Personal Group

Preliminary Results and Final Dividend

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

Preliminary Results and Final Dividend

Personal Group Holdings Plc (AIM: PGH), the workforce benefits and services provider, is pleased to announce its preliminary results for the year ended 31 December 2021.

Following 15 months of unprecedented COVID-19 related restrictions on the Group's ability to conduct new insurance policy sales, the Group was able to begin rebuilding the insurance policyholder book in the second half of 2021. This, combined with the significant strategic progress that the Group was able to make during the 12 months ended 31 December 2021, underpins the Board's confidence in the Company's growth trajectory and future prospects.

Financial Highlights

- Group revenue of £74.5m (2020: £71.5m)
- Adjusted EBITDA* of £6.1m, in line with market expectations, (2020: £10.1m), reflecting the impact of COVID-19 restrictions on premium income generation, offset by increased contributions from the Pay & Reward and Other Owned Benefits divisions
- Statutory profit before tax of £4.3m (2020: £8.6m) in line with adjusted EBITDA
- Basic EPS of 11.5p (2020: 22.1p)
- Strong balance sheet and liquidity with cash and deposits at year end of £22.9m (2020: £20.2m), and no debt
- Final dividend for 2021 announced post-period end of 5.3p per share making a full year dividend for 2021 of 10.6p (2020: 18.4p).

Operational Highlights

- Record number of new client wins in a single year, including goods retailer Homebase, Avanti West Coast and The Royal Mint
- Face-to-face insurance product sales recommenced in July 2021 with strong activity throughout H2 and individual average daily sales production up 8% vs 2019
- Launched HapiFlex in September, a more complex version of the Group's benefits platform suitable for enterprise clients, winning significant clients within first few months
- Offering to the SME sector with the Sage partnership continuing to show strong momentum. As at 31 December 2021 there were 1,500 paying clients of Sage Employee Benefits, reaching 20,000 employees and generating over £1.6m gross annualised recurring revenues
- Continued expansion into Public Sector with 16 new client wins and opportunity remaining from the Group being on three key Government frameworks
- Martin Bennett assumed the role of Group Chairman in May 2021
- Further defined our growth strategy for the next three years with new aspirations for the near term

KPIs

- 1.21m in the UK workforce with access to one or more of the Group's services (2020:1.16m)
- 86 new client wins across the Group (2020: 48), driving the total unique client number to 387 (2020: 358)
- Annualised Premium income of £24.4m (2020: £27.1m)
- 93,147 insurance payers (2020: 103,497)
- 539,051 activated benefits platform users (includes Hapi and SEB) (2020: 484,773)
- 72% employee engagement score (2020: 76%), management is pleased that despite the ongoing effects of the COVID-19 pandemic and a change in survey provider that the Group's engagement score has remained amongst the upper quartile of companies surveyed.

Post-Period Trading and Outlook

- Continued strong trading in line with market expectations, including good momentum in insurance policy sales
- Five year contract extension signed with Sage for Sage Employee Benefits product in February 2022, providing access to an extensive SMB customer base
- Contract signed appointing Dame Kelly Holmes as the Group's Chief Wellbeing Ambassador for 2022

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

Deborah Frost, Chief Executive of Personal Group, commented:

"2021 saw employers even more conscious of the need to attract, retain and look after their employees. The demand for our services has therefore never been greater or more relevant. Highlights of the year include having recommenced face-to-face insurance sales in H2, meaning we are now firmly back on a positive trajectory in the division. We also achieved a record number of client wins, made strong progress with our Sage partnership and developed our offering significantly in order to allow us to grow with the expanding market going forward. Importantly, we refreshed our growth strategy and are today setting out our new aspirations for the mid-term.

2022 has begun well and despite heightened macro-economic uncertainty we have delivered strong trading in line with expectations. We have already announced two exciting post-period strategic wins: the agreement of a new five year contract with Sage and the appointment of Dame Kelly Holmes as our Chief Wellbeing Ambassador.

Our business sits at the heart of a macro growth trend; the increasing importance of helping employees to thrive both at work and at home. Driven by our talented team, we will continue to press forward with our initiatives to further innovate and expand. I am thoroughly looking forward to capitalising on our many growth opportunities going forward."

An overview of the preliminary results from Deborah Frost, Chief Executive, is available to watch here: https://www.fmp-tv.co.uk/2022/03/29/personal-group-holdings-preliminary-results/

Personal Group Holdings will be hosting a webinar for private investors on Friday 01 April at 12.00. If you would like to register for the webinar, please follow this link: https://bit.ly/PGH_FY21_webinar

-ENDS-

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

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Notes to Editors

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

Personal Group provides health insurance services and a broad range of employee benefits, engagement, and wellbeing products. Its offerings can also be delivered through its proprietary app, Hapi, and the recently developed extension to the platform, Hapiflex.

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

Clients include: Arsenal FC, Barchester Healthcare, Merseyrail, Randstad, Royal Mail Group, The Royal Mint, the Sandwell & Birmingham NHS Trust, Stagecoach Group plc, and The University of York. 34% of clients are served by two or more group companies.

For further information on the Group please see www.personalgroup.com

CHAIR STATEMENT

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

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

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

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

Focused on growth

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

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

Providing broader support, widening our footprint

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

The second driver has been success in expanding into new industries. In the public sector we've had 16 new client wins and have opportunities in play on three key Government frameworks. Our partnership with Sage has also progressed further - we currently provide 20,000 employees with Sage Employee Benefits and have access to the 7m UK employees covered by Sage software. In addition, we have made important inroads into talent-driven businesses with more companies taking up Innecto's services and early wins secured for our HapiFlex product.

A winning team

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

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

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

Progression on ESG

I have been greatly encouraged by the strides made in this important area of the business, one that is a priority at Board level. Over the course of the year, we have made good progress against a number of initiatives to reduce our carbon footprint, foster an inclusive, progressive and diverse working environment and to ensure a robust corporate governance framework, all enhancing our wider Environmental, Social and Governance (ESG) strategy.

Key highlights in 2021 included installing solar panels at our headquarters, establishing a Nomination Committee, progress from our diversity and inclusion working group and a continuation of our long-established commitment to the wider community through our work with partner charities PACT and The Memusi Foundation. We have an excellent foundation on which we can continue to build and our progress on this front will drive meaningful change across our business going forward.

A market in growth

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

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

Dividend

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

Outlook

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

Martin Bennett

Non-Executive Chair
28 March 2022

CE STATEMENT

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

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

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

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

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

Sales and Operational review

Pay and Reward

Innecto

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

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

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

Benefits platforms

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

Hapi and HapiFlex

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

Sage Employee Benefits

The SME business we've developed with Sage has gone from a standing start last winter to a growing business serving 20,000 paying employees. SMEs are facing the same struggle to recruit workforces as bigger organisations, and a benefits platform gives them an edge in the war for talent. The growth this year is only the start of our SME story, as we improve the attraction, retention and lifetime value of our clients. We help our clients create a winning employee deal that keeps staff performing at their best, day after day, in all sizes and sectors.

Affordable insurance

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

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

Interestingly, we've seen an increase in sales of our life product from 20% towards 30% of sales. What's more, these sales are not all substitutional - we're seeing higher levels of people with more than one policy and therefore higher levels of policy premium income. This trend re-emphasises that our products are relevant to the market we serve, and invaluable in roles which don't offer sick pay and death in service as part of their standard benefits package.

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

Other Owned Benefits
Let's Connect

During 2021 the segment began to return to normal trading as schemes began to operate at pre-COVID levels with 19 new clients won in the period.

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

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

Growth strategy

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

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

In addition to driving organic growth, we also continue to consider acquisition opportunities. In line with our business model, we would consider acquisitions which increase our scale in an existing area, accelerate growth into new, complementary fields or which add in third-party suppliers to our benefits proposition.

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

1. Driving insurance

a. Our overarching strategy continues to focus on developing and maximising opportunities for growth. Our insurance business has particular resonance in our core enterprise markets, and we are continuing to develop opportunities with new and existing accounts and improve sales penetration through different channels whilst still retaining our central employer offer of face-to-face meetings with all employees.

b. Continuing to improve policyholder retention is fundamental to our growth. We have made important strides by listening to policyholders, offering payment holidays where needed and ensuring we have payment back-up beyond company payroll. Our Keep My Cover alternative payment method resulted in £1.1m of premium income, which would previously have been lost, being collected by direct debit in 2021 and is now in place for 28% of policyholders who currently pay through payroll. Our goal is to significantly increase the percentage of policyholders with alternative payment methods on their account.

c. In addition, we are developing new products and channels to market in order to reach new audiences through different types of employer. This gives us greater distribution opportunities and allows cross-selling from Let's Connect and Innecto client bases.

2. Transforming Reward & Benefits (platform growth)

a. Our focus on driving contracted recurring revenue and investment in Innecto's digital platform by upgrading existing and developing new products is feeding into a market keen to remove manual processes and drive improved data access on pay and reward

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

3. Accelerating SME offer

a. The SME market in the UK is vast, and mainly under-served due to the challenges of reaching the sector at scale. Our partnership with Sage allows us to directly reach the addressable market of seven million UK employees in companies employing under 250 employees, at realistic cost. Over 2021 we moved through the start-up phase and can now really capitalise on growth by professionalising our joint operation. To meet the needs of this market we have invested in new talent to drive digital customer acquisition and improve our customer journey.

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

1. Over 80% employee engagement

2. Over 75% customer approval rating

3. Serving >1.5m employees

4. Driving in-year premium income over £35m

5. Unlocking EBITDA growth

A winning team

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

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

Outlook

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

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

Deborah Frost

Group Chief Executive

28 March 2022

CFO STATEMENT

Group revenue

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

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

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

Adjusted EBITDA*

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

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

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

Profit before and after tax

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

EPS

Resulting earnings per share was 11.5p (2020: 22.1p).

Dividend

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

As noted with the release of these accounts, a final dividend of 5.3p will be paid on 20 May 2022 to members on the register as at 8 April 2022 (the record date). Shares will be marked ex-dividend on 7 April 2022. The last day for elections will be on 28 April 2022.

Balance sheet

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

The Group's main underwriting subsidiary, Personal Assurance Plc (PA), continues to maintain a conservative solvency ratio of 357% (unaudited), with a surplus over its Solvency Capital Requirement of £3.5m. The Company has consistently maintained a prudent position in relation to its Solvency II requirement. Personal Assurance (Guernsey) Limited, the Group's subsidiary which underwrites the death benefit policy, also maintained a healthy solvency ratio of 220% (unaudited), under its own regime.

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

Segmental Results

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

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

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

Segment	**Description**	**Income Streams**
Pay & Reward	Provision of a full reward service to employers through the Group's pay and reward subsidiary, Innecto	Consultancy, digital platform subscriptions
Benefits Platform	Provision of a benefits platform to employers both directly (Hapi) 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

Pay & Reward: Innecto

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

Benefits Platform

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

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

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

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

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

Insurance

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

This reflected the fact that the lockdowns enforced on us by COVID-19 had a direct impact on our ability to write new insurance sales through our traditional face-to-face model for 15 months from the end of March 2020. Whilst we were able to mitigate this in part through our adoption of virtual visits and telesales, our annualised new business insurance premiums in 2021 were £3.7m (2020: £2.4m, 2019: £9.0m), with around 15% of this coming from the new, alternative channels. Our face-to-face sales activity recommenced in earnest in July 2021, with availability strong across our increased employee base, and we have subsequently seen the insurance book starting to rebuild. As at 31 December 2021 we have in excess of £24m of annualised premium income renewable on weekly or monthly rolling contracts.

Our retention rates for existing policyholders remained strong during 2021 with both first year and year-on-year retention rates up on pre-pandemic levels. This reinforces the value that policyholders place on our simple, low-cost hospital, convalescence and death benefit plans, that have been particularly relevant to our policyholder base of essential and key workers during the pandemic.

Notwithstanding the short-term impact of COVID-19, the Group's insurance income remains a high quality and relatively stable revenue stream to the Group.

Claims ratios for the year remained stable at 24.5% (2020: 24.4%). The increased loss ratio on death benefit continued into 2021 but, as in 2020, was mitigated by an offsetting reduction for hospital and convalescence in comparison to historic averages, reflective of the capacity of the NHS being limited as a result of COVID-19.

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

Other Owned Benefits:
PG Let's Connect

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

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

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

Group Administration Expenses and Central Costs

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

Sarah Mace

Chief Financial Officer
28 March 2022

Consolidated Income Statement

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

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

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

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

*While the results remain unchanged, the presentation of the prior year has been restated to add clarify to the reader. See Note 1 for further details.

Consolidated Balance Sheet at 31 December 2021

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

Consolidated Balance Sheet at 31 December 2021

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

Total equity and liabilities	**57,604**	58,922

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Share Premium	Capital redemption reserve	Share Based Payment reserve	Other reserve	Profit and loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	1,561	1,134	24	-	(21)	38,076	40,774
Dividends	-	-	-	-	-	(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**

*PG Share Ownership Plan (SIP)

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

Equity attributable to equity holders of Personal Group Holdings Plc

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

*PG Share Ownership Plan (SIP)

Consolidated Cash Flow Statement

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

Cash and cash equivalents, beginning of year	**17,589**	14,476
Cash and cash equivalents, end of year	**20,291**	17,589

Consolidated Cash Flow Statement

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

Notes to the Financial Statements

1 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 LC customers.

2) Other Owned Benefits

This segment constitutes any goods or services in the benefits platform supply chain which are owned by the Group. At present this is made up of technology salary sacrifice business trading as PG Let's Connect, purchase by the Group in 2014.

3) Benefits and Platform

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

4) Pay and Reward

Pay and Reward refers to the trade of Innecto, a pay and reward consultancy Company purchased in 2019. Revenue in this segment relates to consultancy and license income derived from selling Innecto digital platform subscriptions.

5) Other

The other operating segment consists exclusively of revenue generated by Berkely 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.

Segment analysis

	2021 £'000	Restated* 2020 £'000

Revenue by segment

Affordable Insurance	**24,670**	28,830
Other Owned Benefits	**18,214**	16,420
Benefits Platform	**6,051**	4,901
Benefits Platform - Group Elimination	**(2,748)**	(2,547)
Pay & Reward	**1,236**	875
Other Income		
Voucher resale	**26,852**	22,735
Other	**215**	236
Investment income	**23**	74
Group Revenue	**74,513**	71,524

Adjusted EBITDA* contribution by segment

Affordable Insurance	**11,012**	15,082
Other Owned Benefits	**730**	469
Benefits Platform	**2,098**	2,092
Pay & Reward	**303**	(255)
Other	**279**	(212)
Admin and central costs	**(8,228)**	(6,965)
Charitable Donations	**(100)**	(100)
Adjusted EBITDA*	**6,094**	10,111
Depreciation	**(966)**	(1,003)
Amortisation	**(585)**	(470)
Interest	**(32)**	(73)
Share Based Payments Expenses	**(169)**	(8)
Profit before tax	**4,342**	8,557

2. Taxation comprises United Kingdom corporation tax of £745,000 (2020: £1,717,000) and a deferred tax charge of £79,000 (2020: £97,000)

3. The basic and diluted earnings per share are based on profit for the financial year of £3,597,000 (2020: £6,894,000) and on 31,172,720 basic (2020: 31,164,809) and 31,213,537 diluted (2020: 31,205,375) ordinary shares, the weighted average number of shares in issue during the year.

4. The total dividend paid in the year was £3,244,000 (2020: £4,147,000)

This preliminary statement has been extracted from the 2021 audited financial statements that will be posted to shareholders in due course. The statutory accounts for each of the two years to 31 December 2021 and 31 December 2020 received audit reports, which were unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The 2020 accounts have been filed with the Registrar of Companies but the 2021 accounts are not yet filed.

5. As described in the CFO statement, during the year management took the decision to change the format of the segmental analysis to better reflect the Group's business activities. As a result, while there are no adjusting entries to the financial results in these financial statements, the layout of both the consolidated income statement and the segmental analysis have been amended, with prior year results restated in this new format to ensure comparability across the two reporting periods.

Alternative Performance Measures

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

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

This methodology is unchanged from previous years.

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