Personal Group Holdings Plc
Report & Financial Statements

For the year ended 31st December 2011

personal group

Highlights

	2011 £m	2010 £m	%
Revenue	27.5	27.0	+ 1.6
Headline EBITDA *	10.2	9.8	+ 3.9
Profit before tax	10.0	9.4	+ 6.8

	2011 pence	2010 pence	%
EBITDA per share (basic)	34.2	32.9	+ 3.9
Earnings per share (basic)	24 8	22.6	+ 9.7
Dividends per share paid in year	17.4	17.0	+ 2.4

* EBITDA is defined as earnings before interest, tax, depreciation and goodwill impairment, but excluding profit on disposal of a subsidiary undertaking A reconciliation of EBITDA to profit for the year as shown in the consolidated income statement is shown within note 14

The Annual General Meeting will be held on 30 April 2012

Personal Group Holdings Plc – Annual Report
for the year ended 31 December 2011

Company registration number	3194991
Registered office	John Ormond House 899 Silbury Boulevard Central Milton Keynes MK9 3XL www personal-group com
Directors	C J Curling (non-executive chairman) M W Scanlon (chief executive) J P Barber (finance) K W Rooney (deputy chairman and chief operating officer) H H Driver (non-executive) R M Green (non-executive and senior independent director) C W T Johnston (non-executive)
Secretary	J P Barber
Solicitor	SNR Denton UK LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE
Banker	The Co-operative Bank Plc Birmingham Corporate Banking Centre PO Box 82 118-120 Colmore Row Birmingham B3 3BA
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Nominated Broker and Adviser	Cenkos Securities plc 6 7 8 Tokenhouse Yard London EC2R 7AS

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for the year ended 31 December 2011

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Chairman's statement

Business review

2011 has been another year of very strong growth for Personal Group

Profit before tax (PBT) is up 6 8 per cent, to £10 0m EBITDA is up 3 9 per cent, to £10 2m Earnings per share are up 9 7 per cent, to 24 8p Each of these comparisons is with 2010, which itself was a record year in all these areas

Our balance sheet has been further strengthened through the addition to reserves of £2 2m Shareholders' funds at 31 December 2011 were £25 7m (2010 £23 5m) representing 85p (2010 78p) per share

These results reflect the consistently strong levels of new business generation in our personal hospital, convalescence, death benefit and voluntary group income protection ("VGIP") plans Annualised value of new business generated for these core products in 2011 is 13 9 per cent higher than the previous record year 2010

Of particular note is the group's annual commission income for our death benefit plan, which has grown by 24 3 per cent in the past two years, to £2 9m VGIP commission also increased in 2011 to a record level, albeit from a lower level of activity than our other core products

During the year our underwriting subsidiary Personal Assurance Plc ("PA") handled 30,648 hospital plan, convalescence plan and income protection plan claims (2010 29,511), the vast majority of which were settled within 48 hours The gross claims ratio of PA was slightly lower in 2011 than in 2010 and remains in line with levels experienced in previous years

The group has continued during the year to identify new areas for profitable growth within a framework of limited risk exposure With effect from 1 July 2011 PA has begun to underwrite private medical insurance business sold by Universal Provident Limited ("UP") an insurance intermediary specialising in private medical expenses insurance which Personal Group acquired as part of the Berkeley Morgan Group ("BMG") in 2005 We have had the opportunity over the past six years to monitor the UP gross claims loss ratio which, although at a higher level than PA experiences in relation to its core products, has nevertheless shown itself to be a sufficiently attractive risk to justify our participation PA is accepting 20 per cent of the claims risk, having put in place a substantial reinsurance programme

Arrangements have also been made for PA to begin to underwrite the VGIP plan with effect from 1 January 2012 For these policies PA is initially accepting only 10 per cent of the claims risk, as a 90 per cent quota share agreement has been arranged

The disposal of Personal Insurance and Reinsurance Brokers Limited to Robert Pease, a former director, was completed during the year and this further enables the group to focus on the core business

There have been significant developments during the year within BMG, our IFA and broker subsidiary The disposal of Rapidinsure co uk Limited was completed in November 2011, resulting in a net profit on disposal of £0 3m With the implications of the Retail Distribution Review coming into effect from 1 January 2013, the decision has been taken no longer to accept new investment business into Berkeley Morgan Limited ("BML") with effect from 1 April 2012 General insurance will not be affected Whilst this will adversely affect BML revenue in the future, substantial cost savings relating to compliance and other support services should ensure that the ongoing profitability of BML in the next few years should not be adversely affected

Despite these changes within BMG during 2011 it has performed in line with our expectations, and no impairment of the carrying value of the goodwill has been necessary

New chief executive

I am particularly pleased to mention the arrival of Mark Scanlon as the new chief executive, as announced on 29 November 2011 Mark brings new energy and drive to our senior management team along with a successful track record of business development in other sectors We look forward to working with him in the further realisation of the growth potential which Personal Group enjoys Following Mark's appointment Ken Rooney has resumed his previous role of group operations officer In his short tenure during 2011 as chief executive he has made a very considerable impact on the business, for which we thank him

Chairman's statement

Balance sheet

The group balance sheet remains strong, with no material debt PA's balance sheet has available qualifying assets as at 31 December 2011 of £10 2m These provide a margin of solvency which allows PA to write further significant increases in premium income without the requirement for new capital The board expects this to remain the case when Solvency II is introduced

The impact of the transfer of UP business to PA last year, referred to previously, has been insignificant in terms of revenue and profit in 2011, although the effect on the group balance sheet has been more noticeable UP's private medical expenses plans are annual policies, with the bulk of the premiums being collected by monthly direct debit In the group balance sheet this has resulted in substantial increases in the value of trade and other receivables (note 20) and in trade and other payables (note 25)

Dividends and dividend policy

Our first quarterly dividend for 2012 of 4 45p (2011 4 35p) per share has already been announced and paid Following the pattern re-established last year, if business continues as anticipated we expect to pay further dividends of the same amount in June, September and December 2012 This would make dividends payable in 2012 of 17 8p (2011 17 4p) per share, an increase of 2 3 per cent

Prospects for 2012

Our core products continue to enjoy strong demand and to be very well received Their further development and growth represent an exciting business opportunity for which the group is well positioned and resourced, not least with our new chief executive now in post We are therefore looking to a period of investment for growth which in the shorter term is likely to be reflected in some cost increases In addition Solvency II compliance will continue to require significant additional costs which we have not had to incur in previous years As a result we expect a continuing increase in operating revenues which, given the future investment in the business, is expected to feed into profit growth after 2012

The continuing success of Personal Group in what remains an extremely challenging economic environment reflects the attractiveness and resilience of our products and is a great testimony to the skill and hard work of our employees and associates and to the loyalty of our host companies and policy holders My fellow directors and I thank you all

Chris Curling

Chris Curling
Chairman
23 March 2012

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Principal activities

The group is principally engaged in transacting short term accident and health insurance, employee benefits related business and financial services in the UK

Key performance indicators

Management has established certain financial and non-financial key performance indicators which are used to measure the performance of the business on a regular basis The following key performance indicators are considered important to the business

Financial

- Annual premium growth
- Liquidity using the proportion of cash versus total assets
- FSA capital resources requirement
- Profit before tax
- Claims ratio

Non-financial

- Total number of policies in force
- Claims handled in the period

The most significant key performance indicators are reviewed in the chairman's statement (see pages 1 and 2)

Results and dividends

A review of the year's results is given in the chairman's statement (see pages 1 and 2)

The profit for the year, before taxation of £2,592,000 (2010 £2,622,000), amounted to £10,015,000 (2010 £9,381,000) During the year ordinary dividends of £5,194,000 (2010 £5,074,000) were paid

Directors

The membership of the board at the end of the year is set out below All these directors served throughout the year with the exception of M W Scanlon who was appointed as a director on 6 December 2011 N Brittle resigned as a director on 21 April 2011

In accordance with the Articles of Association, J P Barber, K W Rooney and R M Green retire by rotation and offer themselves for re-election In addition an ordinary resolution will be proposed at the Annual General Meeting that M W Scanlon, having been appointed as a director since the last Annual General Meeting, be elected as a director of the company

The interests of the directors and their families (including transactions committed to before the year end and shares held in the all employee share ownership plan) in the shares of the company as at 1 January 2011, or date of appointment if later, and 31 December 2011 were as follows

		Ordinary shares of 5p each in Personal Group Holdings plc
	At 31 December 2011	At 1 January 2011 or date of appointment if later
C J Curling	**27,926**	26,954
M W Scanlon	-	-
J P Barber	**356,199**	355,069
K W Rooney	**256,258**	237,661
H H Driver	-	-
R M Green	**49,268**	48,189
C W T Johnston	**15,591,393**	15,591,393

At 31 December 2011 the mid market closing share price was 262p per share

Report of the directors

The audited remuneration of the directors listed by individual director is as follows

	Salary and fees £'000	Profit related pay/ commission £'000	Compensation for loss of office £'000	**Total 2011 £'000**	Total 2010 £'000	**Pension contributions 2011 £'000**	Pension contributions 2010 £'000
C J Curling*	61	-	-	**61**	60	**3**	3
N Brittle	138	-	70	**208**	224	-	-
J Barber	144	5	-	**149**	141	**16**	17
K Rooney	122	155	-	**277**	335	**15**	15
M W Scanlon	21	-	-	**21**	-	-	-
H H Driver*	31	-	-	**31**	30	**2**	2
R M Green*	31	-	-	**31**	30	-	-
C W T Johnston	-	-	-	-	528	-	22
R Pease	-	-	-	-	97	-	13
Total	548	160	70	**778**	1,445	**36**	72

*Non-executive director fees
M W Scanlon was appointed as a director on 6 December 2011

On 30 March 2011 the remuneration committee of Personal Group Holdings Plc approved the award of options to purchase shares in Personal Group Holding Plc as follows

	Number of shares	Exercise price pence per share	Earliest exercisable date
J P Barber	35,242	283 75	30 March 2014
K W Rooney	35,242	283 75	30 March 2014

At 31 December 2011 options outstanding were as follows

	Number of shares	Exercise price pence per share	Earliest exercisable date
J P Barber	32,154	311 00	27 April 2010
K W Rooney	41,800	311 00	27 April 2010
J P Barber	35,242	283 75	30 March 2014
K W Rooney	35,242	283 75	30 March 2014

During the year all directors and officers were covered by third party indemnity insurance

Charitable donations

Donations to charitable organisations amounted to £100,000 (2010 £80,000)

Report of the directors

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors prepare group financial statements and have elected to prepare company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities
In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Principal risks and uncertainties

The principal risks and uncertainties facing the group, along with the risk management objectives and policies are discussed in note 3 to the consolidated financial statements

Capital requirements

See note 4 to the consolidated financial statements

Corporate governance

The board's report on the group's corporate governance procedures is set out on pages 6 and 7

Payment of creditors

It is the company's and group's policy to pay all suppliers within the terms agreed at the time the order is made, subject to the satisfactory completion of the order by the supplier The company and group had no trade creditors at the year end

Auditor

Grant Thornton UK LLP have expressed willingness to continue in office In accordance with section 489 (4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 30 April 2012

BY ORDER OF THE BOARD

JP Barber

J P Barber
Director & Company Secretary
23 March 2012

Corporate governance statement

General principles

The board of Personal Group Holdings Plc supports the principles and is committed to achieving high standards of corporate governance As an AIM quoted company it is not required to comply with the UK Corporate Governance Code 2010 ("the Code") but notwithstanding this seeks to comply with those provisions which are most appropriate given the size of the group and the nature of its operations

Board of directors

The board presently consists of three executive and four non-executive directors The board meets on a regular basis and is responsible for the strategy and development of the group and the efficient management of its resources It is supplied in a timely manner prior to meetings with information on financial, business and corporate matters, which enables it to discharge its duties All directors have access to the advice and services of the company secretary and appropriate training is given as and when required There are also procedures in place for the non-executive directors to obtain independent legal or other professional advice at the group's expense

The group has a formal schedule of matters which are reserved for decision by the board In addition the board has established committees with written terms of reference to fulfil specific functions as set out below The matters reserved for the board include the appointment of directors and senior executives, in consequence of which a separate nominations committee is considered unnecessary at the present time

Audit committee

The audit committee comprises three of the non-executive directors and is chaired by R M Green It meets at least twice a year, with the finance director and auditor usually in attendance The committee reviews accounting matters, financial reporting and internal controls together with the interim and annual results announcements

Remuneration committee

The remuneration committee consists of three of the non-executive directors with the chief executive in attendance and is chaired by H H Driver The committee met twice during the year It reviews and makes recommendations to the board regarding the terms and conditions of employment of the executive directors including performance related bonuses and share options, and sets the framework for the remuneration of other senior executives The remuneration of the non-executive directors is fixed by the board as a whole, but non-executive directors do not participate in discussions about their own remuneration

Compliance committee

The compliance committee comprises three of the non-executive directors with the chief executive and the group compliance officer normally in attendance It is chaired by H H Driver The committee met three times during the year It oversees the compliance function of the group and reports to the board on Financial Services Authority compliance activities of the group as a whole

Auditor independence

The audit committee reviews the nature and extent of non-audit services supplied by the external auditor to the group, seeking to balance objectivity and value for money

In determining the policy, the audit committee has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that

- the external auditor audits its own firm's work,
- the external auditor makes management decisions for the group,
- a mutuality of interest is created, or
- the external auditor is put in the role of advocate for the group

Corporate governance statement

Internal control

The board of directors is responsible for the group's system of internal control and for reviewing its effectiveness Such a system, however, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

The board has established a continuous process for identifying, evaluating and managing the group's significant risks This process involves the monitoring of all controls including financial, operational and compliance controls and risk management It is based principally on reviewing reports from senior management and professional advisers to ensure that any significant weaknesses are promptly remedied

Relationship with shareholders

The board attaches a high importance to maintaining good relationships with institutional shareholders and analysts, and seeks to keep them updated fully on the group's performance, strategy and management In addition the board welcomes as many shareholders as possible to attend the Annual General Meeting and encourages open discussions both as part of and after the formal proceedings

Corporate social responsibility

The group is committed to ensuring that the way in which its business is conducted has a positive impact on its employees and on the communities in which it operates Its activity in this respect includes a charitable fund to which Personal Assurance Plc presently contributes approximately half of one per cent of premium income The group supports a range of voluntary sector and community activities, primarily where its own employees or employees of host companies from whom the group derives its business are actively involved

Report of the independent auditor to the members of Personal Group Holdings Plc

We have audited the financial statements of Personal Group Holdings Plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement, the company cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements 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

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

23 March 2012

Consolidated income statement

	Note	2011 £'000	2010 £'000
Gross premiums written		**20,581**	18,429
Outward reinsurance premiums		**(721)**	-
Change in unearned premiums		**(1,291)**	33
Change in reinsurers' share of unearned premiums		**539**	-
Earned premiums net of reinsurance	5	**19,108**	18,462
Other income			
Insurance related	5	**6,391**	6,749
Non-insurance related	5	**1,427**	1,252
Investment property	5	**293**	300
Investment income	6	**259**	280
Revenue		**27,478**	27,043
Claims incurred	7	**(3,899)**	(3,854)
Insurance operating expenses	8	**(8,348)**	(7,813)
Other expenses			
Insurance related		**(3,149)**	(3,979)
Non-insurance related		**(2,123)**	(1,812)
Investment property		**(91)**	(121)
Charitable donations		**(100)**	(80)
Expenses		**(17,710)**	(17,659)
Results of operating activities		**9,768**	9,384
Profit on disposal of subsidiary undertaking	9	**250**	-
Finance costs	6	**(3)**	(3)
Profit before tax	11	**10,015**	9,381
Tax	12	**(2,592)**	(2,622)
Profit for the year	13	**7,423**	6,759

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

Earnings per share as arising from total and continuing operations		**Pence**	Pence
Basic	14	**24.8**	22 6
Diluted	14	**24.8**	22 6

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

Consolidated statement of comprehensive income

	2011 **£'000**	2010 £'000
Profit for the year	**7,423**	6,759
Other comprehensive income		
Available for sale financial assets		
Valuation changes taken to equity	**(60)**	65
Reclassification of gain on available for sale financial assets on derecognition	**(18)**	(4)
Income tax on unrealised valuation changes taken to equity	**21**	(17)
Total comprehensive income for the year	**7,366**	6,803

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

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

Consolidated balance sheet at 31 December 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Goodwill	16	**2,900**	3,000
Property, plant and equipment	17	**5,475**	5,611
Investment properties	18	**3,185**	3,185
Financial assets	19	**14,536**	7,578
		26,096	19,374
Current assets			
Trade and other receivables	20	**5,231**	3,091
Cash and cash equivalents	21	**2,043**	7,075
		7,274	10,166
Total assets		**33,370**	29,540

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

Consolidated balance sheet at 31 December 2011

	Note	2011 £'000	2010 £'000
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,503**	1,503
Capital redemption reserve		**24**	24
Amounts recognised directly into equity relating to available for sale financial assets		**(28)**	29
Other reserve – own shares		**(652)**	(605)
Profit and loss reserve		**24,810**	22,573
Total equity		**25,657**	23,524
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	**204**	212
Current liabilities			
Provisions	24	**100**	117
Trade and other payables	25	**6,043**	4,255
Current tax liabilities		**1,252**	1,338
Borrowings	26	**114**	94
		7,509	5,804
Total liabilities		**7,713**	6,016
Total equity and liabilities		**33,370**	29,540

The financial statements were approved by the board on 23 March 2012

C J Curling

J P Barber

Company number 3194991

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

Company balance sheet at 31 December 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	27	**14,520**	14,691
Financial assets	19	**3,899**	4,093
		18,419	18,784
Current assets			
Trade and other receivables	20	**2,950**	1,247
Total assets		**21,369**	20,031
EQUITY			
Equity attributable to equity holders of Personal Group Holdings Plc			
Share capital	22	**1,503**	1,503
Capital redemption reserve		**24**	24
Other reserve – own shares		**(652)**	(605)
Profit and loss reserve		**13,962**	14,405
Total equity		**14,837**	15,327
LIABILITIES			
Current liabilities			
Trade and other payables	25	**6,412**	4,607
Current tax liabilities		**6**	3
Borrowings	26	**114**	94
Total liabilities		**6,532**	4,704
Total equity and liabilities		**21,369**	20,031

The financial statements were approved by the board on 23 March 2012

Chris Curling

C J Curling

JP Barber

J P Barber

Company number 3194991

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

Consolidated statement of changes in equity for the year ended 31 December 2011

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Non-current assets held for sale	Other reserve – own shares	Profit & loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2011	1,503	24	29	(605)	22,573	23,524
Dividends	-	-	-	-	(5,194)	(5,194)
Employee share-based compensation	-	-	-	-	18	18
Proceeds of AESOP share sales	-	-	-	-	80	80
Cost of AESOP shares sold	-	-	-	90	(90)	-
Cost of AESOP shares purchased	-	-	-	(137)	-	(137)
Transactions with owners	-	-	-	(47)	(5,186)	(5,233)
Profit for the year	-	-	-	-	7,423	7,423
Other comprehensive income						
Available for sale financial assets						
Valuation changes taken to equity	-	-	(60)	-	-	(60)
Reclassification adjustment on derecognition	-	-	(18)	-	-	(18)
Current tax on unrealised valuation changes taken to equity	-	-	21	-	-	21
Total comprehensive income for the year	-	-	(57)	-	7,423	7,366
Balance as at 31 December 2011	**1,503**	**24**	**(28)**	**(652)**	**24,810**	**25,657**

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

Consolidated statement of changes in equity for the year ended 31 December 2010

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Non-current assets held for sale	Other reserve – own shares	Profit & loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2010	1,503	24	(15)	(714)	20,940	21,738
Dividends	-	-	-	-	(5,074)	(5,074)
Employee share-based compensation	-	-	-	-	22	22
Proceeds of AESOP share sales	-	-	-	-	187	187
Cost of AESOP shares sold	-	-	-	261	(261)	-
Cost of AESOP shares purchased	-	-	-	(152)	-	(152)
Transactions with owners	-	-	-	109	(5,126)	(5,017)
Profit for the year	-	-	-	-	6,759	6,759
Other comprehensive income						
Available for sale financial assets						
Valuation changes taken to equity	-	-	65	-	-	65
Reclassification adjustment on derecognition	-	-	(4)	-	-	(4)
Current tax on unrealised valuation changes taken to equity	-	-	(17)	-	-	(17)
Total comprehensive income for the year	-	-	44	-	6,759	6,803
Balance as at 31 December 2010	**1,503**	**24**	**29**	**(605)**	**22,573**	**23,524**

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

Company statement of changes in equity for the year ended 31 December 2011

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Other reserve – own shares	Profit & loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2011	1,503	24	(605)	14,405	15,327
Dividends	-	-	-	(5,194)	(5,194)
Employee share-based compensation	-	-	-	18	18
Proceeds of AESOP share sales	-	-	-	80	80
Cost of AESOP shares sold	-	-	90	(90)	-
Cost of AESOP shares purchased	-	-	(137)	-	(137)
Transactions with owners	-	-	(47)	(5,186)	(5,233)
Profit for the year	-	-	-	4,743	4,743
Balance as at 31 December 2011	**1,503**	**24**	**(652)**	**13,962**	**14,837**

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

Company statement of changes in equity for the year ended 31 December 2010

Equity attributable to equity holders of Personal Group Holdings Plc

	Share capital	Capital redemption reserve	Other reserve – own shares	Profit & loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2010	1,503	24	(714)	7,327	8,140
Dividends	-	-	-	(5,074)	(5,074)
Employee share-based compensation	-	-	-	22	22
Proceeds of AESOP share sales	-	-	-	187	187
Cost of AESOP shares sold	-	-	261	(261)	-
Cost of AESOP shares purchased	-	-	(152)	-	(152)
Transactions with owners	-	-	109	(5,126)	(5,017)
Profit for the year	-	-	-	12,204	12,204
Balance as at 31 December 2010	**1,503**	**24**	**(605)**	**14,405**	**15,327**

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

Consolidated cash flow statement

	Note	2011 £'000	2010 £'000
Operating activities			
Profit after tax		**7,423**	6,759
Adjustments for			
Depreciation		**446**	449
Profit on disposal of subsidiary undertaking		**(250)**	-
Profit on disposal of property, plant and equipment		**(15)**	(12)
Realised and unrealised net investment losses/(profits)		**36**	(34)
Interest received		**(284)**	(218)
Dividends received		**(19)**	(17)
Interest paid		**3**	3
Share-based payments		**18**	22
Taxation expense recognised in income statement		**2,592**	2,622
Changes in working capital			
Trade and other receivables		**(2,145)**	(407)
Trade and other payables		**1,771**	427
Taxes paid		**(2,665)**	(2,536)
Net cash from operating activities		**6,911**	7,058
Investing activities			
Net proceeds from sale of subsidiary undertaking		**350**	-
Additions to property, plant and equipment		**(390)**	(736)
Proceeds from disposal of property plant and equipment		**100**	113
Purchase of own shares by the AESOP		**(137)**	(152)
Proceeds from disposal of own shares by the AESOP		**80**	187
Purchase of financial assets		**(12,242)**	(5,135)
Proceeds from disposal of financial assets		**5,170**	3,354
Interest received		**284**	218
Dividends received		**19**	17
Net cash used in investing activities		**(6,766)**	(2,134)
Financing activities			
Proceeds from bank loans		**137**	152
Repayment of bank loans		**(117)**	(224)
Interest paid		**(3)**	(3)
Dividends paid		**(5,194)**	(5,074)
Net cash used in financing activities		**(5,177)**	(5,149)
Net change in cash and cash equivalents		**(5,032)**	(225)
Cash and cash equivalents, beginning of year	21	**7,075**	7,300
Cash and cash equivalents, end of year	21	**2,043**	7,075

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

Company cash flow statement

	2011 £'000	2010 £'000
Operating activities		
Profit after tax	**4,743**	12,204
Adjustments for		
Disposal of investment	**71**	-
Increase in impairment provision	**100**	173
Realised and unrealised net investment losses	**60**	20
Share-based payments	**18**	22
Taxation expense recognised in income statement	**6**	6
Changes in working capital		
Trade and other receivables	**(1,946)**	(1,242)
Trade and other payables	**2,182**	(6,066)
Taxes paid	**(3)**	(6)
Net cash from operating activities	**5,231**	5,111
Investing activities		
Purchase of own shares	**(137)**	(152)
Proceeds from disposal of own shares	**80**	187
Net cash (used in)/realised from investing activities	**(57)**	35
Financing activities		
Proceeds from bank loans	**137**	152
Repayment of bank loans	**(117)**	(224)
Dividends paid	**(5,194)**	(5,074)
Net cash used in financing activities	**(5,174)**	(5,146)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning and end of year	-	-

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

Notes to the financial statements

1 General information

The principal activities of Personal Group Holdings Plc ('the company') and subsidiaries (together 'the group') include transacting short term accident and health insurance, and providing employee benefits related business and financial services in the UK

The company is a limited liability company incorporated and domiciled in England The address of its registered office is John Ormond House, 899 Silbury Boulevard, Milton Keynes, MK9 3XL

The company is quoted on the Alternative Investment Market of the London Stock Exchange

These financial statements have been approved for issue by the board of directors on 23 March 2012

2 Accounting policies

These financial statements of Personal Group Holdings Plc are for the year ended 31 December 2011 They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the EU These financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations as adopted by the EU, issued and effective as at 31 December 2011

2 1 Standards and Interpretations not yet effective

The following Standards and Interpretations which are not yet effective are not expected to have any significant impact on the group's financial statements in their periods of initial application

- IFRS 9 Financial Instruments (effective 1 January 2015)*
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)*
- IFRS 11 Joint Arrangements (effective 1 January 2013)*
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)*
- IFRS 13 Fair Value Measurement (effective 1 January 2013)*
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)*
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)*
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)*
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)*
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)*
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)*
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)*
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)*

* these standards and interpretations are in issue but not yet adopted by the EU

Implementation of IFRS 11 would mean that the current accounting treatment of the joint venture by proportionate consolidation would no longer be permitted, the equity method of accounting would be required instead

2.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates
Such knowledge has been used to determine the following

- future profitability of the Berkeley Morgan group of companies on which the goodwill impairment valuation is based (note 16),
- establishing the value of provisions (note 24),
- establishing the value of claims outstanding (note 3 and note 25), and,
- presentation and carrying value of certain property as investment property (note 2 14 and note 18)

The impacts of these estimates and assumptions are given in the cross-referred notes above

Notes to the financial statements

The financial statements are prepared on a going concern basis In considering going concern, the directors have reviewed the group's future cash requirements and earnings projections for the period up to 31 March 2013 The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance The directors have concluded that the group will be able to operate without requiring any external funding and therefore believe it is appropriate to prepare the financial statements of the group on a going concern basis This is supported by the group's liquidity position at the year end

2.3 Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2011 Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities The group obtains and exercises control through voting rights

Unrealised gains on transactions between group companies are eliminated Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group

Acquisitions of subsidiaries are dealt with by the purchase method The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the deemed cost for subsequent measurement in accordance with the group accounting policies Goodwill is stated after separating out identifiable intangible assets Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition

2.4 Business combinations completed prior to date of transition to IFRS

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 January 2006

Accordingly the classification of the combination remains unchanged from that used under UK GAAP Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions

2.5 Joint ventures

Abbeygate Developments (Marlborough Gate 2) Limited is the only jointly controlled entity within the group Its financial statements have been incorporated into Personal Group Holdings Plc's financial statements using proportionate consolidation

The proportionate consolidation approach includes the group's share of net assets and net profits of the joint venture under each heading of the income statement and balance sheet

2.6 Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment Goodwill is carried at cost less accumulated impairment losses Negative goodwill is recognised immediately after acquisition in the income statement

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves There is no re-instatement of goodwill that was amortised prior to transition to IFRS Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal

Notes to the financial statements

2.7 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT and trade discounts Revenue is recognised upon the performance of services or transfer of risk to the customer

Premium recognition

Premium income is recognised on a receivable basis over the life that the policy is in force Where a proportion of premiums written in the current year relate to cover provided in the following year it is carried forward as a provision for unearned premiums, calculated on a daily pro rata basis Written premiums exclude insurance premium tax

Interest and dividend income

Interest income is recognised on the effective interest rate method Dividends are recognised when declared

Investment management expenses

Investment management expenses are recognised on an accruals basis

Other income

Property rental income is recognised on a receivable basis when the right to receive consideration has been established

Commission on insurance product sales is recognised when the policy goes on risk (i e , when confirmation has been received from the insurer that the policy has been unconditionally accepted and that cover is being provided for the policyholder), in the case of indemnity commission, provision is made for estimated future lapses

Non-insurance related fee income is recognised on a straight line basis over the length of the contract Other non-insurance related commission income is recognised on a receivable basis

Investments

Unrealised gains or losses on long term assets classified as available for sale are recognised directly into equity Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current income statement together with gains or losses realised in the current year

Unrealised gains or losses on assets classified as long term financial assets and carried at fair value through profit or loss are recognised as income or expense in the income statement

2.8 Reinsurance premiums and claims recoveries

Reinsurance premiums payable and reinsurance premiums receivable are recognised on a receivable basis Reinsurers' share of technical reserves are shown as an asset in the balance sheet

2.9 Deferred acquisition expenses

Acquisition expenses represent direct costs associated with writing new policies by the group A proportion of acquisition expenses are deferred to a subsequent accounting period to match the deferral to a subsequent accounting period of the proportion of the written premiums to which the acquisition expenses relate The deferral of acquisition expenses is calculated by applying the ratio of unearned premiums to written premiums

2.10 Claims recognition

The provision for gross claims outstanding comprises the estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not Provision is made at the end of an accounting period for claims handling expenses to cover the anticipated costs of negotiating and settling claims which have occurred, whether notified or not, by that date

The provision includes the anticipated costs of the general claims administration relating to such claims Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and are disclosed separately if material The liability adequacy test (IFRS 4 paragraph 16) is performed at each reported balance sheet date This requires the estimate of future cash flows under its insurance contracts to be measured against the recognised insurance liabilities

Notes to the financial statements

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment No depreciation is charged during the period of construction

Borrowing costs on property, plant and equipment under construction are capitalised during the period of construction

Disposal of assets

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

Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment other than freehold land excluding investment properties by equal annual instalments over their estimated useful economic lives Residual value is reviewed annually and amended if material The rates generally applicable are

Freehold properties	50 years
Motor vehicles	4 years
Computer equipment	2 - 4 years
Furniture, fixtures and fittings	5 - 10 years

2 12 Impairment testing of goodwill and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

2.13 Leased assets

All leases are operating leases as the group does not bear substantially all the risks and rewards related to the ownership of the leased asset The payments made under them are charged to the income statement on a straight line basis over the lease term Lease incentives are spread over the term of the lease

2 14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation

There is a degree of judgement on the presentation of certain property where market conditions have meant that whilst the intention of management is to sell the property it does not fully meet the criteria of IFRS 5 Non-current assets held for sale and discontinued operations Management believe that, where the property contains a third party tenant and the intention of sale remains, it is on balance, grounds for treating the property as an investment property

The group measures all of its investment properties in accordance with IAS 40's requirements for the cost model Depreciation is based on cost less residual value As residual value currently exceeds cost no depreciation is being provided

Rental income arising from the investment properties is shown within other income and is recognised on a straight line basis over the lease term The leases are classified as operating leases as the group has substantially all the risks and rewards related to the ownership of the leased asset

Notes to the financial statements

2 15 Taxation

Current tax is the tax currently payable based on taxable profit for the year

Deferred income taxes are calculated using the liability method on temporary differences Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets

Deferred tax liabilities are provided in full, with no discounting Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date

2 16 Financial assets

Financial assets are divided into the following categories bank deposits, loans and other receivables, financial assets at fair value through profit or loss, and available for sale financial assets Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument Financial assets other than those categorised as at fair value through profit or loss are initially recognised at fair value plus transaction costs Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement

Fixed interest rate bank deposits with a maturity date of three months or more from the date of acquisition are classified as financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment Any change in their value through impairment or reversal of impairment is recognised in the income statement

Provision against receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables The amount of the write-down is determined as the difference between the assets carrying amount and the present value of estimated future cash flows

Other financial assets include quoted and unquoted equity shares These assets are not considered to be current assets and have been classified as long term financial assets and are carried at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are designated by the entity as at fair value through profit or loss upon initial recognition Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement Financial assets originally designated as financial assets at fair value through profit or loss are not reclassified subsequently

Financial assets are designated as at fair value through profit or loss where they are managed and their performance evaluated on a fair value basis in accordance with the group's documented investment strategy

The group owns a portfolio of UK shares that are held, and managed on a discretionary basis, by an independent fund manager These assets are reported as long term financial assets classified as available for sale

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets All financial assets within this category are measured subsequently at fair value, with changes in value recognised in other comprehensive income Gains and losses arising from investments classified as available for sale are recognised in the income statement when they are sold or when the investment is impaired

An assessment for impairment is undertaken at least at each balance sheet date

Notes to the financial statements

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset

2.17 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument All financial liabilities are recorded initially at fair value, net of direct issue costs

Financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the income statement Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

There are no financial liabilities categorised as at fair value through profit and loss

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires

2 18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

2.19 Investments in subsidiary undertakings and joint ventures

Investments in subsidiary undertakings and joint ventures are shown at cost less impairment provisions

2.20 Equity

Equity comprises the following

- "Share capital" represents the nominal value of equity shares
- "Capital redemption reserve" represents the nominal value of its own equity shares purchased, and then cancelled, by the company
- "Amounts recognised directly into other comprehensive income relating to non-current assets held for sale" represents changes to the market value of available for sale assets and transfers to the income statement
- "Other reserve – own shares" represents the investment in own company shares by the Employee Benefit Trust
- "Profit and loss reserve" represents retained profits

2.21 Employee benefits

Defined contribution group and self-invested personal pension schemes

The pension costs charged against profits are the contributions payable to the schemes in respect of the accounting period

2 22 Share-based payment

Equity-settled share-based payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements

Notes to the financial statements

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument as at the date it is granted to the employee

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "profit and loss reserve"

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

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium

2.23 Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the group accounts Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries

The costs of purchasing own shares held by the EBT are shown as a deduction against equity The proceeds from the sale of own shares held increase equity Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the group income statement

At present the company operates a plan whereby all employees, excluding controlling shareholders, are entitled to make monthly payments to the trust via payroll deductions The current allocation period is six months and shares are allocated to employees at the end of each allocation period The shares are allocated at the lower of the mid-market price at the beginning and end of the allocation period The trust company has not waived its right to dividends on unallocated shares Dividend income receivable on unallocated shares and any profit or loss on allocation of shares to individuals is taken directly to the "other reserve – own shares" within equity

3 Risk management objectives and policies

The board acknowledges that the group is exposed to risks that are inherent in all businesses and markets in which it operates As a direct result of these risks the board places high priority on ensuring that there is a strong risk management culture throughout the group This is evidenced by the existence of a comprehensive risk register and internal controls in critical business processes The group's risk management is co-ordinated at its headquarters

The risk register includes all of the major risks faced by the group and is maintained by the group compliance director in close co-operation with all other group directors who are actively involved in the management of risk The risk register is reviewed regularly by the compliance committee and periodically by the full board

In addition to the financial risks described in detail below the risk register also considers operational, reputational, regulatory and government fiscal policy risks

Operational risk is the risk of loss to the group as a direct result of inadequate or failed internal processes or systems, or the impacts of external events on the group's processes or systems As a result the group operates a range of controls over all aspects of the business Many of these controls are built into computer operating systems but manual controls are also routinely used where considered appropriate Both sorts of controls are reviewed on a regular basis and the group is seeking to enhance its documentation and testing of these controls as part of its transition to the new regulatory regime being introduced by Solvency II

The group has developed a comprehensive disaster recovery plan which has been successfully tested in full, or in part, on a number of occasions in recent years Whilst this recovery plan concentrates on the group's IT capability it does also cover the requirement of alternative office facilities and associated office equipment

All employees receive appropriate training to ensure that they are fully equipped to perform their duties to the highest possible standards The group is committed to develop employees to their maximum potential and actively seeks to promote from within wherever possible The board believes that the pro-active training programmes and career development opportunities reduce the possibility of employee error and hence the risk of damage to the business

Notes to the financial statements

The training described above also helps to reduce reputational risk as a result of the actions of our employees In addition the group is committed to the Financial Services Authority (FSA) Treating Customers Fairly principle which again can have a significant impact on reputational risk

As the vast majority of the group's income is derived from activities that are regulated by the FSA the group is exposed to regulatory risk in that changes made by the FSA could have a direct impact on the ability of the group to maintain certain operations

As an insurance group the ability to recover Value Added Tax (VAT) is severely restricted and the recent increase in VAT will have an impact on the group's profit In addition changes to other taxes including Insurance Premium Tax, National Insurance contributions and Corporation Tax are also risks that the group has to manage

The group pursues an active treasury management policy which seeks to secure its short to medium term cash flows by minimising exposure to financial markets

The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options It does not have exposure to foreign currencies and does not use any derivatives or hedging to manage any of its liabilities The most significant financial risks to which the group and company are exposed are described below

Credit risk

The group's and company's exposure to credit risk includes the carrying value of certain financial assets at the balance sheet date, summarised as follows

		Group		Company
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Trade receivables	**3,117**	1,528	-	-
Reinsurers' share of technical provisions	**599**	-	-	-
Other receivables	**806**	930	-	-
Accrued Interest	**45**	34	-	-
Loan to joint venture	**1,905**	1,972	**3,809**	3,943
Amounts due from subsidiary undertakings	-	-	**2,943**	1,247
Cash and cash equivalents	**2,043**	7,075	-	-
Bank deposits	**12,154**	5,000	-	-
	20,669	16,539	**6,752**	5,190

There are no corresponding impairment provisions nor any related credit derivatives or similar instruments which mitigate the credit risk

The vast majority of the group's revenue is generated from the sale of insurance policies to individual customers However a substantial proportion of the premiums are collected, and paid over to the group, by the individuals' employer via payroll deduction This naturally exposes the group to an element of credit risk However the vast majority of employers pay over payroll deductions made, within one month, on a regular basis The use of payroll deductions by a "host company employer" would not be permitted where the board believed there may be a significant credit risk Receivables past their due date are summarised within note 20 The credit risk for liquid funds and other short term financial assets is considered negligible, since the counterparties are UK and EU banks At 31 December 2011 the counterparties were as follows The Co-operative Bank Plc, Abbey National Plc, Bank of Scotland Plc, HSBC Bank Plc, Lloyds TSB Bank Plc, National Westminster Bank Plc, Close Brothers Limited and Clydesdale Bank Plc

The company is also exposed to a loan to the joint venture The property owned by the joint venture is currently substantially let and income continues to exceed expenditure and therefore the joint venture is able to fulfil its obligations regarding the payment of interest to the company The company's loan to the joint venture is secured by a charge over the property

All subsidiary undertakings are 100% owned by the company There is at least one company director on each of the subsidiary companies boards and therefore the company directors have a good understanding of the operational performance of each of the subsidiary undertakings The company directors are satisfied that the subsidiary undertakings have sufficient future income streams to enable the liabilities to be repaid in full in the foreseeable future

Notes to the financial statements

The group is also exposed to credit risk of £30,000 (2010 £35,000) in relation to the estimate of amounts recoverable from financial advisers in respect of renewals commission which has been clawed back due to the policy being terminated This asset forms part of the group's estimate of wastage provision shown in note 24 There is no collateral on these amounts and the write-off of these amounts over the past three years is £nil

Market risk

The group is exposed to market risk in respect of its financial assets carried at fair value through profit and loss and available for sale assets These assets are traded on UK regulated markets The available for sale assets are managed by an independent third party fund manager on a discretionary basis, subject to certain conditions imposed by the board

A detailed analysis of the individual components of financial assets at fair value and available for sale assets are as follows

	2011	2010
	£'000	£'000
Financial assets designated at fair value through profit and loss		
Quoted investments		
Lighthouse Group shares	**90**	150
Available for sale financial assets		
Independently managed equity portfolio	**387**	456
	477	606

Realised investment income from these investments is not considered to be subject to material variation as the other assets carried at fair value through profit and loss are not currently paying substantial dividends Dividends from the equity portfolio in 2011 totalled £12,000 (2010 £11,000)

Unrealised gains and losses on financial assets carried at fair value through profit and loss are recognised in the income statement A 10% decrease in the value of these assets at 31 December 2011 would result in a charge to the income statement of approximately £9,000, with a corresponding deduction in equity

Unrealised gains and losses on available for sale financial assets are recognised in equity A 10% decrease in the value of these assets at 31 December 2011 would result in a deduction to equity of approximately £39,000

Liquidity risk

Cash balances are managed internally by the finance director and amounts are placed on short term deposits (currently not exceeding 12 months) to ensure that sufficient funds are available at all times to pay all liabilities as and when they fall due

At 31 December 2011 amounts on short term deposit exceeded borrowings by £14,083,000

Notes to the financial statements

As at 31 December 2011 the group's and company's liabilities have contracted maturities (including interest payments where applicable) as summarised below

	Group Within 6 months £'000	Group 6-12 months £'000	Company Within 6 months £'000	Company 6-12 months £'000
At 31 December 2011				
Amounts owed to subsidiary undertakings	-	-	**6,371**	-
Trade and other payables	**2,153**	**156**	-	-
Borrowings	**58**	**58**	**58**	**58**
	2,211	**214**	**6,429**	**58**
At 31 December 2010				
Amounts owed to subsidiary undertakings	-	-	4,601	-
Trade and other payables	1,800	445	-	-
Borrowings	48	48	48	48
	1,848	493	4,649	48

Cash flow and fair value interest rate risk

At 31 December 2011 the group's and company's cash flow interest rate risk arises from borrowings in respect of the group's All Employee Share Ownership Plan (AESOP) loan The group's and company's borrowings are all at variable rates linked to the Bank of England base rate

Interest rate risk on the group's and company's borrowings is considered to be insignificant

At 31 December 2011 bank deposits exceeded borrowings by £14,083,000 If UK interest rates increased by 2% net finance income would increase by approximately £282,000 with a corresponding increase to equity

Insurance claim and related risks

Up to 30 June 2011 Personal Assurance Plc had only underwritten healthcare cash plans and personal accident or sickness policies Taking into account the company's claims history since the company was incorporated in 1984, the board had taken the decision not to use reinsurance as a way of managing insurance claim risk At present the maximum amount payable on any one single claim is £73,400, and would only be payable after a continuous period of hospital confinement of two years The total number of these individual policies in force at 31 December 2011 was 229,007 (2010 218,755) and the average amount paid per claim in 2011 was £175 (2010 £175)

On 1 July 2011 Personal Assurance Plc commenced the underwriting of private medical insurance policies sold by one of the group's insurance intermediaries, Universal Provident Limited Up to this date Universal Provident Limited had placed this business with a third party insurer This private medical business traditionally has a significantly higher gross claims ratio In order to manage this new insurance risk the board has taken out quota share and stop loss reinsurance policies to exclusively cover this part of the business

The quota share reinsurance covers 80% of all claims and the stop loss reinsurance covers the cost of all claims if the gross claims ratio exceeds 150% up to a maximum gross claims ratio of 300%

All underwriting and the vast majority of insurance related business is regulated by the Financial Services Authority (FSA) As required by the FSA all regulated companies have an appropriate level of professional indemnity insurance which covers both employees and self-employed advisers For the year ended 31 December 2011 the gross claims ratio of Personal Assurance Plc was 20 3% (2010 21 4%) A 2% increase in the claims ratio would increase claims incurred by approximately £412,000

Notes to the financial statements

4 Capital management and requirements

The group's capital management objectives are

- to ensure the group's ability to continue as a going concern,
- to ensure capital resources requirements set out below are met, and
- to provide an adequate return to shareholders,

by pricing products and services commensurately with the level of risk

The group considers capital to be the carrying amount of its equity Subject to the externally imposed capital requirements, it sets out the amount of capital in proportion to its overall financing structure but does not have specific goals The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt or sell assets to reduce debt

The carrying amount of the group's equity has shown continuous growth from £12,319,000 at 31 December 2001 (first year after AIM listing) to £25,657,000 at 31 December 2011

In addition to the statutory capital requirements of a UK registered Plc the FSA requires that all regulated companies maintain capital resources requirements, the actual amount being determined on an annual basis at the year end

At 31 December 2011 the requirements of the group's FSA regulated companies were as follows

	FSA capital resources requirement £'000	Available qualifying assets £'000	Surplus over capital resources requirement £'000
Company			
Personal Assurance Plc	3,668	10,164	6,496
Personal Assurance Services Limited	201	711	510
Personal Group Benefits Limited	101	682	581
Berkeley Morgan Limited	52	465	413

In order to maintain its capital resources requirement, Personal Assurance Plc maintains the majority of its assets in short term fixed interest rate deposits

5 Segment analysis

The group operates two trading operating segments, namely employee benefits insurance and consultancy, and financial services offered by Berkeley Morgan Group Limited (BMG) and its subsidiary undertakings

1) Employee benefits insurance and consultancy

Personal Assurance Plc (PA), a subsidiary within the group, is an FSA 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

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

Insurance related income includes insurance and reinsurance brokerage commission Insurance brokerage commission includes that derived from voluntary group income protection plan sales

Non-insurance related income includes income derived from the sale of benefit books, consultancy services and property rental income

Notes to the financial statements

2) Financial services

The financial services operating segment consists exclusively of revenue generated by BMG and its subsidiary undertakings BMG was acquired by PGH in January 2005

Financial services revenue consists mainly of commission generated by financial advisers and commission generated from insurance underwriting agencies

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

	Employee benefits £'000	Financial services £'000	Unallocated £'000	Consolidation adjustments £'000	Group £'000
Operating segments					
2011					
Revenue					
Earned premiums net of reinsurance	**19,108**	-	-	-	**19,108**
Other income					
Insurance related	**3,233**	**3,158**	-	-	**6,391**
Non-insurance related	**1,427**	-	-	-	**1,427**
Investment property	-	-	**293**	-	**293**
Investment income	**258**	**1**	-	-	**259**
Total revenue	**24,026**	**3,159**	**293**	-	**27,478**
Net result for year before tax	**8,860**	**1,050**	**202**	**(97)**	**10,015**
Segment assets	**26,551**	**734**	**3,185**	**2,900**	**33,370**
Segment liabilities	**6,675**	**1,002**	**36**	-	**7,713**
Depreciation and amortisation	**427**	**10**	**9**	-	**446**
2010					
Revenue					
Earned premiums net of reinsurance	18,462	-	-	-	18,462
Other income					
Insurance related	2,996	3,753	-	-	6,749
Non-insurance related	1,252	-	-	-	1,252
Investment property	-	-	300	-	300
Investment income	277	3	-	-	280
Total revenue	22,987	3,756	300	-	27,043
Net result for year before tax	8,512	676	179	14	9,381
Segment assets	21,178	2,177	3,185	3,000	29,540
Segment liabilities	4,537	1,435	44	-	6,016
Depreciation and amortisation	428	12	9	-	449

All income is derived from the UK

The figures shown above for employee benefits and financial services are from the group's management accounts that are not prepared under IFRS Unallocated amounts relate to the group's investment properties

Notes to the financial statements

6 Investment income and finance costs

	2011 **£'000**	2010 £'000
Investment income		
Loans and receivables		
Income from unlisted investments	**116**	120
Income from cash on deposit	**167**	115
Financial assets designated at fair value through profit and loss		
Income from listed investments	**7**	6
Unrealised losses	**(42)**	(16)
Available for sale		
Income from listed investments	**12**	11
Realised gains	**36**	74
Realised losses	**(12)**	(20)
Realised gains transferred from other comprehensive income	**(18)**	(4)
Investment management expenses	**(7)**	(6)
	259	280

	2011 **£'000**	2010 £'000
Finance costs		
Interest expense on AESOP bank loan	**3**	3

7 Claims incurred

	2011 **£'000**	2010 £'000
Claims paid	**3,781**	3,389
Reinsurance recoveries	**(134)**	-
Claims handling expenses paid	**283**	246
	3,930	3,635
Increase in claims provision	**21**	218
Reinsurers' share	**(60)**	-
Increase in provision for claims handling costs	**8**	1
	(31)	219
	3,899	3,854

Notes to the financial statements

8 Insurance operating expenses

	2011 £'000	2010 £'000
Acquisition costs	**5,237**	4,466
Increase in deferred acquisition costs	**(5)**	(7)
Incurred acquisition costs	**5,232**	4,459
Administration expenses	**3,116**	3,354
	8,348	7,813

Total commission incurred during the year in respect of direct insurance was £1,409,000 (2010 £1,022,000)

9 Profit on disposal of subsidiary undertaking

	2011 £'000	2010 £'000
Sale proceeds	**400**	-
Legal and professional fees	**(50)**	-
Carrying value of goodwill eliminated on disposal	**(100)**	-
	250	-

Rapidinsure co uk Limited, a direct subsidiary undertaking of Berkeley Morgan Group Limited, was disposed of during the year

10 Directors' and employees' remuneration

a) Staff costs (excluding non-executive directors' fees) during the year were as follows

	2011 £'000	2010 £'000
Wages and salaries	**5,692**	6,061
Compensation for loss of office	**70**	-
Social security costs	**657**	693
Other pension costs	**368**	405
	6,787	7,159

Average number of employees was as follows

	2011 Number	2010 Number
Administration	**72**	75
Sales and marketing	**92**	95
	164	170

Notes to the financial statements

b) Directors remuneration

	2011	2010
	£'000	£'000
Emoluments	**708**	1,388
Compensation for loss of office	**70**	-
Gains made on the exercise of share options	**-**	58
Pension contributions to group and self invested personal pension schemes	**36**	72

During the year, 4 directors (2010 7 directors) participated in group and self invested personal pension schemes

The amounts set out above include remuneration in respect of the highest paid director as follows All emoluments relate to payments made by subsidiary undertakings

	2011	2010
	£'000	£'000
Emoluments	**277**	528
Pension contributions to self invested personal pension scheme	**15**	22

Details of individual director's remuneration are given in the report of the directors (see page 4) The company does not incur employee remuneration

Key management of the group are the directors of Personal Group Holdings Plc Key management personnel remuneration includes the following expenses

	2011	2010
	£'000	£'000
Short-term employee benefits		
Salaries including bonuses	**708**	1,388
Social security costs	**96**	176
	804	1,564
Post-employment benefits		
Defined contribution pension plans	**36**	72
Termination benefits	**70**	-
Share-based payments	**-**	58
	70	58
Total remuneration	**910**	1,694

During 2011, certain key management personnel exercised share options with total exercise price of £nil (2010 £100,000)

Notes to the financial statements

11 Profit before tax

	2011 £'000	2010 £'000
Profit before tax is stated after		
Auditor's remuneration (inclusive of non-recoverable VAT)		
Audit services		
Audit of company financial statements	**34**	25
Non-audit services		
Audit of subsidiary undertakings	**80**	89
Taxation	**4**	12
Review of interim financial statements	**9**	8
Compliance and Solvency II reviews	**35**	29
Depreciation of property, plant and equipment	**446**	449
Rental income receivable	**416**	330
Operating lease rentals – land and buildings	**99**	100

12 Tax

The relationship between the expected tax expense based on the effective tax rate of Personal Group Holdings Plc at 26 5% (2010 28 0%) and the tax expense actually recognised in the income statement can be reconciled as follows

	2011 £'000	2010 £'000
Profit before tax	**10,015**	9,381
Tax rate	**26.5%**	28 0%
Expected tax expense	**2,654**	2,627
Adjustment for marginal tax rate differences	**(13)**	(15)
Adjustment for non deductible (income)/expenses	**(48)**	12
Other adjustments		
Tax charge in respect of prior years	**-**	(1)
Utilisation of losses not provided for	**(1)**	(1)
Actual tax expense	**2,592**	2,622
Comprising		
Current tax expense	**2,605**	2,699
In respect of prior year	**-**	(1)
Deferred tax		
Origination and reversal of temporary differences	**(13)**	(76)
	2,592	2,622

Notes to the financial statements

13 Profit for the year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements The parent company's profit for the year was £4,743,000 (2010 £12,204,000)

14 Earnings per share

	2011			2010		
	Earnings £'000	**Weighted average number of shares**	**Pence per share**	Earnings £'000	Weighted average number of shares	Pence per share
Basic	**7,423**	**29,871,611**	**24.8**	6,759	29,870,303	22 6
Dilutive effect of shares in Employee Share Ownership Plan	**-**	**4,570**	**-**	-	4,145	-
Diluted	**7,423**	**29,876,181**	**24 8**	6,759	29,874,448	22 6
Profit for the year	**7,423**	**29,871,611**	**24 8**	6,759	29,870,303	22 6
Interest expense	**3**		**-**	3		-
Tax	**2,592**		**8.7**	2,622		8 8
Depreciation	**446**		**1 5**	449		1 5
Profit on disposal of subsidiary undertaking	**(250)**		**(0.8)**			
EBITDA	**10,214**	**29,871,611**	**34.2**	9,833	29,870,303	32 9

EBITDA per share is based on earnings before interest, tax, depreciation and goodwill impairment, but excluding profit on disposal of a subsidiary undertaking

15 Dividends

	2011	2010	**2011**	2010
	Pence per share		**£'000**	£'000
Equity dividends				
Ordinary shares paid in year				
March	**4.35**	8 50	**1,308**	2,555
June	**4 35**	-	**1,308**	-
September	**4.35**	4 25	**1,308**	1,278
December	**4.35**	4 25	**1,308**	1,278
			5,232	5,111
Less amounts paid on own shares			**(38)**	(37)
	17.40	17 00	**5,194**	5,074

Notes to the financial statements

16 Goodwill

All of the goodwill results from the acquisition of Berkeley Morgan Group Limited in January 2005 The carrying amount of goodwill which has been allocated to that cash-generating unit can be analysed as follows

	2011	2010
	£'000	£'000
Net carrying amount at 1 January	**3,000**	3,000
Carrying value eliminated on disposal	**(100)**	-
Net carrying amount at 31 December	**2,900**	3,000

The net carrying amount is after impairment provisions charged in prior years of £6,533,000

The underlying performance of the Berkeley Morgan Group has been slightly ahead of forecast during the year and no further impairment provision has been necessary

The amounts for the cash-generating unit were determined based on value in use calculations over a period of fifteen years, covering a detailed five year forecast, followed by an extrapolation of expected cash flows at a growth rate of nil (2010 nil) The growth rate does not assume significant increases in sales volumes or profitability as the current circumstances of the business environment make it difficult for growth to be assumed A fifteen year period has been used as the directors believe that the core business activities of that group will continue to make a contribution to group profits for the foreseeable long term future The pre-tax discount rate at 31 December 2011 has been estimated at 15 00% (2010 15 00%) based upon the weighted average cost of capital of the group and that of other companies in the same market sector The value in use calculation supports the net carrying amount

There are a number of significant estimates used by management to determine the value in use of goodwill including profitability and discount rate

If profits were to decrease by 10% over the 15 years, the impairment provision would increase by approximately £0 3m If the discount rate were to increase by 1% the impairment provision would increase by £0 1m

Notes to the financial statements

17 Property, plant and equipment

For the year ended 31 December 2011

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2011	5,478	970	455	1,209	8,112
Additions	-	276	94	20	390
Disposals	-	(286)	(25)	(53)	(364)
At 31 December 2011	5,478	960	524	1,176	8,138
Depreciation					
At 1 January 2011	939	357	314	891	2,501
Provided in the year	95	235	52	64	446
Eliminated on disposals	-	(212)	(24)	(48)	(284)
At 31 December 2011	1,034	380	342	907	2,663
Net book amount at 31 December 2011	**4,444**	**580**	**182**	**269**	**5,475**
Net book amount at 31 December 2010	4,539	613	141	318	5,611

For the year ended 31 December 2010

	Freehold land and properties £'000	Motor vehicles £'000	Computer equipment £'000	Furniture fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2010	5,478	817	407	2,057	8,759
Additions	-	417	152	167	736
Disposals	-	(264)	(104)	(1,015)	(1,383)
At 31 December 2010	5,478	970	455	1,209	8,112
Depreciation					
At 1 January 2010	844	308	378	1,808	3,338
Provided in the year	95	217	39	98	449
Eliminated on disposals	-	(168)	(103)	(1,015)	(1,286)
At 31 December 2010	939	357	314	891	2,501
Net book amount at 31 December 2010	**4,539**	**613**	**141**	**318**	**5,611**
Net book amount at 31 December 2009	4,634	509	29	249	5,421

Notes to the financial statements

18 Investment properties

	2011 £'000	2010 £'000
Carrying value at 1 January and 31 December	**3,185**	3,185

There are two investment properties, one in Milton Keynes and one in Blackburn Neither has been valued by independent professional chartered surveyors

The directors believe that, taking into account recent property transactions in the Milton Keynes area, the total open market value of the Milton Keynes property is likely to be in the range £4,500,000 - £5,000,000 The group's share of this amount is 50%

The directors believe that the open market value of the Blackburn property is likely to be in the range £1,000,000 - £1,200,000

19 Financial assets

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Bank deposits	**12,154**	5,000	**-**	-
Other loans and receivables	**1,905**	1,972	**3,809**	3,943
Financial assets				
Designated at fair value through profit and loss	**90**	150	**90**	150
Available for sale	**387**	456	**-**	-
	14,536	7,578	**3,899**	4,093

The loans and receivables are secured by a charge over the Milton Keynes property shown within note 18

Quoted financial assets designated at fair value through profit and loss and available for sale assets are stated at their bid market price and are tier 1 assets under IFRS 7

Unquoted financial assets designated at fair value through profit and loss are valued using an expected future cash flow basis At 31 December 2011 all unquoted financial assets were valued at £nil (2010 £nil)

Notes to the financial statements

20 Trade and other receivables

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Loans and receivables				
Trade receivables arising out of direct insurance operations	**3,117**	1,528	-	-
Reinsurers' share of technical provisions	**599**	-	-	-
Other receivables due within one year	**806**	930	-	-
Amounts due from subsidiary undertakings	-	-	**2,943**	1,247
Accrued interest	**45**	34	-	-
Deferred acquisition costs	**17**	11	-	-
Other prepayments and accrued income	**647**	588	**7**	-
	5,231	3,091	**2,950**	1,247

All of the group's trade receivables arising out of direct insurance operations and other trade receivables due within one year have been reviewed for indicators of impairment

Some of the unimpaired receivables are past their due date as at the reporting date The age of receivables past their due date but not impaired is as follows

	2011	2010
	£'000	£'000
Not more than three months	**2,546**	2,411
More than three months but not more than 6 months	**190**	45
More than six months but not more than 1 year	**31**	2
	2,767	2,458

In the past, the group has incurred bad debt write offs up to approximately £40,000 in a year and consequently whilst the above may be overdue, the risk of credit default is considered to be low The group has no charges or other security over any of these assets

21 Cash and cash equivalents

	2011	2010
	£'000	£'000
Cash at bank and in hand	**1,043**	452
Short term investments/cash equivalents	**1,000**	6,623
	2,043	7,075

Notes to the financial statements

22 Share capital

	2011 £'000	2010 £'000
Authorised		
200,000,000 ordinary shares of 5p each	**10,000**	10,000
Allotted, called up and fully paid 30,064,661 (2010 30,064,661) ordinary shares of 5p each	**1,503**	1,503

The total number of own shares held by the Employee Benefit Trust at 31 December 2011 was 405,118 (2010 398,859)

As at 31 December 2011 the group maintained one share-based payment scheme for employee compensation

For the options granted to vest there are no performance criteria obligations to be fulfilled other than continuous employment during the 3 year period, except for early termination of employment by attaining normal retirement age, ill health or redundancy

All share-based employee compensation will be settled in equity The group has no legal or constructive obligation to repurchase or settle the options

Share option and weighted average exercise price are as follows for the reporting periods presented

	2011 Number	2011 Weighted average exercise price pence	2010 Number	2010 Weighted average exercise price pence
Outstanding at 1 January	**300,285**	**300.0**	289,498	279 8
Options granted in year	**170,119**	**281.4**	64,406	295 0
Options exercised in year	**-**	**-**	(53,619)	186 5
Options cancelled in year	**(56,387)**	**283.7**	-	-
Outstanding at 31 December	**414,017**	**294.7**	300,285	300 0

The weighted average exercise price of 209,213 (2010 199,263) share options exercisable at 31 December 2011 was 310 7 pence per share

The fair values of options which were granted on 31 March 2011 were determined by using the Black-Scholes valuation model The fair value of these options was 34 pence per share Significant inputs into the calculation include a weighted average share price of 283p and exercise prices as illustrated above Furthermore the calculation takes into account future dividends of 6 7% and a volatility rate of 30%, based on expected share price Risk-free interest rate was determined at 1 0% The options are exercisable between 3 and 10 years after the date of the grant and have an exercise price of 283 pence per share

The fair values of options which were granted on 10 October 2011 were determined by using the Black-Scholes valuation model The fair value of these options was 33 pence per share Significant inputs into the calculation include a weighted average share price of 274p and exercise prices as illustrated above Furthermore the calculation takes into account future dividends of 6 7% and a volatility rate of 30%, based on expected share price Risk-free interest rate was determined at 1 0% The options are exercisable between 3 and 10 years after the date of the grant and have an exercise price of 274 pence per share

The weighted average remaining contracted life of outstanding options at 31 December 2011 was 7 years and 0 months (2010 6 years and 4 months)

The underlying expected volatility was determined by reference to historical data No special features immanent to the options granted were incorporated into the measurement of fair value

Notes to the financial statements

In total, £18,000 of employee compensation by way of share based payment expense has been included in the consolidated income statement for 2011 (2010 £22,000) The corresponding credit is taken to equity No liabilities were recognised due to share-based transactions

23 Deferred tax

	2011		2010	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
Non-current assets and liabilities				
Property plant and equipment	**32**	**226**	32	237
Investment properties	**-**	**11**	-	12
Current assets				
Pension and other employee obligations	**-**	**-**	4	-
Share options	**1**	**-**	1	-
	33	**237**	37	249
Offset	**(33)**	**(33)**	(37)	(37)
	-	**204**	-	212

	2011 £'000	2010 £'000
At 1 January	**212**	189
Movement in provisions (credited)/charged to income statement	**(8)**	23
At 31 December	**204**	212

At 31 December 2011 the group had tax losses of £1,051,000 (2010 £1,056,000) available to carry forward to offset against future profits of the same trades A deferred tax asset has not been recognised in respect of the carried forward tax losses as there is uncertainty as to when they will be utilised given the trade is no longer a significant component of the group

Notes to the financial statements

24 Provisions

	2011	2010
	£'000	£'000
At 1 January	**117**	120
Movement in provisions charged to income statement	**99**	151
Utilised during the year	**(116)**	(154)
At 31 December	**100**	117

The provisions have been recognised in respect of the estimate of claw back of commission relating to cancellation of policies, pensions transfers and the free standing additional voluntary contributions review Due to the nature of the provisions, and the fact that they will be affected by circumstances that are outside of the control of the group, there is uncertainty as to the actual amount that should be provided for

This uncertainty is taken into consideration when reviewing the outstanding provisions at the balance sheet date The utilisation of the provisions over the past three years has been between £116,000 and £260,000 and the estimate has been based upon that history

The maximum potential claim of pension transfers and the free standing voluntary contributions review is unknown as it depends upon the circumstances of each claim

25 Trade and other payables

		Group		**Company**
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Financial liabilities measured at amortised cost				
Claims outstanding	**1,104**	1,075	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**6,371**	4,601
Other creditors	**1,682**	1,105	**-**	-
Provision for unearned premiums	**1,481**	190	**-**	-
Accruals and deferred income	**1,776**	1,885	**41**	6
	6,043	4,255	**6,412**	4,607

The gross claims ratio relating to claims outstanding and the impact of assumptions on this estimate is shown in note 3 These liabilities are not secured against any assets of the group

26 Borrowings

	2011	2010
	£'000	£'000
Financial instruments measured at amortised cost		
AESOP bank loan	**114**	94

The AESOP bank loan is repayable within one year by equal monthly instalments Interest is charged at 1% over the Co-operative Bank Plc base rate

Notes to the financial statements

27 Company investment in subsidiary undertakings and joint venture

	Shares in subsidiary undertakings	
	2011	2010
	£'000	£'000
Cost		
At 1 January	**24,442**	24,442
Disposal	**(400)**	-
At 31 December	**24,042**	24,442
Amounts written off		
At 1 January	**9,751**	9,578
Impairment provision in year	**100**	173
Eliminated on disposal	**(329)**	-
	9,522	9,751
Net book amount at 31 December	**14,520**	14,691

The impairment provision includes the Berkeley Morgan Group Limited write down, using similar assumptions and estimates in the goodwill impairment review (see note 16), along with the impairment of dormant and loss making subsidiary undertakings

At 31 December 2011 the company held 100% of the allotted share capital of the following trading companies, all of which were incorporated in England and Wales and have been consolidated in the group financial statements

	Nature of business
Personal Assurance Plc *	General insurance
Personal Assurance Services Limited *	Administration services
Personal Group Benefits Limited *	Employee benefits sales and marketing
Personal Group Trustees Limited *	Trustee for employee share options
Personal Management Solutions Limited *	Employee benefits sales and marketing
Berkeley Morgan Group Limited *	Berkeley Morgan Group Holding company
Berkeley Morgan Limited	Independent financial advisers
Universal Provident Limited	Health insurance services
B M Agency Services Limited	Wholesale insurance intermediary

* Directly owned by Personal Group Holdings Plc

At 31 December 2011 the company held 50% of the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited which has been incorporated in England and Wales At 31 December 2011 the allotted share capital of Abbeygate Developments (Marlborough Gate 2) Limited was 2 £1 ordinary shares (see note 32)

28 Capital commitments

The group had no capital commitments at 31 December 2011 and 31 December 2010

29 Contingent liabilities

There were no contingent liabilities at 31 December 2011 and 31 December 2010

Notes to the financial statements

30 Pensions

Group and self invested personal pension schemes

The company operates a 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 In addition the company makes contributions to certain directors' self invested personal pension schemes These schemes are administered by independent third party administrators and the funds are held independent of the company

31 Leasing commitments and rental income receivable

Total operating lease payments due until the end of the lease, or the first break clause, total £114,000 (2010 £164,000) All payments are in respect of land and buildings An analysis of these payments due is as follows

	2011	2010
	£'000	£'000
Total operating lease payments falling due on leases		
Within one year	**83**	80
Within one to two years	**31**	64
Within two to five years	**-**	20
	114	164

Total operating rent receivable payments due until the end of the lease or the first break clause, total £982,000 (2010 £1,176,000) An analysis of these receivable payments due is as follows

	2011	2010
	£'000	£'000
Total rent receivable payments falling due on leases		
Within one year	**355**	255
Within one to two years	**260**	297
Within two to five years	**367**	614
Within five to ten years	**-**	10
	982	1,176

32 Related party transactions

Personal Group Holdings Plc does not have any bank accounts other than a loan account All transactions are dealt with via subsidiary undertakings A list of inter-company balances with subsidiary undertakings is as follows

	2011 Receivable £'000	**2011 Payable £'000**	2010 Receivable £'000	2010 Payable £'000
Personal Assurance Plc	**2,599**	**-**	644	-
Personal Assurance Services Limited	**-**	**3,332**	-	3,558
Personal Group Benefits Limited	**7**	**-**	293	-
Personal Insurance & Reinsurance Brokers Limited	**-**	**-**	-	42
Personal Assurance Financial Services Plc	**-**	**137**	-	137
Multiplelisting Limited	**-**	**100**	-	100
John Ormond House Limited	**-**	**-**	-	-
Personal Management Solutions Limited	**334**	**-**	307	-
Mutual Benefit Limited	**-**	**12**	-	12
ParTake Services Limited	**3**	**-**	3	-
Berkeley Morgan Group Limited	**-**	**2,790**	-	752
	2,943	**6,371**	1,247	4,601

During 2004 the company entered into a joint venture agreement with Abbeygate Developments Limited to construct a freehold joint office and residential property development on land adjacent to John Ormond House A joint venture company called Abbeygate Developments (Marlborough Gate 2) Limited was established to construct the property This company is owned equally by Personal Group Holdings Plc and Abbeygate Developments Limited

The development is funded by way of a loan from Personal Group Holdings Plc Up to and including 31 May 2009 interest on the loan was charged at 1% above the Bank of England base rate on a daily basis The interest charge increased to 2 5% above the Bank of England base rate on 1 June 2009 During the year interest receivable totalled £116,093 (2010 £119,782) Personal Group Holdings Plc has a charge over the development

At 31 December 2011 the amount outstanding on the loan was £3,809,159 (2010 £3,943,682)

Notes to the financial statements

The aggregate amounts relating to Abbeygate Developments (Marlborough Gate 2) Limited that have been included in the consolidated financial statements are as follows

	2011 £'000	2010 £'000
Non-current assets		
Property, plant and equipment	**7**	8
Investment property	**2,117**	2,117
Long term financial assets	**(1,904)**	(1,972)
	220	153
Current assets		
Trade and other receivables	**25**	26
	245	179
Current liabilities		
Trade and other payables	**17**	29
Current tax liabilities	**19**	15
	36	44
Income	**182**	193
Expenses	**(91)**	(121)
Profit for the year before tax	**91**	72

The long term financial asset deduction represents the derecognition of the group's long term asset invested in the joint venture

There were no cash movements in the year as the company does not have its own bank account and all transactions are dealt with through inter-company accounts

33 Cash flows from insurance contracts

During the year £18,992,000 (2010 £18,260,000) was received from insurance contracts Future cash flows will depend upon the amount of new business written, and the amount of cancellations received, in any financial period

34 Controlling related party

C W T Johnston is the group's controlling related party by virtue of his majority shareholding

Personal Group Holdings Plc
John Ormond House, 899 Silbury Boulevard,
Central Milton Keynes, Buckinghamshire MK9 3XL

Telephone 01908 605000 Facsimile 01908 201711

www personal-group com

personal group