

**Personal Group Benefits Limited**  
Financial statements  
For the year ended 31 December 2006

Grant Thornton 



**Company No. : 3195037**

## Company information

<b>Company registration number :</b>	3195037
<b>Registered office :</b>	John Ormond House 899 Silbury Boulevard Central Milton Keynes MK9 3XL
<b>Directors :</b>	C W T Johnston H Harrison A G Lothian K W Rooney S G Vidler
<b>Secretary :</b>	Dr J P Barber
<b>Bankers :</b>	The Co-operative Bank Plc 1 Birmingham Corporate Banking Centre PO Box 82 118-120 Colmore Row Birmingham B3 3BA
<b>Solicitors :</b>	Howes Percival Solicitors 252 Upper Third Street Grafton Gate East Milton Keynes MK9 1DZ
<b>Auditors :</b>	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW

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## Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 2006

### Principal activity

The company is principally engaged in marketing employee benefits

### Results and dividends

On 1 January 2006, as the result of a group re-organisation the key account function was transferred to another group company Personal Management Solutions Limited. This has resulted in a significant decrease in costs during the year compared to 2005. In addition further cost savings were recorded as a result of the lower new sales activity of the worksite team during the year.

The profit for the year, before taxation of £410,000 (2005 £nil) amounted to £1,360,000 (2005 £203,000 loss). During the year ordinary dividends of £750,000 were paid, leaving £200,000 added to reserves.

### Directors

The present membership of the Board is set out below. All directors served throughout the year with the exception of H Harrison who was appointed as a director on 24 April 2006.

The directors did not hold any interest in any of the shares of the company throughout the year. 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 parent company at 1 January 2006 and 31 December 2006, as recorded in the register maintained by the parent company in accordance with the provisions of the Companies Act 1985, were as follows:

	Ordinary shares of 5p each in Personal Group Holdings plc	
	At 31 December 2006	At 1 January 2006 or at date of appointment if later
C W T Johnston (Chairman)	15,476,393	15,456,393
K W Rooney (Chief Executive)	75,651	72,724
H Harrison	253	-
A G Lothian	3,280	2,548
S G Vidler	23,361	45,047

On 27 April 2004 the Remuneration Committee of Personal Group Holdings Plc approved the award of options to purchase shares in Personal Group Holdings Plc as follows:

	Number of shares	Exercise price pence per share	Earliest exercisable date
K W Rooney (Chief Executive)	69,704	186.5	27 April 2007
A G Lothian	16,085	186.5	27 April 2007
S G Vidler	16,085	186.5	27 April 2007

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

**Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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 1985. 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 the directors are aware

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

**Financial risks**

The financial risk management objectives of the company are to manage financial risks to a level acceptable to the board and to ensure that cash resources are always available to pay all liabilities as and when they fall due.

The company does not have any exposure to foreign currencies and does not use any derivatives or hedging to manage any of its liabilities.

**Auditors**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



J P Barber  
Secretary

20 March 2007

## Report of the independent auditors to the members of Personal Group Benefits Limited

We have audited the financial statements of Personal Group Benefits Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

## Report of the independent auditors to the members of Personal Group Benefits Limited

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
CENTRAL MILTON KEYNES

22 March 2007

## Principal accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

### Commission recognition

Commission income is recognised on a receivable basis

### Tangible fixed assets and depreciation

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

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

### Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### Contributions to pension funds

Group personal pension scheme

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



## Profit and loss account

	Note	2006 £'000	2005 £'000
Commission receivable		4,504	4,899
Administration expenses		<u>(3,144)</u>	<u>(5,102)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	1	<b>1,360</b>	<b>(203)</b>
Tax on profit/(loss) on ordinary activities	3	<u>(410)</u>	<u>-</u>
<b>Profit/(loss) for the financial year</b>	8	<b><u>950</u></b>	<b><u>(203)</u></b>

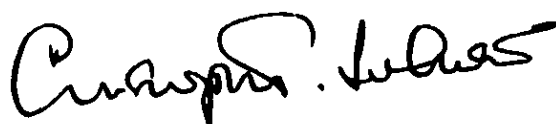
There are no recognised gains or losses for the period other than the loss for the financial year. All operations are classed as continuing activities.

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

## Balance sheet

	Note	2006 £'000	2005 £'000
Tangible fixed assets	4	539	539
<b>Current assets</b>			
Debtors	5	522	1,921
Cash at bank and in hand		48	58
		<u>570</u>	<u>1,979</u>
<b>Creditors, amounts falling due within one year</b>	6	<u>(472)</u>	<u>(2,081)</u>
<b>Net current assets/(liabilities)</b>		98	(102)
		<u>637</u>	<u>437</u>
<b>Capital and reserves</b>			
Called up share capital	7	50	50
Profit and loss account	8	587	387
<b>Shareholders' funds</b>	9	<u>637</u>	<u>437</u>

The financial statements were approved by the Board on 20 March 2007



C W T Johnston

## Notes to the financial statements

### 1 Profit/(loss) on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before taxation is stated after		
Auditors' remuneration (inclusive of non-recoverable VAT) for audit services	2	5
Depreciation	<u>130</u>	<u>153</u>

### 2 Directors and employees

Staff costs during the year were as follows

	2006 £'000	2005 £'000
Wages and salaries	1,616	2,481
Social security cost	172	300
Pension costs	<u>101</u>	<u>153</u>
	<u>1,889</u>	<u>2,934</u>

The average number of employees (including executive directors) employed by the company was 59 (2005 68), all of whom were sales employees

Remuneration in respect of directors was as follows

	2006 £'000	2005 £'000
Emoluments	161	959
Pension contributions to a group personal pension scheme	<u>12</u>	<u>77</u>

During the year, 2 directors (2005 10 directors) participated in a group personal pension scheme

The amounts set out above include remuneration in respect of the highest paid director as follows

	2006 £'000	2005 £'000
Emoluments	88	274
Pension contributions to a group personal pension scheme	<u>7</u>	<u>11</u>

### 3 Tax on profit/(loss)/ on ordinary activities

(a) Analysis of charge in period

	2006 £'000	2005 £'000
Current tax		
UK corporation tax on profit/(loss) of the period	403	-
Adjustments in respect of previous periods	-	-
Total current tax (note 3 (b))	403	-
Deferred tax		
Origination and reversal of timing differences	7	-
Total deferred tax	7	-
Tax on profit/(loss) on ordinary activities	410	-

(b) Factors affecting tax charge for year

The tax assessed for the year is different from the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before tax	1,360	(203)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	408	(61)
Effect of		
Expenses not deductible for tax purposes	1	3
Group relief	-	56
Capital allowances for the year in excess of depreciation	(6)	2
Current tax charge for the year (note 3 (a))	403	-

#### 4 Tangible fixed assets

	Freehold buildings £'000	Motor vehicles £'000	Computer equipment £'000	Furniture, fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2006	232	506	87	74	899
Intra group transfers	-	(38)	(26)	(1)	(65)
Additions	-	187	23	1	211
Disposals	-	(225)	(4)	-	(229)
At 31 December 2006	<u>232</u>	<u>430</u>	<u>80</u>	<u>74</u>	<u>816</u>
Depreciation					
At 1 January 2006	12	236	63	49	360
Intra group transfers	-	(9)	(17)	(1)	(27)
Provided in the year	5	107	12	6	130
Eliminated on disposals	-	(182)	(4)	-	(186)
At 31 December 2006	<u>17</u>	<u>152</u>	<u>54</u>	<u>54</u>	<u>277</u>
Net book value at 31 December 2006	<u>215</u>	<u>278</u>	<u>26</u>	<u>20</u>	<u>539</u>
Net book value at 31 December 2005	<u>220</u>	<u>270</u>	<u>24</u>	<u>25</u>	<u>539</u>

#### 5 Debtors

	2006 £'000	2005 £'000
Trade debtors	-	35
Other debtors	24	44
Deferred tax	18	25
Amounts owed by group undertakings	<u>480</u>	<u>1,817</u>
	<u>522</u>	<u>1,921</u>

**6 Creditors: amounts falling due within one year**

	2006 £'000	2005 £'000
Corporation tax	236	-
Social security and other taxes	53	119
Accruals and deferred income	183	312
Amounts owed to group undertakings	-	1,650
	<u>472</u>	<u>2,081</u>

**7 Share capital**

	2006 £'000	2005 £'000
Authorised 50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allotted, called up and fully paid 50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

**8 Profit and loss account**

	2006 £'000
At 1 January 2006	387
Retained profit/(loss) for the year	950
Dividends paid in year	<u>(750)</u>
At 31 December 2006	<u>587</u>

**9 Reconciliation of movements in shareholders' funds**

	2006 £'000	2005 £'000
Profit/(loss) for the financial year	950	(203)
Final dividend paid in year	<u>(750)</u>	<u>-</u>
Net increase/(decrease) in shareholders' funds	200	(203)
Shareholders' funds at 1 January 2006	<u>437</u>	<u>640</u>
Shareholders' funds at 31 December 2006	<u>637</u>	<u>437</u>

## **10 Capital commitments**

The company had no capital commitments at 31 December 2006 or 31 December 2005

## **11 Contingent liabilities**

There were no contingent liabilities at 31 December 2006 or 31 December 2005

## **12 Pensions**

Group personal pension scheme

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.

## **13 Ultimate controlling related party**

The directors consider that the ultimate parent undertaking of this company is its parent company, Personal Group Holdings plc, a company registered in England and Wales.

C W T Johnston is the company's ultimate controlling related party by virtue of his shareholding in Personal Group Holdings plc.

The only group of undertakings for which group accounts have been drawn up is that headed by Personal Group Holdings plc. Copies of these group accounts may be obtained from the Registered Office.

As a wholly owned subsidiary of Personal Group Holdings plc the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Personal Group Holdings plc.