Personal Assurance Services Limited

Financial statements

For the year ended 31 December 2018

Company No. 3194988

Company information

Company registration number :	3194988
Registered office :	John Ormond House 899 Silbury Boulevard Milton Keynes Buckinghamshire MK9 3XL
Directors :	S Ingman S A Mace D K Frost
Secretary :	S A Mace
Banker :	Lloyds Bank plc 25 Gresham Street London EC2V 7HN
Solicitor :	Dentons UKMEA LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE
Auditor :	KPMG LLP Statutory Auditor 1 St Peter's Square Manchester M2 3AE

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Strategic report

Background
Personal Assurances Services Limited (PAS) was formed in 1996, at the same time as Personal Group Holdings Plc (PGH), with the purpose of providing administration services to all companies within the group. In 2015 the shareholders of PGH transferred their shareholding in all the aforementioned companies to a mid-level holding company Personal Group Limited (PGL). PGH retains a 100% shareholding in PGL.

Business review
PAS owns and occupies John Ormond House (JOH). JOH is in Milton Keynes and is the group's head office. PAS consists of six main departments, namely: finance; customer relations, premium collection, risk and compliance, human resources; and information technology. At 31 December 2018, PAS had 97 employees, including directors (2017: 95).

With the exception of £97,000 (2017: £97,000) of rental income from the second floor of JOH, all of PAS's income is derived from commission from within the group or from third party providers of products sold by other group companies. The written down value of JOH represents 51% (2017: 61%) of the Company's total gross assets.

Principal risks and uncertainties
PGH's risk management policies (see Note 3 of PGH's financial statements) cover all group subsidiary undertakings.

The Company's primary function is to provide support services to Personal Assurance Plc (PA) and other group subsidiaries. As such, the biggest risk facing the entity would be an inability to attract/retain staff of the requisite skill level to service the rest of the group. This is mitigated by an in-house recruitment team, which is tasked with sourcing relevant candidates for the business' needs.

Key performance indicators and results
During the year, the Company handled 51,247 claims for Personal Assurance Plc (2017: 51,672).

The profit for the year is £428,000 (2017: £250,000) before taxation of £254,000 (2017: £74,000).

ON BEHALF OF THE BOARD

SAMace

S A Mace
Director
26 March 2019

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Principal activity

The Company is principally engaged in providing policy administration, claims handling and other employee services activities.

Political contributions

The Company has not made any political contributions in the year to 31 December 2018 (2017: £Nil).

Dividends

During the year ordinary dividends of £Nil (2017: £500,000) were paid. No other dividends were declared at year-end.

Directors

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

S Ingman
M W Scanlon (resigned 28 February 2019)
S A Mace
D K Frost (appointed 28 February 2019)

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 Company'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 Company's auditor is aware of that information.

Auditor

The directors have decided to re-tender the audit following completion of the audit for the year ended 31 December 2018. In accordance with Section 489 of the Companies Act 2006, a resolution to this effect is to be proposed at the forthcoming Annual General Meeting of the Group.

Future developments

The directors do not envisage any significant changes to the business for the foreseeable future as PAS will continue its current activities on behalf of the group.

BY ORDER OF THE BOARD

S A Mace

Director

26 March 2019

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSONAL ASSURANCE SERVICES LIMITED

Opinion

We have audited the financial statements of Personal Assurance Services Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

William Greenfield

William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
26 March 2019

Profit and loss account and other comprehensive income

	Note	2018 £'000	2017 £'000
Commission receivable		**8,845**	8,563
Rent receivable		**97**	97
		8,942	8,660
Share-based expenditure		**(17)**	(38)
Finance Costs		**(5)**	
Administration expenses		**(8,492)**	(8,372)
Profit before taxation	1	**428**	250
Tax on profit	3	**(254)**	(74)
Profit for the financial year		**174**	176

There are no other items of other comprehensive income. All operations are classed as continuing activities.

Balance sheet

	Note	2018 £'000	2017 £'000
Intangible fixed assets	4	**277**	407
Tangible fixed assets	5	**4,441**	3,747
		4,718	4,154
Current assets			
Debtors	6	**1,670**	1,109
Cash at bank and in hand		**117**	-
Creditors: amounts falling due within one year	7	**(1,856)**	(888)
Net current (liabilities) / assets		**(69)**	221
Creditors: amounts falling due after one year	7	**(9)**	-
Deferred taxation liability	8	**(94)**	(60)
Net assets		**4,546**	4,315
Capital and reserves			
Called up share capital	9	**50**	50
Profit and loss account		**4,496**	4,265
Shareholders' funds		**4,546**	4,315

The financial statements were approved by the Board on 26 March 2019 and signed on its behalf by;

SAMace

S A Mace

Company number: 3194988

Statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2017	50	4,556	4,606
Profit for the financial year	-	176	176
Deferred tax reserve movement	-	(4)	(4)
Share based payments	-	37	37
Dividends paid in the year	-	(500)	(500)
Balance as at 31 December 2017	50	4,265	4,315
Profit for the financial year	-	174	174
Deferred tax reserve movement	-	40	40
Share based payments	-	17	17
Balance as at 31 December 2018	**50**	**4,496**	**4,546**

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

Principle accounting policies

Basis of preparation
Personal Assurance Services Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Personal Group Holdings Plc includes the Company in its consolidated financial statements. The consolidated financial statements of Personal Group Holdings Plc are prepared in accordance with Adopted IFRSs and are available to the public and may be obtained from Companies House.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliation for tangible and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of Personal Group Holdings Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- IFRS 2 Share Based Payments in respect of group settled share-based payments.

No judgements which have a significant effect on the financial statements have been required in the preparation of these financial statements.

No significant assumptions or estimates which have a significant effect on the financial statements have been required in the preparation of these financial statements.

The accounting policies set out below have, other than those discussed in Note 14, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared under the historical cost convention. The functional currency of the Company is Sterling.

Principle accounting policies

Going concern

Notwithstanding net current liabilities of £69,000 as at 31 December 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate. The company is dependent on funding from its ultimate parent company, Personal Group Holdings Plc, to meet its liabilities as they fall due. Personal Group Holdings Plc has indicated its intention to continue to make available such funds as are needed by the company for a period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Changes to Accounting Policies

In order to comply with the policies of its Parent and the wider Group, the Company adopts new standards applicable to IFRS, as appropriate. The following IFRS standards have become applicable for accounting periods commencing on or after 1st January 2018 and the appropriate adjustments have been made:

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

The following standard has been early adopted ahead of its effective date of 1 January 2019
• IFRS 16 – *Leases*

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 14 of these financial statements.

Commission recognition

Commission income is earned from the claims administrative services provided and is recognised as earned. All of this income is received from other subsidiary undertakings of PGH Plc.

The Company has assessed the IFRS 15 implications on turnover as follows:

- Performance Obligations - Ongoing administration of Hapi platform or various insurance schemes, month by month.
- Transaction Price - Agreed with counterparties as a proportion of sales or premium income.
- Allocation of Price - Whole price allocated to the sole performance obligation in each contract.
- Satisfaction of Obligations - Satisfied over time and the commission for the month is payable at the end of the month, based on revenue in the counterparty.

The conclusion taken by the directors is that the existing accounting policy is compliant with IFRS 15.

No significant judgements have been applied in determining the amount and timing of revenue recognition.

Tangible fixed assets and depreciation

Tangible fixed assets that are acquired by the Company are stated at cost less accumulated depreciation and less accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The periods generally applicable are:

Principle accounting policies *(continued)*

Freehold buildings	–	50 years
Computer equipment	–	2 – 4 years
Furniture, fixtures and fittings	–	5 – 10 years
Right of Use Assets	–	Lease Term

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible fixed assets
Computer Software intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Internally generated intangible assets represent the external consultancy and internal salary costs in relation to the Company's technology platform used in partnership with Sage. The asset is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	-	2 - 5 years
Internally generated intangibles	-	3 years

Financial Instruments
The adoption of IFRS 9 *Financial Instruments* from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. However, it was not required to make any restatement of prior years as financial instruments in the Company are limited to cash deposits and trade receivables, the transition of which has been applied from the start of 2018 without need for retrospective adjustment.

Financial assets
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 Company considers the contractual terms of the instrument, including any terms which may affect the timing or amount of contractual cash flows. All financial assets not measured at amortised cost are measured at fair value through profit and loss ("FVTPL").

Financial assets at FVTPL are subsequently measured at fair value with net gains and losses, including any interest or dividend income, recognised in profit or loss. Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Financial liabilities*Financial liabilities are classified as measured at amortised cost or 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 at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. All other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Principle accounting policies *(continued)*

Business model assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and information provided to management. The assessment includes consideration of the stated objectives or the portfolio, the performance of the portfolio, the risks that affect the performance of the business model, and the frequency, volume and timing of sales of financial assets.

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

No changes to the impairment provisions were made on initial transition to IFRS 9. In assessing impairment requirements on financial assets, the Company now considers the historic loss rates, which have been minimal, in conjunction with expected future losses and credit losses as a result of potential defaults. This will, as mandated by IFRS 9, continue to be reassessed as and when further information becomes available or when conditions change.

Non-Financial assets (including investments in subsidiaries)
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Company holds no applicable financial instruments.

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.
The Company holds no derivative financial instruments.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Principle accounting policies *(continued)*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Contributions to pension funds

The pension costs charged against profits represent the amount of the contributions payable to the Group defined contribution personal pension scheme in respect of the accounting period.

Leased assets

Prior to 1st January 2018 under IAS 17 the operating lease costs were expensed directly to the Profit and Loss account over the lease term. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

Under IFRS 16 Leases, 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 calculated based on the stated interest rate in the lease or on the Group's internal interest rate. A 'Right of Use' asset is created at an equal value depreciated over the life of the lease which is determined by the contract with any break clauses being reviewed as to the expected use at the time of inception and at each following year end. Payments made to the lessor are debited to the balance sheet and the Profit and Loss 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 Profit and Loss account on a straight line over the life of the lease.

Cash at bank and in hand

Cash at bank and in hand comprises cash on hand and demand deposits recoverable in less than 3 months.

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 profit or loss statement with a corresponding credit to "profit and loss reserve".

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

Notes to the financial statements

1 Profit before taxation

	2018	2017
	£'000	£'000
Profit before taxation is stated after:		
Auditor's remuneration:		
- audit fees	6	6
Amortisation	273	303
Depreciation	297	300
Loss on disposals	25	3

2 Directors and employees

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018	2017
Staff numbers:		
Administration	97	95

Staff costs during the year were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	3,269	3,541
Social security cost	339	344
Pension costs	174	179
	3,782	4,064

The split of remuneration for Directors relating to Personal Assurance Services Limited, some of whom were paid by other Group companies, is:

	2018	2017
	£'000	£'000
Emoluments	176	243
Gains on exercise of share options	19	-
Pension contributions to executive and group personal pension schemes	11	17

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £81k (2017: £94k), and company pension contributions of £7k (2017: £8k) were made to a money purchase scheme on his behalf.

Notes to the financial statements *(continued)*

During the year, 1 director (2017: none) exercised share options and received shares under a long term incentive scheme.

During the year, 2 directors (2017: 3 directors) participated in a group personal pension scheme.

3 Tax on profit

The relationship between the expected tax expense based on the effective tax rate of Personal Assurance Services Limited at 19.00% (2017: 19.25%) and the expense actually recognised in the profit or loss statement can be reconciled as follows.

	2018	2017
	£'000	£'000
Recognised in the profit and loss account		
Current tax expense	95	69
In respect of prior year	46	-
Deferred tax		
Origination and reversal of temporary differences	113	5
Actual tax expense	254	74
Reconciliation of effective tax rate		
Profit before tax	428	250
Tax rate	19.00%	19.25%
Expected tax expense	81	48
Adjustment for non-deductible expenses	127	26
Other adjustments		
Tax charge in respect of prior years	46	-
Actual tax expense	254	74

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2017: 19.25%). A further reduction to 17.00% is due from 1 April 2020 and was substantively enacted on 15 September 2016. This will reduce future tax charges accordingly.

The deferred tax at 31 December 2018 has been calculated based on the rate which will be in force when the asset or liability crystallises which is expected to be 19.00%.

Notes to the financial statements *(continued)*

4 Intangible fixed assets

	Computer software	Internally Generated Computer Software	Total
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2018	528	428	956
Additions	66	77	143
At 31 December 2018	**594**	**505**	**1,099**
Amortisation			
At 1 January 2018	395	154	549
Provided in the year	115	158	273
At 31 December 2018	**510**	**312**	**822**
Net book value at 31 December 2018	**84**	**193**	**277**
Net book value at 31 December 2017	133	274	407

The amortisation expense appears in administrative expenses in the profit and loss account.

Notes to the financial statements *(continued)*

5 Tangible fixed assets

	Freehold buildings	Computer equipment	Furniture, fixtures & fittings	Right of use	WIP	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 31 December 2017	4,475	546	977	-	-	5,998
IFRS 16 Transition	-	-	-	16	-	16
At 1 January 2018	4,475	546	977	16	-	6,014
Additions	-	140	1	17	844	1,002
Disposals	-	(238)	(219)	-	-	(457)
At 31 December 2018	**4,475**	**448**	**759**	**33**	**844**	**6,559**
Depreciation						
At 1 January 2018	1,273	408	570	-	-	2,251
Provided in the year	77	115	94	11	-	297
Eliminated on disposals	-	(236)	(194)	-	-	(430)
At 31 December 2018	**1,350**	**287**	**470**	**11**	**-**	**2,118**
Net book value at 31 December 2018	**3,125**	**161**	**289**	**22**	**844**	**4,441**
Net book value at 31 December 2017	3,202	138	407	-	-	3,747

Cost of freehold buildings includes land amounting to £672,000 (2017: £672,000) which has not been depreciated.

6 Debtors

	2018	2017
	£'000	£'000
Trade debtors (due within one year)	**114**	230
Other debtors	**766**	581
Amounts owed by group undertakings	**790**	258
	1,670	1,069
Deferred tax (see note 8)	**-**	40
	1,670	1,109

Amounts owed by group undertakings are generated from the provision of services to other group undertakings and are repayable on demand. These amounts are non-interest bearing.

Notes to the financial statements *(continued)*

7 Creditors:

Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	95	91
Corporation tax	183	77
Bank loans and overdrafts	26	21
Social security and other taxes	116	105
Accruals and deferred income	447	594
Right of Use creditors	14	-
Amounts owed to group undertakings	975	-
	1,856	888

Amounts owed to group undertakings are generated from the provision of services from other group undertakings and are repayable on demand. These amounts are non-interest bearing.

Amounts falling due over one year

Right of Use creditors	9	-
	9	-

8 Deferred taxation

	2018 Deferred tax assets £'000	2018 Deferred tax liabilities £'000	2017 Deferred tax assets £'000	2017 Deferred tax liabilities £'000
Non-current assets and liabilities				
Property plant and equipment	-	(94)	-	(60)
Share based payments	-	-	40	-
	-	(94)	40	(60)

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
At 1 January	40	(60)	45	(64)
Movement to provisions in profit or loss	-	(34)	(9)	4
Movement in provision direct to reserves	(40)	-	4	-
At 31 December	-	(94)	40	(60)

Notes to the financial statements

The deferred tax asset is recognised in respect of accelerated capital allowances and share based payments which are yet to be made but for which charges have been incurred.

9 Share capital

	2018	2017
	£'000	£'000
Authorised		
50,000 ordinary shares of £1 each	**50**	50
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

As at 31 December 2018 the group maintained two share-based payment schemes for employee compensation which were available to the employees of the Company.

a) Company Share Ownership Plan (CSOP) and unapproved options

Details of this scheme can be found in the PGH Plc group accounts.
An amount of £nil (2017: £13,000) has been charged to the profit and loss account in 2018 for the scheme based on the fair values determined by using the Black-Scholes valuation model. The corresponding credit is taken to equity. No liabilities were recognised due to share-based transactions.

b) Long Term Incentive Plans (LTIPs)

LTIP 1
Further detail regarding LTIP 1 can be found in the PGH Plc group accounts.

An amount of £nil (2017: £nil) has been charged to the profit and loss account in 2018 for this scheme based on estimating the future share price of PGH over the duration of the plan. Estimates of future share prices have been used for the remaining payments to calculate the expense for each individual under their remaining tranches, taking into account the maximum cap on the pay-out to each of the individuals in the scheme. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share-based payment.

LTIP 2
Further detail regarding LTIP 2 can be found in the PGH Plc group accounts.

An amount of £17,000 (2017: £25,000) has been charged to the profit and loss account in 2018 for this scheme based on the fair values determined by using a Log-normal Monte-Carlo stochastic model. The corresponding credit is taken to equity. No liabilities were recognised as this is an equity settled share-based payment.

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

Notes to the financial statements *(continued)*

10 Capital commitments

The Company has capital commitments at 31 December 2018 of £228,000 relating to the completion of the refurbishment of John Ormond House. The Company had no capital commitments at 31 December 2017.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2018 or 31 December 2017.

12 Pensions

The Company operates a defined contribution group personal pension scheme for the benefit of certain directors and employees. The scheme is administered by Scottish Equitable Plc and the funds are held independent of the Company.

13 Leasing commitments

Amounts recognised in the balance sheet.

Following the adoption of IFRS 16, the balance sheet at 31 December 2018 includes right of use assets and liabilities relating to leases as described below.

Right of use Assets	Net Book Value of Assets	Lease Liabilities
Motor Vehicles	£22,000	£23,000

Additions to ROU assets in the financial year 2018 were: £33,000 comprising of £16,000 on adoption of the standard and a further £17,000 on recognition of new ROU assets in the year.

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 statement of profit or loss.

	Depreciation Charges	Interest Expense (included in finance costs)
Motor Vehicles	£11,000	£5,000

Liquidity risk on outstanding lease commitments.

Total minimum lease payments due until the end of relevant leases, total £29,000 (2017: £19,000). An analysis of these payments due is as follows:

Notes to the financial statements *(continued)*

	2018	2017
	£'000	£'000
Leases which expire:		
Within one year	**14**	7
Within one to two years	**15**	7
Within two to five years	**-**	5
	29	19

Operating lease costs for the year are as follows: Motor Vehicles £14,000 (2017: £12,000) and Buildings: £nil (2017: £24,000)

A reconciliation of the undiscounted lease payments due at the 31 December 2017 to the right of use assets created on transition to IFRS 16 on 1 January 2018 has been performed below;

Total undiscounted lease payments at 31 December 2017	**19**
Dilapidations	1
Effect of Discounting	(4)
Right of Use Asset at 1 January 2018	**16**

14 New and Amended Standards Adopted by the Company

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

IFRS 9 *Financial Instruments*

The adoption of IFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in financial statements.

Impairment of Financial Assets

IFRS 9 requires the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the all the Company's financial assets.
No changes to the impairment provisions were made on initial transition to IFRS 9. In assessing impairment requirements on financial assets, the Company now considers the historic loss rates, which have been minimal, in conjunction with expected future losses and credit losses as a result of potential defaults. This will, as mandated by IFRS 9, continue to be reassessed as and when further information becomes available or when conditions change.

Financial assets on which this method has been applied within the Company include trade receivables for sales of products on which there is a provision of £17,000 at 31 December 2018.

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

Notes to the financial statements *(continued)*

IFRS 15 *Revenue from Contracts with Customers*

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

IFRS 16 *Leases*

In implementing IFRS 16 *Leases*, the Company has applied the modified retrospective approach such that the standard has been applied on all existing leases from 1st January onwards with no adjustments to the prior period. An interest rate implicit in each lease has been used on all leases and, on transition, the new Right of Use assets have been valued at the present value of the remaining lease payments plus any forecast dilapidations reinstatement costs associated with the assets. The weighted average discount used in the year was 15%.

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

Changes in Accounting Policies

Under IFRS 16 Leases, with the exception of short term or low value leases, all operating and finance leases are accounted for in the balance sheet. On inception of the lease, the future payments, including any expected end of life costs, are calculated based on the stated interest rate in the lease or on the Company's internal interest rate. A 'Right of Use' asset is created at an equal value depreciated over the life of the lease which is determined by the contract with any break clauses being reviewed as to the expected use at the time of inception and at each following year end. Payments are debited to the creditor and the Profit and Loss is charged with monthly depreciation and interest. The weighted average discount used in the year was 15%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to the financial statements *(continued)*

15 Ultimate controlling related party

The immediate parent undertaking is Personal Group Limited, the ultimate Parent undertaking of this company is Personal Group Holdings Plc. Both companies are registered in England and Wales. The address of both companies is as follows:

John Ormond House
899 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 3XL

The only group of undertakings for which group accounts have been drawn up is that headed by Personal Group Holdings Plc. Copies of these group accounts may be obtained from Companies House.

As a wholly owned subsidiary of Personal Group Holdings Plc the company has taken advantage of the exemption available under FRS 101 not to disclose transactions with other members of the group headed by Personal Group Holdings Plc.

16 Post balance sheet events

There are no post balance sheet events that require disclosure.