired intangibles relating to Innecto and QCG. This, and the Innecto technologies, is being amortised through the consolidated income statement over a five year period. The net carrying values on 31 December 2022 have 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 £238k (2021: £205k).

Notes to the Financ al Statements continued

15 Intangible assets continued

For the year ended 31 December 2021

	Customer value £'000	Pay & Reward customer value and trade name £'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
Amortisation							
At 1 January 2021	1,648	266	110	923	498	–	3,445
Provided in the year		145	60	374	6	–	585
Eliminated on 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

Notes to the Financial Statements continued

16 Property, plant and equipment

For the year ended 31 December 2022

	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 2022	5,037	157	1,112	2,310	38	1,204	9,858
Acquisition	–	–	7	–	–	–	7
Additions	–	–	324	8	–	371	703
Disposals	–	–	–	–	–	(436)	(436)
At 31 December 2022	5,037	157	1,443	2,318	38	1,139	10,132
Depreciation							
At 1 January 2022	1,828	125	786	1,265	37	784	4,825
Acquisition	–	–	2	–	–	–	2
Provided in the year	88	9	270	209	1	475	1,052
Eliminated on disposal	–	–	–	–	–	(386)	(386)
At 31 December 2022	1,916	134	1,058	1,474	38	873	5,493
Net book amount at 31 December 2022	3,121	23	385	844	–	266	4,639
Net book amount at 31 December 2021	3,209	32	326	1,045	1	420	5,033

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

16 Property, plant and equipment continued

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 2021	1,742	102	774	1,064	34	907	4,623
Provided in the year	86	23	191	221	3	439	966
Eliminated on disposal		-	(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

17 Financial investments

	Group		Company	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Bank deposits	**1,742**	2,596	-	
Equity investments	**1,289**	-	-	-
Total financial investments	**3,031**	2,596	-	-

Notes to the Financial Statements continued

17 Financial investments continued

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. All current equity investments are valued using Level 1 inputs.

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).

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:

	2022 £'000	2021 £'000
Finished Goods – IT Salary Sacrifice	**699**	835
Vouchers for resale	**27**	63
Total Inventories	**726**	898

19 Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Loans and receivables:				
Insurance receivables	**2,391**	1,665	**–**	
Trade Debtors	**11,349**	10,592	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**41**	21
Accrued interest	**14**	10	**–**	–
Other prepayments and accrued income	**2,109**	1,768	**281**	171
Total trade and other receivables	**15,863**	14,035	**322**	192

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.

Other receivables include non insurance trade receivables, and receivables relating to float payments on the e-voucher platform.

A weighted average ageing of the expected loss provision is shown below:

	2022			2021		
	Trade/ Insurance Debtor £'000	Weighted Average Provision	Credit Loss Provision £'000	Trade/ Insurance Debtor £'000	Weighted Average Provision	Credit Loss Provision £'000
Not Invoiced	**2,565**	**0.3%**	**6**	6,633	0.3%	16
Current	**10,288**	**0.1%**	**10**	4,357	0.1%	1
30 Days	**619**	**0.8%**	**5**	723	1.0%	8
60 Days	**168**	**1.6%**	**3**	257	2.1%	5
90 Days	**45**	**4.1%**	**2**	153	7.8%	12
150 Days	**106**	**23.7%**	**25**	217	17.9%	39
Total	**13,791**	**0.3%**	**51**	12,340	0.7%	84

Notes to the Financial Statements continued

19 Trade and other receivables continued

Credit Loss Provision

	2022 £'000	2021 £'000
Stage 1	-	-
Stage 2	51	84
Stage 3	-	
Total	**51**	84

Set out below is the movement in the allowance for expected credit losses of trade receivables and contracted assets

	2022 £'000	2021 £'000
At 1 January	84	114
Provision for expected credit losses	51	84
Provision release	(84)	(114)
At 31 December	**51**	84

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 £90,000 (2021: £160,000).

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

	2022 £'000	2021 £'000
Reinsurers share of claims incurred	55	57
Reinsurers share of unearned premiums	40	51
Total reinsurance assets	**95**	108

21 Cash and cash equivalents

	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank and in hand	11,746	14,945	237	119
Short-term deposits	5,212	5,346	-	
Total cash and cash equivalents	**16,958**	20,291	**237**	119

22 Share capital

	2022 £'000	2021 £'000
Authorised 200,000,000 ordinary shares of 5p each	10,000	10,000
Allotted, called up and fully paid 31,248,822 (2021: 31,219,207) ordinary shares of 5p each	1,562	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 2022 was 88,822 (2021: 87,288) Of this amount, there are 70,807 (2021: 76,135) SIP shares that have been unconditionally allocated to employees.

As at 31 December 2022, the Group maintained two share based payment schemes for employee compensation.

Notes to the Financial Statements continued

22 Share capital continued

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. Exceptions are made 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:

	2022		2021	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
Outstanding at 1 January	**226,743**	**384.1**	202,559	394.5
Options granted in year	-	-	69,968	343.0
Options exercised in year	-	-	-	-
Options cancelled or lapsed	**(17,492)**	**343.0**	(45,784)	368.9
Outstanding at 31 December	**209,251**	**387.6**	226,743	384.1

The weighted average exercise price of 121,007 (2021: 95,294) share options exercisable at 31 December 2022 was pence per share 446.35 (2021: 472.35).

There were no options granted under the CSOP scheme in 2022.

The weighted average remaining contracted life of outstanding options at 31 December 2022 was five years and four months (2021: six years and three months). The underlying expected volatility was determined by reference to historical data. No special features imminent to the options granted were incorporated into the measurement of fair value.

In total, £20,000 of employee compensation by way of share based payment expense has been included in the consolidated income statement for 2022 (2021: £11,000). The corresponding credit is taken to equity. No liabilities were recognised due to share based transactions.

b) Long Term Incentive Plan (LTIP)

The Remuneration Committee approved a new LTIP scheme 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.

Two tranches of awards have been made to date in April 2021 and April 2022.

In total, £291,000 of employee share based compensation has been included in the consolidated income statement to 31 December 2022 (2021: £158,000). The corresponding credit is taken to equity. No liabilities were recognised from share based transactions.

Notes to the Financial Statements continued

23 Deferred tax

	2022		2021	
	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	**19**	**664**	17	129
Intangible Assets	**-**	**102**	-	66
Share Options	**66**	**-**	-	-
	85	**766**	17	195
Offset	**(85)**	**(85)**	(17)	(17)
Total deferred tax	**-**	**681**	-	478

	2022 £'000	2021 £'000
At 1 January	**(478)**	(399)
Business Acquisition	**(81)**	-
Current year movement	**(122)**	(12)
Movement in provisions due to tax rate changes	**-**	(67)
At 31 December	**(681)**	(478)

At 31 December 2022 the Group had tax losses of £940,000 (2021: £945,000) in one of its subsidiaries 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	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost:				
Amounts owed to subsidiary undertakings	**-**		**431**	257
Other creditors	**8,106**	8,099	**80**	26
Right of use creditor	**148**	72	**211**	-
Accruals	**1,964**	3,290	**-**	214
Deferred income	**1,128**	895	**-**	
Total trade and other payables	**11,346**	12,356	**722**	497

	Group		Company	
Non-Current	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Right of use creditor	**130**	402	**-**	-
Total	**130**	402	**-**	-

These liabilities are not secured against any assets of the Group

Other creditors include insurance and non insurance trade creditors, and creditors relating to e vouchers from the platform.

25 Insurance contract liabilities

	2022 £'000	2021 £'000
Provision for claims	**2,194**	2,061
Claims settlement expenses	**127**	127
Unearned premiums	**1,153**	899
Total insurance contract liabilities	**3,474**	3,087

Notes to the Financial Statements continued

25 Insurance contract liabilities continued

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 £1,298,000 (2021: £1,[illegible]21,000) 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 estimate claims costs.

The valuation of the provision for claims outstanding in the Group's subsidiary, Personal Assurance Group Guernsey Limited of £836,000 (2021: £933,000) is also estimated based on the Company's past claims experience to predict future claims and claims costs.

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

	2022			2021		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Provision for claims at 1 January	2,061	(57)	2,004	2,336	(18)	2,318
Claims paid during the financial year	(6,353)	66	(6,287)	(5,894)	63	(5,821)
Increase/(decrease) in liabilities:						
Arising from current year claims	6,627	(16)	6,611	6,469	(43)	6,426
Arising from prior year claims	(141)	(48)	(189)	(860)	(59)	(919)
Total movement	133	2	135	(275)	(39)	(314)
Provision for claims at 31 December	2,194	(55)	2,139	2,061	(57)	2,004

b) Unearned premiums

	2022			2021		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
At 1 January	899	(51)	848	695	(60)	635
Increase in the financial year	25,660	(138)	25,522	25,050	(163)	24,887
Release in the financial year	(25,406)	149	(25,257)	(24,846)	172	(24,674)
Movement in the financial year	254	11	265	204	9	213
At 31 December	1,153	(40)	1,113	899	(51)	848

Notes to the Financial Statements continued

26 Company investment in subsidiary undertakings

	Shares in subsidiary undertakings	
	2022 £'000	2021 £'000
Cost		
At 1 January	38,101	37,943
Acquired in the year	–	
Share-based expenses	271	158
At 31 December	38,372	38,101
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	**25,474**	25,203

At 31 December 2022 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 1FJ.

Subsidiary undertaking	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
Quintige Consulting Group Limited	HR consultancy
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

[illegible]

[illegible]

[illegible]

Notes to the Financial Statements continued

26 Company investment in subsidiary undertakings continued

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 2022.

> Personal Assurance Services Limited 3194988
> Personal Group Benefits Limited 3195037.
> Berkeley Morgan Group Limited 3456258.
> Quintige Consulting Group Limited 3773926.

27 Capital commitments

The Group has no capital commitments at 31 December 2022 and 31 December 2021

28 Contingent liabilities

There were no contingent liabilities at 31 December 2022 and 31 December 2021.

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 2022 includes assets and liabilities relating to Right of Use (ROU) assets as detailed below

2022 – Right of use assets & lease liabilities

	Net Book Value of Assets £000	Lease Liability £000
Motor vehicles	**114**	111
Buildings	**152**	167
Total	**266**	278

2021 – Right of use assets & lease liabilities

	Net Book Value of Assets £000	Lease Liability £000
Motor vehicles	**177**	222
Buildings	**242**	252
Total	**419**	474

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	Interest Expense £000
Motor vehicles	**396**	12
Buildings	**79**	3
Total	**475**	15

Total operating lease payments due until the end of the lease, or the first break clause, total £295,000 (2021: £388,000).

Notes to the Financial Statements continued

30 Leasing commitments and rental income receivable continued

An analysis of these payments due is as follows

	2022 £'000	2021 £'000
Total lease payments falling due		
Within one year	167	193
Within one to two years	66	79
Within two to five years	62	116
Total	**295**	388

Total operating rent receivable payments due until the end of the lease or the first break clause, total £nil (2021: £13,000). An analysis of these receivable payments due is as follows:

	2022 £'000	2021 £'000
Future minimum lease payments:		
Within one year	-	13
Within one to two years	-	-
Within two to five years	-	-
Total	-	13

Below is a reconciliation of changes in liabilities arising from financing activities:

	1 January 2022 £'000	Cash Flows £'000	New leases £'000	Other £'000	31 December 2022 £'000
Current lease liabilities	222	(429)	371	26	190
Non-current lease liabilities	252	-	-	(122)	130
Total liabilities from financing activities	**474**	**(429)**	**371**	**(96)**	**320**

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.

31 Related party transactions

Personal Group Holdings Plc holds a bank account which it uses for payments to Company specific creditors. During 2022 and 2021 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:

	2022		2021	
	Receivable £'000	Payable £'000	Receivable £'000	Payable £'000
Personal Assurance Plc	-	-	10	-
Personal Assurance Services Limited	11	-	-	5
Personal Group Benefits Limited	-	1	-	-
Personal Assurance Financial Services Plc	-	137	-	137
Multiplelisting Limited	-	100	-	100
Personal Management Solutions Limited	7	-	-	-
Mutual Benefit Limited	-	12	-	12
Partake Services Limited	3	-	3	-
Personal Group Limited	-	178		-
Berkeley Morgan Group Limited	4	-	4	
Innecto People Group Consulting Limited	16	-	4	
Total	**41**	**428**	21	254

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.

Notes to the Financial Statements continued

32 Acquisition of Quintige Consulting Group Limited

Summary of acquisition

On 1 July 2022, the Group acquired 100% of the issued share capital of Quintige Consulting Group Limited (QCG), a provider of HR Consultancy and HR Survey Platforms. The acquisition has enhanced the Group's offering in the employee benefits market.

Details of the purchase consideration, the net assets acquired and goodwill are as follows,

	2022 £'000
Purchase Consideration.	
Cash Paid	966
Total	**966**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value £'000
Intangible assets – Customer relationships	281
Intangible assets – Trade Name	56
Tangible fixed assets	5
Cash	154
Trade debtors	143
Other debtors	33
Trade creditors	(14)
Other creditors	(174)
Deferred tax liability recognised on acquisition	(81)
Net identifiable assets acquired	403
Goodwill	**563**
Net assets acquired	**966**

The goodwill is attributable to the workforce, the high profitability of the acquired business and the future synergies expected within the wider Group. It will not be deductible for tax purposes

Intangible Asset Recognition

In assessing the value of separably identifiable intangibles acquired on acquisition, Personal Group performed the valuation using forecast information available at the time of the acquisition. Assets were recognised only when separately identifiable and where a reasonable valuation and proportion of the purchase price could be allocated to them

The values of the intangible assets were calculated using several valuation methods including the multi period excess earnings method and the relief from royalty method. Both required use of the acquisition forecasts and appropriate discount rates.

The recognised intangibles will be amortised through the income statement over five years and the combined charge for the 6 months to 31 December 2022 was £33,000

Acquired Receivables

The fair value of acquired trade receivables is £144,000. The gross contractual amount for trade receivables was £144,000 of which the full amount is recoverable

Revenue and Profit Contribution

The acquired business contributed revenues of £409,000 and net profit of £124,000 to the Group for the period from 1 July to 31 December 2022. If the acquisition had occurred on 1 January 2022, the Group's consolidated pro forma revenue and loss for the year ended 31 December 2022 would have been £87,064,000 and £6,512,000 respectively

Purchase Consideration – Cash Outflow

	2022 £'000
Cash consideration paid	966
Less: Cash balances acquired	(154)
Total	**812**

Acquisition-related costs

In the period, acquisition related costs of £47,000 that were not directly attributable to the issue of shares are included within expenses in profit or loss in operating cash flows in the statement of cash flows.

33 Post balance sheet events

There have been no post balance sheet events

Company Information

Company registration number:

3194991

Registered office:

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Directors:

M Bennett – Non-Executive Chairman
D Frost – Chief Executive
S Mace – Chief Financial Officer
M Dalby-Walker – Senior Non-Executive Director
B Head – Non-Executive Director
C Astin – Non-Executive Director
A Lothian – Non-Executive Director

Secretary:

J Kane

Banker:

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25 Gresham Street
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Auditor:

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Canary Wharf
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Nominated Broker and Adviser:

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