

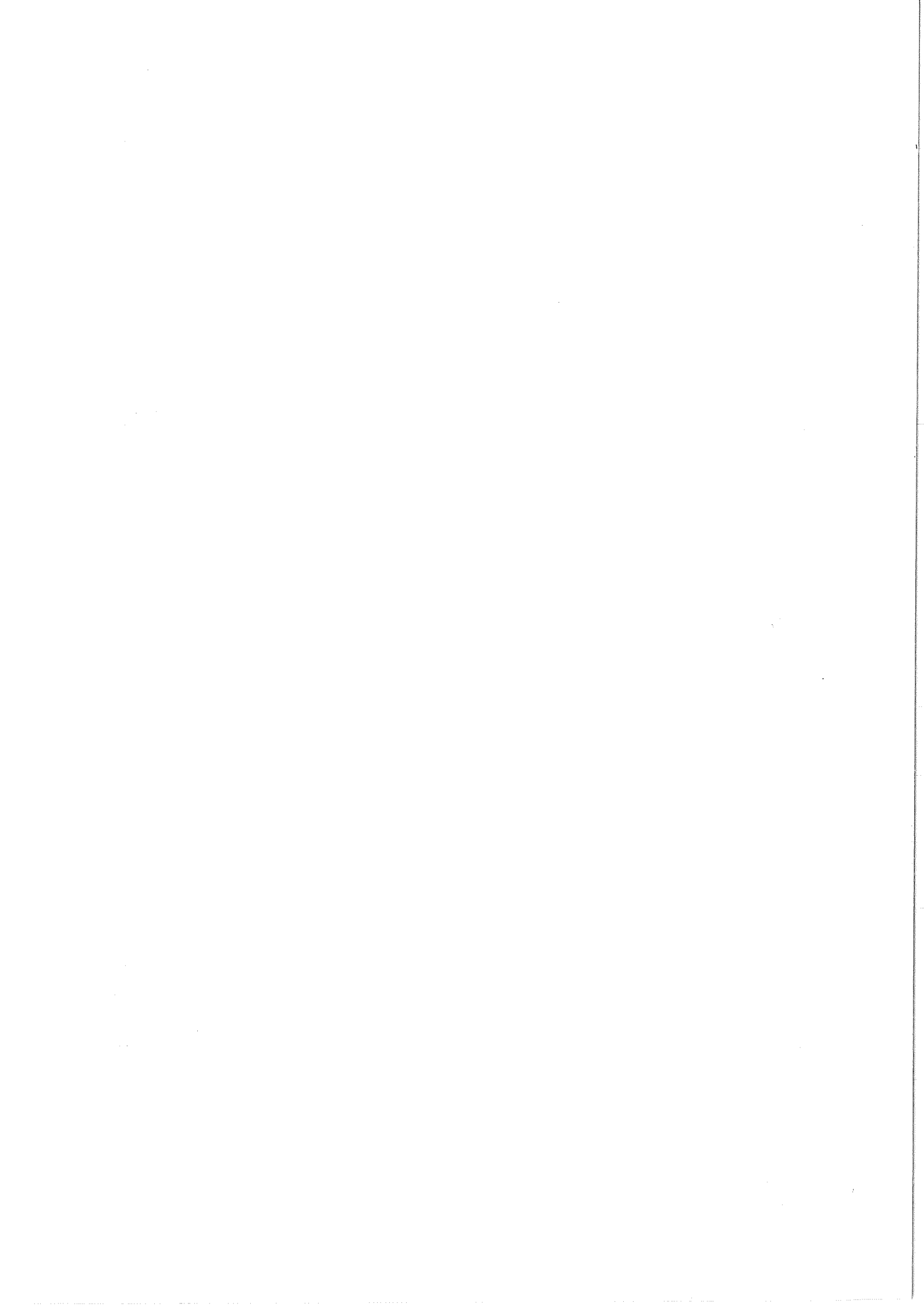
Personal Group Holdings

Personal Group Holdings PLC

Introduction and Admission to AIM

Sponsored by

Rowan Dartington & Co Limited



If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

The Directors of the Company, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything which is likely to affect the import of such information. The Directors accept responsibility accordingly.

Application has been made for the whole of the issued ordinary share capital of Personal Group Holdings PLC to be admitted to trading on the Alternative Investment Market of the London Stock Exchange PLC ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investment in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official list of the UK Listing Authority. Further, the London Stock Exchange has not itself approved the contents of this document.

This document, which is an Admission Document relating to Personal Group Holdings PLC, has been drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 (the "POS Regulations") as required by the Rules of the London Stock Exchange governing the admission to, and the operation of, AIM. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations. Rowan Dartington & Co. Limited has not authorised the contents of any part of this document for the purpose of Regulation 13(1)(g) of the POS Regulations.

Personal Group Holdings PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered No. 3194991)

ADMISSION OF ORDINARY SHARES TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET

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Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Nominal value</i>	<i>No. of shares</i>		<i>Nominal value</i>	<i>No. of shares</i>
£10,000,000	200,000,000	Ordinary Shares of 5p each	£1,527,397	30,547,940

Upon Admission, the Ordinary Shares will rank *pari passu* in all respects and, save for the interim dividend in respect of the year ending 31 December 2000 declared on 10 November and payable on 19 December 2000, will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company. It is expected that the Ordinary Shares will be admitted to trading on AIM and that dealings will commence on 27 November 2000. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such application has been made.

The Company's advisers named in this document are acting for Personal Group Holdings PLC.

CONTENTS

	<i>Page</i>
DEFINITIONS	3
DIRECTORS, SECRETARY AND ADVISERS	5
SUMMARY OF KEY INFORMATION	6
PART I INFORMATION ON THE COMPANY	8
Introduction	8
History and Background	8
The Business	9
● Products	9
● Sales and marketing	10
● Marketplace	10
● Strategy and prospects	11
● the Regulatory Environment	11
Directors, Management and Employees	11
Employee Incentive Schemes	12
Corporate Governance	12
Financial Information	13
Current Trading	13
Dividend Policy	13
CREST	14
Reasons for Admission	14
PART II FINANCIAL INFORMATION	15
(a) Accountants' report for the three financial years ended 31 December 1999	15
(b) Unaudited interim accounts for the eight months ended 31 August 2000	32
PART III ADDITIONAL INFORMATION	36

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares in issue to trading on AIM, and such admission becoming effective in accordance with the AIM Rules
“Admission Document”	this document
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of AIM contained within Chapters 16 and 17 of the Rules of the London Stock Exchange
“Articles”	the articles of association of the Company adopted conditionally on Admission by special resolution on 31 October 2000, the provisions of which include those summarised in paragraph 5 of Part III of this document
“Benefit Book”	a 16 or more page A5 format colour printed booklet containing information and advertisements relating to individual insurance and lifestyle benefits
“Board”	the board of directors of the Company from time to time
“Combined Code”	the Combined Code Principles of Good Governance and Code of Best Practice, published in June 1998
“Company” or “Personal Group”	Personal Group Holdings PLC (registered number 3194991) and/or, where the context admits, the Subsidiaries
“Directors”	the directors of Personal Group whose names are set out on page 5
“Group”	from July 1997 to date, Personal Group and the Subsidiaries from time to time and prior thereto, PA and its subsidiary PAFS
“Host Companies”	employers that operate employer paid or employee paid benefit programmes with the Company
“Howper”	Howper 335 Limited (registered number 4099225)
“London Stock Exchange”	the London Stock Exchange plc
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares” or “Shares”	ordinary shares of 5 pence each in the capital of the Company resulting from the subdivision of the Company’s £1 ordinary shares and approved conditionally upon Admission by ordinary resolution on 31 October 2000
“PA”	Personal Assurance Public Limited Company (registered number 1832067)
“PAFS”	Personal Assurance Financial Services PLC (registered number 2588144)
“PAS”	Personal Assurance Services Limited (registered number 3194988)

“PGB”	Personal Group Benefits Limited (registered number 3195037)
“PIRB”	Personal Insurance & Reinsurance Brokers Limited (registered number 3322641)
“POS Regulations”	the Public Offers of Securities Regulations 1995 (SI 1995/1537)
“PPM”	Personal Property Management Limited (registered number 2627085)
“Rowan Dartington”	Rowan Dartington & Co. Limited
“Shareholders”	registered holders of Ordinary Shares from time to time
“Share Incentive Schemes”	the All Employee Share Ownership Plan and the Selective Company Share Ownership Plan, details of which are contained in Paragraph 5 of Part III of this document
“Subsidiaries”	PA, PAFS, PAS, PGB, PIRB and PPM
“The Taxes Act”	The Income and Corporation Taxes Act 1988, as amended
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986, as amended

DIRECTORS, SECRETARY AND ADVISERS

Directors

John Swarbrick
Christopher Wilfred Thomas Johnston
Dr John Philip Barber
Robert Patrick Pease

Kenneth William Rooney

Sidney Milne Donald
Karl Heinz Klaeser

Chairman
Managing Director
Finance Director and Company Secretary
Executive Director, Managing Director of Personal
Insurance & Reinsurance Brokers Limited
Executive Director, Managing Director of Personal
Assurance Financial Services PLC

Non-Executive Director
Non-Executive Director

all of:

Bank House
171 Midsummer Boulevard
Central Milton Keynes
MK9 1EB

Company Secretary

Registered Office

Dr John Philip Barber
Bank House
171 Midsummer Boulevard
Central Milton Keynes
MK9 1EB

Nominated Adviser and Nominated Broker

Rowan Dartington & Co. Limited
Colston Tower
Colston Street
Bristol
BS1 4RD

Reporting Accountants

Grant Thornton
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Registered Auditor

Grant Thornton
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes
MK9 1LW

Solicitors to the Company

Howes Percival
252 Upper Third Street
Grafton Gate East
Central Milton Keynes
MK9 1DZ

Solicitors to the Admission

Osborne Clarke OWA
50 Queen Charlotte Street
Bristol
BS1 4HE

Financial Public Relations

David MacDougall Associates
Birchett's Point
Wadhurst
Kent
TN5 7LH

Registrars

Connaught St. Michaels Limited
PO Box 30
Cresta House
Alma Street
Luton
Bedfordshire LU1 2PU

SUMMARY OF KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived.

The Business

The Group's core business is the marketing and provision of voluntary employee benefits.

Key Strengths

The Directors consider the Group to have the following key strengths:

- well established business
- profitable and cash generative
- consistent claims to premiums ratio
- high proportion of repeat and predictable earnings
- experienced management team
- strong balance sheet
- solid growth prospects

Trading Record

The Group was established in 1984 and has been profitable since 1986. For the three financial years ended 31 December 1999, the Group's track record as extracted from the accountants' report set out at Part II(a) of this document was as follows:

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Gross income	9,700	10,787	12,138
Profit before tax and unrealised investment gains and losses	3,113	3,986	4,013
Pre-tax profit	3,143	3,923	4,554
Shareholders' funds	6,975	8,220	10,362

The Company's gross income comprises earned premiums net of reinsurance premiums, realised investment gains and losses, investment income and other income representing commission from writing term assurance policies and fees and commission arising from other financial products and services.

For the eight months to 31 August 2000, the Group has achieved pre-tax profit of £2.6 million on gross income of £9.1 million. At 31 August 2000, Shareholders' funds amounted to £11.6 million, including cash of £9 million. The Group will utilise approximately £5.5 million of its cash resources in the purchase of new premises during December 2000.

A summary of the Group's unaudited accounts for the period to 31 August 2000 is contained in Part II(b) of this document.

Strategy and Prospects

The Directors believe that the opportunities open to the Group are increasing. The overall market is sizeable and fragmented and the Group's established position in the market means that it is well placed to continue to take advantage of the trend for employers to replace fixed level benefits with more popular partly or wholly funded flexible benefit programmes.

Dividend Policy

The Company has a long established policy of dividend payments. For the year ended 31 December 1999, the Company paid dividends totalling 66p per share, covered 3.12 times by audited earnings. Since then and in order to facilitate Admission, the Company has, conditionally upon Admission, implemented a capital reorganization by subdividing its authorised and issued share capital into Ordinary Shares of 5p each. If the Ordinary Shares had been admitted to AIM for the whole of 1999, the notional dividend per Ordinary Share would have been 3.3p

The dividend policy of the Company is set out on page 13 of this document.

Reasons for Admission

The Directors consider that the Group has developed to a stage when an AIM quotation will enhance the Group's profile in the marketplace. In addition, while some 40 of the Group's current workforce own Ordinary Shares, Admission will create a wider market for the Ordinary Shares and enable the Company to adopt meaningful share option schemes to motivate existing staff and attract and retain new recruits of the highest calibre.

A limited number of Ordinary Shares is being sold by existing institutional Shareholders' primarily for purchase by employees, to improve initial liquidity and facilitate the development of an orderly market. The Company is not issuing any new Ordinary Shares. The Directors will keep under review the opportunity to make selective acquisitions which may be funded partly or wholly by the issue of new Ordinary Shares.

Market Information	
Number of Ordinary Shares in issue upon Admission	30,547,940
Notional earnings per Ordinary Share	10.3p
Notional dividend per Ordinary Share	3.3p

Notes:

- (1) The Company's authorised share capital of £10,000,000, divided into 10,000,000 ordinary shares of £1 each of which 1,527,397 were in issue was subdivided into 200,000,000 ordinary shares of 5p each, of which 30,547,940 are in issue pursuant to an ordinary resolution passed conditionally upon Admission on 31 October 2000 .
- (2) Notional earnings per Ordinary Share are derived from the post tax profits of the Company for the year ended 31 December 1999 and on the basis that the Ordinary Shares had been in issue throughout the period.
- (3) The notional dividend represents the amount per share which the Company would have paid if the Ordinary Shares had been admitted to AIM throughout 1999.

PART I

INFORMATION ON THE COMPANY

Introduction

The Group's core business is the marketing and provision of voluntary employee benefits that are arranged by the Company at the client's place of employment.

From a venture capital-financed start up as an authorised insurer in 1984, Personal Assurance Public Limited Company ("PA"), the original insurance company of the Group, is now one member of a group of companies whose activities include insurance and re-insurance broking, financial services, Benefit Book publishing and insurance sales and services.

The Group has been profitable since 1986 and does not presently anticipate a need to raise capital.

The Directors consider the Company has now reached a stage where an AIM quotation will enhance the Company's profile in the marketplace. In addition, Admission will create a wider market for the Company's shares and enable the Company to offer meaningful share incentive schemes to motivate existing staff and attract new recruits.

History and Background

The business of the Group began when PA was formed in 1984 by Christopher Johnston, who had been Managing Director of Multiple Health & Life Insurance Company ("MHL") from 1978 to 1983. Following incorporation, John Ormond, (who had been employed as claims manager by MHL), John Sleeman and John Swarbrick (representing institutional investors) joined Christopher as directors. John Sleeman died in 1993 and John Ormond died in July this year.

PA was initially capitalised at £1 million and received authorisation as an insurance company in December 1984. The first year's trading produced the only loss in PA's history. Each subsequent year has been profitable.

By 1996, pre-tax profits had grown to £2.97 million on turnover of £8.22 million.

In 1997, the Directors recognised the opportunities present in the wider area of employee-paid voluntary benefits and the limitations to growth for as long as the business remained a single insurance company unable by regulation to market other products and services. In June 1997, therefore, a capital reorganisation was implemented to create a group structure under which all the shareholders in PA exchanged their shares for the same number of shares in the Company. Subsequently, further subsidiaries were added to allow the Group to market a full range of benefits to employees and to undertake other financial and related services.

The Company is now the holding company of six trading subsidiaries and Howper, the corporate trustee of the employee benefit trust set up in connection with the Share Incentive Schemes. The Group's principal place of business is in Central Milton Keynes and it also trades from two additional offices, one in Kings Langley, Hertfordshire and one in Sturminster Newton, Dorset. The Company has also contracted to purchase the freehold of a purpose-built office building in Central Milton Keynes to which it expects to move in March 2001. This will provide approximately 22,000 square feet of office accommodation, approximately twice the size of its existing Milton Keynes premises and is believed by the Directors to be sufficient to service the Company's requirements and expected growth for the foreseeable future. Further details about the contract for purchase are summarised in paragraph 12 of Part III of this document.

The Business

Products

The Group's principal product, representing approximately 77 per cent. of gross income and approximately 94 per cent. of premium income for the year ended 31 December 1999, is a low cost hospital cash plan, that provides cash sums to insured individuals when confined in hospital. There are approximately 175,000 hospital policies in force and they are underwritten by the Group. The Group has experienced a consistent claims to premium ratio for the core product, resulting in high levels of predictable earnings.

Additionally, PA underwrites personal insurance that pays cash benefits when policyholders are sick or hurt and unable to work.

At the beginning of 1998, the Group sales company, Personal Group Benefits Limited ("PGB"), added a fixed cost death benefit option (underwritten outside the Group). There are approximately 30,000 term assurance policies currently in force. Also in 1998, PGB published the first Benefit Book.

The first Benefit Books gave access to:

- Discount buying opportunities
- Personal tax advisory service
- Insurance broker
- Discount travel agency
- Personal loans scheme
- Domestic emergency service
- Personal hospital plan and death benefit

Since then, based on the requirements of the client's employer, benefits can include the following additions:

- Discount eyecare scheme
- Independent financial advice
- Discounted health club membership
- Car leasing scheme
- Vehicle breakdown club membership
- Private healthcare
- Dental insurance
- Stress / legal help line
- Healthcare cash plan

Since the introduction of the concept of the Benefit Book, PGB has found an increasing number of employers who recognise the advantage to their own human resource function of having their existing core benefits, plus those which could be added by PGB, bound together in a 'bespoke' Benefit Book given to their employees. At the present time, most Benefit Books published by the Group are bespoke books incorporating the relevant employer's colour scheme, logos and benefits selected with the assistance of PGB in addition to existing core benefits.

Personal Assurance Financial Services PLC ("PAFS") is an independent financial adviser, regulated by the Personal Investment Authority. PAFS provides corporate and individual clients, some of whom are introduced through other Group companies, with independent financial advice, particularly on pension planning, school fees and life assurance.

Personal Insurance & Reinsurance Brokers Limited ("PIRB") is an insurance and reinsurance broker registered in full with the Insurance Brokers Registration Council ("IBRC"). PIRB advises corporate and individual clients.

Personal Property Management Limited ("PPM") provides a residential property management service to landlords mainly in Hertfordshire, Bedfordshire and Buckinghamshire. This business also includes estate agency with one office in Kings Langley, Hertfordshire. PPM also arranges property emergency insurance.

Personal Assurance Services Limited ("PAS") acts as administrator for all Group business and provides a range of school fee protection plans.

Sales and marketing

PGB is the principal Group sales and marketing company with responsibility for finding new business opportunities and maintaining existing relationships, including Benefit Book production. PGB has a full-time employed sales force of some 30 account executives, supported by development managers, regional managers and PGB's executive directors. Sales by and through PGB constitute the Group's core business and, for the year ended 31 December 1999, amounted to approximately 90 per cent of the Group's gross income.

Including secretarial, training and support personnel, PGB currently has approximately 50 staff.

Following an invitation from the employer, enrolment programmes are arranged at the place of work, 'bespoke' Benefit Books are distributed to all employees, the range of benefits is reviewed and after personal presentations, individual employees decide whether or not to enrol themselves and their families in the policies offered by the Group. Premiums are usually paid through payroll deduction arranged by the employer.

Where no 'bespoke' Benefit Book has been requested, only those employees who enrol in the policies are entitled to receive the Group's standard Benefit Book and then only with the employer's prior consent.

PAFS has a team of registered advisers who are required to follow marketing and sales procedures in accordance with the rules of the Personal Investment Authority.

The school fee protection and personal property emergency policies, which are underwritten outside the Group, are marketed by PAS.

The Group places great importance on the establishment and maintenance of long-term relationships with its Host Companies and their employees. Once established, the relationship is usually maintained on the basis of annual or bi-annual service programmes. At present the Group provides insurance to the employees of over 70 Host Companies. With the exception of one Host Company, which accounts for approximately 18 per cent. of Group turnover, no Host Company accounts for more than 5 per cent. of Group turnover.

Once a benefit programme has been launched, the Group will commit account management, regional management and account executives in sufficient numbers to endeavour to ensure target levels of communication are achieved. The resources used by the Group to achieve its objectives greatly exceed the revenues generated in the launch period. Acquisition costs of obtaining a new Host Company are substantially written off in the year in which they are incurred and it is not uncommon for a number of years to elapse before profits are produced for the Group from policies arranged with the employees of a new Host Company. Not all programmes turn out to be profitable.

Marketplace

The core business of the Group is represented by voluntary employee benefit programmes in operation with Host Companies. The Group has targeted primarily UK-based companies which employ more than 1,000 people. In addition to the Group's existing 70 Host Companies, approximately 2000 potential target companies have been identified.

The Directors believe the Group's overall market to be sizeable and increasing as employers recognise the attractions of offering employees a range of flexible benefits. Whilst there are some competitors, the market on the whole is fragmented and the Directors consider that the Group's competitive advantages are the personal nature of its services and its competitive pricing.

Strategy and prospects

The Directors believe that the opportunities open to the Group are increasing. In addition to the continuing demand for employers to offer a range of voluntary benefits to their employees, the Directors believe that there is a growing realisation among employers that traditional fixed level employer paid benefits, for senior staff, can be replaced by more popular partly or wholly funded flexible benefit programmes.

The Company's term assurance product, which was introduced in 1998, is considered by the Directors to be a key growth area.

With approximately 2000 companies identified as potential Host Companies for sales of the Group's core hospital protection and term assurance products, the Directors consider that the Group has solid prospects for continued safe and reliable growth. Furthermore, the Directors anticipate that the Group will benefit from the greater ability to cross-sell an increasing range of products across a wide client base.

The Directors believe that the Group is well placed to be able to organise, communicate, administer and report on flexible benefit programmes on behalf of Host Companies and is developing an integrated programme to incorporate the personal aspects of the Group's approach to communication with an internet-based reporting and information retrieval facility.

The Regulatory Environment

PA has been an authorised Accident and Health Insurer since 1984 and is a member of the Association of British Insurers and the Insurance Ombudsman Bureau. PA has been accredited to the European Quality Standard BS EN ISO 9001 since 1994. As a regulated insurance Company, PA is required to maintain minimum solvency levels as determined by HM Treasury Regulations. As at 31 August 2000, the Company's balance sheet included £1.7 million invested in shares, £2.3 million in short-dated Government securities and £9 million cash, although the Directors anticipate approximately £5.5 million will be used to acquire the new property mentioned above.

Directors, Management and Employees

J Swarbrick, Non-Executive Chairman (aged 74)

Mr Swarbrick has been a director of the Company since its formation in 1997 and has been a director of PA from its formation in 1984. He has many years' experience within the insurance industry, including being General Manager of Refuge Assurance from 1983 to 1986. He was appointed Chairman in 1994 and is chairman of both the audit and remuneration committees. He is also a director of Howper, the corporate trustee of the employee benefit trust set up in conjunction with the Share Incentive Schemes.

C W T Johnston, Managing Director (aged 56)

Christopher Johnston founded the Group in 1984 having been previously the managing director of Multiple Health and Life Insurance. He is a director of all Group companies.

Dr J P Barber, Finance Director (aged 41)

John Barber qualified as a chartered accountant with Grant Thornton before joining the Group in 1991. He was appointed to the Board during 2000 and is Company Secretary of all the Subsidiaries and also a director of Howper.

R P Pease, Executive Director (aged 55)

Robert Pease is managing director of Personal Insurance & Reinsurance Brokers Limited with responsibility for the Group's general and re-insurance broking services. He was appointed to the board of PA in 1997 and to the Board following the Company's incorporation in 1997.

K W Rooney, Executive Director (aged 50)

Ken Rooney is managing director of Personal Assurance Financial Services PLC and joined the Group in 1999 to lead the Group's financial advisory services business. He was appointed to the Board in 2000.

S M Donald, Non-Executive Director (aged 58)

Sidney Donald was a founder director of Natwest Ventures. He is a non-executive director of a number of other companies and has considerable experience of equity finance and banking transactions. He was appointed to the board of PA in 1993 and to the Board following the Company's incorporation in 1997. Mr Donald is also a director of Howper.

K H Klaeser, Non-Executive Director (aged 68)

Karl-Heinz Klaeser has a wide range of experience within the insurance industry. He was appointed to the board of PA in 1991 and to the Board following the Company's incorporation in 1997.

Christopher Johnston is a director and John Barber is either a director or secretary of the Subsidiaries and therefore they may each attend all subsidiary board meetings.

With the exception of Robert Pease who joined the Group in 1997, Ken Rooney, Katrine Johnston and Adrian Glew who all joined the Group in 1999, all directors of the Company and of the Subsidiaries have been employed by the Group for more than five years.

Employee Incentive Schemes

The Company currently employs approximately 120 people, of whom approximately 40 are Shareholders.

On 31 October 2000 the Company's shareholders in general meeting conditionally upon Admission passed resolutions approving and adopting rules for the Share Incentive Schemes which may be used by the Company to reward loyalty and also to attract and retain employees. It is intended that any performance criteria will be determined from time to time by the Remuneration Committee. A summary of the main features of the Share Incentive Schemes is contained in paragraph 11 of Part III of this document.

Corporate Governance

The Company has three independent non-executive directors, one of whom is the non-executive Chairman.

The Company has established audit and remuneration committees, each of which is chaired by the Chairman and consists of all three non-executive Directors. The function of the audit committee is to review issues arising from both internal and external audit. The remuneration committee considers the remuneration of the executive directors and other key executives, including entitlement to performance related bonuses. In addition, the remuneration committee will determine the grant of, and conditions for the exercise of, incentives under the Share Incentive Schemes.

The Company has not constituted a nomination committee as its policy is for nominations to the Board to be a matter for consideration by the Board as a whole.

Financial Information

The Group has been profitable since 1986.

A summary of the financial results of the Group for the three years ended 31 December 1999, derived from the accountants' report contained in Part II(a) of this document, is set out below:

	1997	1998	1999
	£'000	£'000	£'000
Gross income	9,700	10,787	12,138
Profit before tax and unrealised investment gains and losses	3,113	3,986	4,013
Pre-tax profit	3,143	3,923	4,554
Shareholders' funds	6,975	8,220	10,362

The Company's gross income comprises earned premiums net of reinsurance premiums, realised investment gains and losses, investment income and other income representing commission from writing term assurance policies and fees and commission arising from other financial products and services.

The pre-tax profit includes unrealised investment gains or losses made by the Group on its investments which the Company is required to include in its profit and loss account, in accordance with the requirements of the relevant statement of recommended practice applicable to insurance companies. In 1999, the Group achieved unrealised gains of £541,000.

Current Trading

Your attention is drawn to the unaudited interim results of the Company for the eight months ended 31 August 2000 set out in Part II (b) of this document. The Company regards its trading for the current year to be in accordance with expectations.

Dividend Policy

The Company paid dividends of 66p per share in 1999. The dividend cover amounted to 3.12 times audited earnings per share of £2.06p for the year ended 31 December 1999. If the Ordinary Shares (following the subdivision of share capital referred to in paragraph 2(b) of Part III of this document) had been admitted to AIM for that period, the notional dividend per share would have been 3.3p per Ordinary Share.

Subject to trading performance and in the absence of unforeseen circumstances, the policy adopted by the Board in respect of the year ending 31 December 2001 and thereafter is to pay approximately one third of the total annual dividend following the announcement of the interim results of the Company for the year in question, with the balance being recommended for payment by way of final dividend following the approval and adoption of the audited accounts of the Group at the Annual General Meeting for the year in question. It is anticipated that the interim dividend will be paid in September and the final dividend will be paid in May in each year.

In respect of the current year ending 31 December 2000, the Board has declared a second interim dividend of 1.65p per Ordinary Share which will be paid on 19 December 2000 to shareholders on the register as at 10 November 2000. The Directors expect to recommend a final dividend in respect of the current year for approval by shareholders at the Annual General Meeting to be held for the purpose of considering and receiving the Directors' report and accounts for the year ending 31 December 2000.

Following Admission, the Company intends to adopt a progressive dividend policy reflecting growth in earnings per share, at the same time as ensuring that the annual dividend is covered by at least two times earnings.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Directors intend that the Company's Ordinary Shares will be transferable by means of the CREST system.

Reasons for Admission

The Directors consider that the increased visibility of the Company which will accompany an AIM quotation should enhance the Company's profile in its marketplace. At the same time a quotation of the Company's shares on AIM will assist the Company in using the Share Incentive Schemes and the grant of options under them as a means of helping to attract and retain staff of the highest quality and enable them to share in the future of the Company. An AIM quotation will also enable the Company to access the capital markets for expansion finance at the appropriate time, should it be required.

PART II

FINANCIAL INFORMATION

(a) Accountants' report for the three financial years ended 31 December 1999

Grant Thornton 

The Directors
Personal Group Holdings PLC
Bank House
171 Midsummer Boulevard
Central Milton Keynes
MK9 1EB

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

The Directors
Rowan Dartington & Co. Limited
Colston Tower
Colston Street
Bristol
BS1 4RD

24 November 2000

Dear Sirs

Personal Group Holdings PLC (“the Company” or “PGH”) and its subsidiary undertakings (together “the Group”)

1. INTRODUCTION

We report on the financial information set out in sections 2 to 6. This financial information has been prepared for inclusion in the Admission Document dated 24 November 2000 of PGH.

Basis of preparation

The financial information set out in sections 2 to 6 is based on the audited consolidated financial statements of the Group for the three years ended 31 December 1999, to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of PGH who approved their issue.

The directors of PGH are responsible for the contents of the Admission Document relating to the admission of the Company to AIM dated 24 November 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors, Grant Thornton, who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the books and records underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the results and cash flows of the Group for the three years ended 31 December 1999 and the state of affairs of the Group at the end of those periods.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. ACCOUNTING POLICIES

Basis of preparation

The financial information has been prepared under the historical cost convention except that investments are revalued at market value annually. It has been prepared in accordance with accounting standards, to the extent that they are applicable to insurance companies, the provisions of Section 255 and Schedule 9A of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Company Accounts) Regulations 1993, and with the Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers in December 1998 (the "ABI SORP").

The principal accounting policies of the Group are set out below and have remained unchanged over the period under review.

Basis of consolidation

The Group financial information consolidates that of the Company and of its subsidiary undertakings drawn up for each of the three years ended 31 December 1999. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consideration, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of five years as shown in note 6.11.

As a matter of accounting policy, goodwill arising on consolidation first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No. 10, was written off to reserves immediately on acquisition. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

Basis of accounting

The annual basis of accounting is used as the underwriting result can be determined with reasonable certainty at the end of each accounting period.

Premium recognition

Premium income is recognised on a receivable basis. Provision for unearned premiums is calculated to carry forward on a daily basis the proportion of premiums written in any current accounting period relating to cover provided in the following accounting period. Written premiums exclude insurance premium tax.

Reinsurance

Reinsurance premiums are calculated on a payable basis and reinsurance commissions are calculated on a receivable basis.

Net costs of financial reinsurance, as distinct from non-financial reinsurance, are charged to the technical account as operating expenses.

Deferred acquisition expenses

A proportion of underwriting expenses regarded as acquisition expenses is 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.

Claims recognition

The claims reserve 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.

Investment income and expenses

Dividends and interest income are recognised on an accruals basis, as are investment expenses.

Investment return, comprising investment income, realised and unrealised investment gains and losses, and investment expenses are included within the non-technical account.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price.

Investments

Investments are stated at mid-market value at the balance sheet date.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year. 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 profit and loss account.

Foreign currencies

Transactions in foreign currencies are translated at the average monthly exchange rate ruling during the month that includes the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

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 rates and periods generally applicable are:

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

Contribution to pension funds

Defined contribution scheme

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

Leased assets

Assets held under finance leases and hire purchase are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Policyholders Protection Act 1975

Provision is made at the balance sheet date for any levy declared after that date but before the completion of the financial statements. Provision is also made if it is more likely than not that a levy will be raised based on premium income which has already been recognised in the financial statements and of which a reasonable estimate can be made.

Taxation

The taxation charge in the non-technical account is based on the taxable profits for the year.

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

3. CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>	<i>Year ended</i> <i>31 December</i>
	<i>Note</i>	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
TECHNICAL ACCOUNT – General Business				
Gross premiums written		9,058	9,663	9,959
Reinsurance premiums		<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Net premiums written		9,056	9,661	9,957
Change in gross provision for unearned income		<u>26</u>	<u>39</u>	<u>27</u>
Earned premiums		<u>9,082</u>	<u>9,700</u>	<u>9,984</u>
Claims incurred net of reinsurance	6.1			
Claims paid				
Gross amount		(2,018)	(2,292)	(2,325)
Reinsurer's share		<u>–</u>	<u>–</u>	<u>–</u>
Net		<u>(2,018)</u>	<u>(2,292)</u>	<u>(2,325)</u>
Change in provisions for claims				
Gross amount		(150)	17	13
Reinsurer's share		<u>–</u>	<u>–</u>	<u>–</u>
Net		<u>(150)</u>	<u>17</u>	<u>13</u>
Net operating expenses				
Financial reinsurance costs	6.2	(58)	(59)	(50)
Other	6.3	<u>(4,213)</u>	<u>(4,223)</u>	<u>(4,641)</u>
		<u>(4,271)</u>	<u>(4,282)</u>	<u>(4,691)</u>
Balance on technical account for general business		2,643	3,143	2,981
NON-TECHNICAL ACCOUNT				
Investment account	6.5	597	768	702
Unrealised gains / (losses) on investment	6.5	30	(63)	541
Investment expenses and charges	6.6	(7)	(9)	(11)
Other income		21	319	1,452
Other charges		(61)	(150)	(1,066)
Other charges – charitable donations		<u>(80)</u>	<u>(85)</u>	<u>(45)</u>
Profit on ordinary activities before tax	6.7	3,143	3,923	4,554
Tax on profit on ordinary activities	6.8	<u>(1,007)</u>	<u>(1,273)</u>	<u>(1,404)</u>
Profit for the year		2,136	2,650	3,150
Dividends	6.9	<u>(1,160)</u>	<u>(1,405)</u>	<u>(1,008)</u>
Profits retained	6.14	<u>976</u>	<u>1,245</u>	<u>2,142</u>

The accompanying notes form an integral part of this financial information.

4. CONSOLIDATED BALANCE SHEET

		<i>As at</i> 31 December 1997	<i>As at</i> 31 December 1998	<i>As at</i> 31 December 1999
	<i>Note</i>	£'000	£'000	£'000
Assets				
Investments	6.10	608	662	3,925
Debtors				
Arising out of direct insurance operations		674	698	911
Arising out of direct reinsurance operations		48	38	35
Other debtors due within one year		23	64	259
		<u>745</u>	<u>800</u>	<u>1,205</u>
Other assets				
Intangible fixed assets – goodwill	6.11	–	–	126
Tangible fixed assets	6.12	584	616	765
Cash at bank and in hand		7,697	9,047	7,432
		<u>8,281</u>	<u>9,663</u>	<u>8,323</u>
Prepayments and accrued income				
Accrued interest and rent		22	77	115
Deferred acquisition costs		30	21	14
Other prepayments and accrued income		30	34	192
		<u>82</u>	<u>132</u>	<u>321</u>
Total assets		<u><u>9,716</u></u>	<u><u>11,257</u></u>	<u><u>13,774</u></u>
Liabilities				
Capital and reserves				
Called up share capital	6.13	1,528	1,528	1,528
Profit and loss account	6.14	5,447	6,692	8,834
Equity shareholders' funds	6.14	<u>6,975</u>	<u>8,220</u>	<u>10,362</u>
Technical provisions				
Provision for unearned premiums		265	226	199
Claims outstanding	6.15	876	883	869
		<u>1,141</u>	<u>1,109</u>	<u>1,068</u>
Provisions for other risks and charges	6.16	40	29	193
Creditors				
Arising out of reinsurance operations		31	31	29
Current taxation		852	1,245	943
Other creditors including other taxation and social security	6.18	325	236	589
		<u>1208</u>	<u>1512</u>	<u>1561</u>
Accruals and deferred income		<u>352</u>	<u>387</u>	<u>590</u>
Total liabilities		<u><u>9,716</u></u>	<u><u>11,257</u></u>	<u><u>13,774</u></u>

The accompanying notes form an integral part of this financial information.

5. CONSOLIDATED CASH FLOW STATEMENT

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>Note</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	6.19	3,401	3,996	3,854
Taxation		(984)	(891)	(1,542)
Capital expenditure				
Purchase of tangible fixed assets		(241)	(348)	(431)
Sale of fixed assets		113	88	35
		(128)	(260)	(396)
Acquisitions	6.22	(70)	(3)	(150)
Net cash outflow from capital expenditure		(198)	(263)	(546)
Equity dividends paid		(1,160)	(1,405)	(1,008)
Financing				
Capital element of finance lease rentals		(28)	(93)	–
Net cash flows		<u>1,031</u>	<u>1,344</u>	<u>758</u>
Cash flows were invested as follows				
Increase/(decrease) in cash holdings		1,229	1,350	(1,822)
Net portfolio investments				
(Ordinary shares, loans, finance leases treasury loan stock)		(198)	(6)	2,580
		<u>1,031</u>	<u>1,344</u>	<u>758</u>

The accompanying notes form an integral part of this financial information.

6. NOTES TO THE FINANCIAL INFORMATION

6.1 Claims incurred net of reinsurance

	<i>Gross</i> £'000	<i>Reinsurance</i> £'000	<i>Net</i> £'000
1999			
Claims paid	2,036	–	2,036
Claims handling expenses paid	289	–	289
	<u>2,325</u>	<u>–</u>	<u>2,325</u>
Increase in provision for claims handling costs	4	–	4
Change in claims provision	(17)	–	(17)
	<u>(13)</u>	<u>–</u>	<u>(13)</u>
	<u>2,312</u>	<u>–</u>	<u>2,312</u>
1998			
Claims paid	1,998	–	1,998
Claims handling expenses paid	294	–	294
	<u>2,292</u>	<u>–</u>	<u>2,292</u>
Decrease in provision for claims handling costs	(4)	–	(4)
Change in claims provision	(13)	–	(13)
	<u>(17)</u>	<u>–</u>	<u>(17)</u>
	<u>2,275</u>	<u>–</u>	<u>2,275</u>
1997			
Claims paid	1,765	–	1,765
Claims handling expenses paid	253	–	253
	<u>2,018</u>	<u>–</u>	<u>2,018</u>
Increase in provision for claims handling costs	12	–	12
Change in claims provision	138	–	138
	<u>150</u>	<u>–</u>	<u>150</u>
	<u>2,168</u>	<u>–</u>	<u>2,168</u>

6.2 Financial reinsurance costs

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Reinsurance premiums payable	2,404	2,539	2,603
Decrease in reinsurers' share of unearned premiums	6	10	3
Reinsurance commission and profit share receivable	(1,369)	(1,481)	(1,533)
Reinsurance claims recoveries	(983)	(1,009)	(1,023)
	<u>58</u>	<u>59</u>	<u>50</u>

6.3 Other net operating expenses

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Acquisition costs	2,746	2,446	2,733
Decrease in deferred acquisition costs	6	9	7
Incurred acquisition costs	<u>2,752</u>	<u>2,455</u>	<u>2,740</u>
Administration expenses	1,461	1,768	1,901
	<u>4,213</u>	<u>4,223</u>	<u>4,641</u>

Total commission incurred during the year in respect of direct insurance was £587,000 (1998: £474,000; 1997: £452,000).

6.4 Directors and Employees

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

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	2,310	2,513	2,934
Social security costs	239	263	321
Other pension costs	24	24	28
	<u>2,573</u>	<u>2,800</u>	<u>3,283</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Administration	36	42	50
Sales and marketing	48	47	59
	<u>84</u>	<u>89</u>	<u>109</u>

Remuneration in respect of the Directors was as follows:

	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Emoluments	738	828	890
Pension contributions to money purchase pension schemes	24	24	24
	<u>762</u>	<u>852</u>	<u>914</u>

During each of the three years, one director participated in a money purchase pension scheme.

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.

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Emoluments	453	485	485
Pension contributions to money purchase pension schemes	24	24	24

6.5 Investment income

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Income from listed investments	17	11	12
Income from cash on deposit and fixed interest securities	484	634	548
	<u>501</u>	<u>645</u>	<u>560</u>
Net realised gains	96	123	142
	<u>597</u>	<u>768</u>	<u>702</u>

Unrealised investment (losses)/gains

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
On investments held at end of year	104	25	561
On investments realised during the year	(74)	(88)	(20)
	<u>30</u>	<u>(63)</u>	<u>541</u>

6.6 Investment expenses and charges

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Investment management expenses	7	9	11

6.7 Profit on ordinary activities before tax

	<i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Profit on ordinary activities before tax is stated after:			
Auditors remuneration (inclusive of non-recoverable VAT)			
Audit services	21	24	35
Non-audit services	8	4	2
Depreciation	218	245	289
Amortisation	–	–	32
Operating lease rentals – land & buildings	94	94	113
– other equipment	–	–	9
	<u> </u>	<u> </u>	<u> </u>

6.8 Tax on profit on ordinary activities

The tax charge represents:

	1997 £'000	1998 £'000	1999 £'000
Corporation tax at 30.25% (1998: 31%; 1997: 31.5%)	1,004	1,269	1,276
Tax attributable to franked investment income	2	–	–
Deferred tax	–	(11)	164
Adjustments in respect of prior years:			
Corporation tax	(13)	15	(36)
Deferred taxation	14	–	–
	<u>1,007</u>	<u>1,273</u>	<u>1,404</u>

6.9 Dividends

Ordinary shares

Interim dividends paid:

	1997 £'000	1998 £'000	1999 £'000
29 April 1997 17p per share	259	–	–
23 September 1997 33p per share	504	–	–
18 December 1997 26p per share	397	–	–
28 April 1998 26p per share	–	397	–
7 October 1998 26p per share	–	397	–
22 December 1998 40p per share	–	611	–
5 May 1999 33p per share	–	–	504
22 December 1999 33p per share	–	–	504
	<u>1,160</u>	<u>1,405</u>	<u>1,008</u>

6.10 Investments

Financial investments at mid market value:

	1997 £'000	1998 £'000	1999 £'000
Shares and other variable yield securities and units in unit trusts listed on UK exchanges	537	587	1,578
Government fixed interest securities	–	–	2,281
Other loans	71	75	66
	<u>608</u>	<u>662</u>	<u>3,925</u>
Historical cost	<u>406</u>	<u>520</u>	<u>3,254</u>

6.11 Intangible fixed assets

	<i>Goodwill on acquisition £'000</i>
Cost	
At 1 January 1999	–
Additions	158
At 31 December 1999	<u>158</u>
Amortisation	
At 1 January 1999	–
Provided in the year	32
At 31 December 1999	<u>32</u>
Net book amount at 31 December 1999	<u>126</u>
Net book amount at 31 December 1998 and 31 December 1997	<u>–</u>

6.12 Tangible fixed assets

	<i>Freehold property £'000</i>	<i>Computer equipment £'000</i>	<i>Furniture fixtures & fittings £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 1998	–	212	132	745	1,089
Additions	–	98	11	239	348
Disposals	–	(125)	(5)	(189)	(319)
At 31 December 1998	–	185	138	795	1,118
Acquired on acquisition	–	19	44	–	63
Additions	101	46	33	251	431
Disposals	–	(18)	(17)	(154)	(189)
At 31 December 1999	<u>101</u>	<u>232</u>	<u>198</u>	<u>892</u>	<u>1,423</u>
Depreciation					
At 1 January 1998	–	163	64	278	505
Provided in the year	–	42	18	185	245
Eliminated on disposal	–	(119)	(4)	(125)	(248)
At 31 December 1998	–	86	78	338	502
Acquired on acquisition	–	10	20	–	30
Provided in the year	2	52	32	203	289
Eliminated on disposal	–	(17)	(17)	(129)	(163)
At 31 December 1999	<u>2</u>	<u>131</u>	<u>113</u>	<u>412</u>	<u>658</u>
Net book amount at 31 December 1999	<u>99</u>	<u>101</u>	<u>85</u>	<u>480</u>	<u>765</u>
Net book amount at 31 December 1998	<u>–</u>	<u>99</u>	<u>60</u>	<u>457</u>	<u>616</u>
Net book amount at 31 December 1997	<u>–</u>	<u>49</u>	<u>68</u>	<u>467</u>	<u>584</u>

6.13 Share capital

	1997 £'000	1998 £'000	1999 £'000
Authorised share capital			
10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Allotted and called up			
1,527,397 Ordinary shares of £1 each	<u>1,528</u>	<u>1,528</u>	<u>1,528</u>

6.14 Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 1997	1,528	4,537	6,065
Goodwill written off	–	(66)	(66)
Retained profit for the financial year	–	976	976
Balance at 31 December 1997	<u>1,528</u>	<u>5,447</u>	<u>6,975</u>
Retained profit for the financial year	–	1,245	1,245
Balance at 31 December 1998	<u>1,528</u>	<u>6,692</u>	<u>8,220</u>
Retained profit for the financial year	–	2,142	2,142
Balance at 31 December 1999	<u>1,528</u>	<u>8,834</u>	<u>10,362</u>

The cumulative amount of goodwill arising from acquisitions accounted for in years ended before 23 December 1998 which has been written off to Group reserves is £66,000.

6.15 Claims outstanding

	1997 £'000	1998 £'000	1999 £'000
Notified outstanding claims			
Gross	621	575	623
Reinsurance	–	–	–
	<u>621</u>	<u>575</u>	<u>623</u>
Provision for claims incurred but not reported	196	230	165
Claims handling expenses	59	78	81
	<u>876</u>	<u>883</u>	<u>869</u>

6.16 Provisions for other risks and charges

	1997 £'000	1998 £'000	1999 £'000
Deferred taxation			
At 1 January	26	40	29
Provided in the year	14	2	166
Reversed in the year	–	(13)	(2)
At 31 December	<u>40</u>	<u>29</u>	<u>193</u>

6.17 Deferred taxation

Deferred taxation provided for is set out below:

	1997 £'000	1998 £'000	1999 £'000
Accelerated capital allowances	(23)	(14)	(13)
Unrealised capital gains	63	43	206
	<u>40</u>	<u>29</u>	<u>193</u>

There is no unprovided deferred taxation.

6.18 Other creditors

Other creditors in the Group include finance lease payments amounting to £ nil (1998: nil; 1997: £93,064) in respect of fixed asset purchases which were due within one year.

6.19 Net cash inflow from operating activities

	1997 £'000	1998 £'000	1999 £'000
Profit before taxation	3,143	3,923	4,554
Amortisation of goodwill	–	–	32
Depreciation of tangible fixed assets	218	245	289
Profit on disposal of fixed assets	(31)	(17)	(9)
Realised and unrealised investment gains	(126)	(60)	(683)
Change in debtors	(41)	(105)	(565)
Change in technical provisions	124	(32)	(41)
Change in creditors	116	42	277
Tax on franked investment income included within operating income	(2)	–	–
	<u>3,401</u>	<u>3,996</u>	<u>3,854</u>

6.20 Movement in portfolio investments net of financing

	1997 £'000	1998 £'000	1999 £'000
Net cash inflow/(outflow) for period	1,229	1,350	(1,822)
Cash flow			
Portfolio investments	(198)	(6)	239
Government fixed interest securities	–	–	2,341
Repayment of finance leases	28	93	–
Movements arising from cashflows	1,059	1,437	758
Changes in market values	126	60	683
Cash purchased on acquisition	–	–	207
Inception of finance leases	(121)	–	–
Portfolio investments net of financing	1,064	1,497	1,648
At beginning of period	7,148	8,212	9,709
At end of period	<u>8,212</u>	<u>9,709</u>	<u>11,357</u>

6.21 Movement in cash, portfolio investments and financing

	<i>At 1 January £'000</i>	<i>Cash flow £'000</i>	<i>Cash purchased on acquisition £'000</i>	<i>Changes to market value £'000</i>	<i>At 31 December £'000</i>
1997					
Cash at bank and in hand	6,468	1,229	–	–	7,697
Ordinary shares and loans	680	(198)	–	126	608
Finance leases	–	(93)	–	–	(93)
	<u>7,148</u>	<u>938</u>	<u>–</u>	<u>126</u>	<u>8,212</u>
1998					
Cash at bank and in hand	7,697	1,350	–	–	9,047
Ordinary shares and loans	608	(6)	–	60	662
Finance leases	(93)	93	–	–	–
	<u>8,212</u>	<u>1,437</u>	<u>–</u>	<u>60</u>	<u>9,709</u>
1999					
Cash at bank and in hand	9,047	(1,822)	207	–	7,432
Ordinary shares and loans	662	239	–	743	1,644
Treasury loan stock	–	2,341	–	(60)	2,281
	<u>9,709</u>	<u>758</u>	<u>207</u>	<u>683</u>	<u>11,357</u>

6.22 Acquisition

On 9 February 1999, the Group acquired the entire share capital of Personal Property Management Limited (formerly known as Homefinders (Most Accommodating People) Limited) for a consideration of £150,000 satisfied in cash. Goodwill arising on the acquisition has been capitalised. The purchase has been accounted for by the acquisition method of accounting. For accounting purposes the effective date of the acquisition is 1 January 1999.

Certain shareholders of Homefinders (Most Accommodating People) Limited at the time of the acquisition were related to the controlling related party of the group in that their father or father in law is the brother of Mr C W T Johnston, who is Managing Director and majority shareholder.

The profit after taxation of Homefinders (Most Accommodating People) Limited for the period from 1 August 1998, the beginning of the subsidiary's financial year to the effective date of acquisition (1 January 1999) was £14,000. The loss after taxation for the year ended 31 July 1998 was £35,000.

The assets and liabilities of Homefinders (Most Accommodating People) Limited acquired were as follows:

	<i>Book and fair value £'000</i>
Tangible fixed assets	33
Current assets	
Debtors	29
Bank and cash	207
	<u>236</u>
Creditors	
Other creditors	<u>(277)</u>
Net liabilities	(8)
Purchased goodwill capitalised	158
	<u>150</u>
Satisfied by:	
Cash	<u>150</u>

During 1997, Personal Insurance & Reinsurance Brokers Limited purchased for cash the fixed assets and goodwill of the 'Insurance Shop' owned by Mr R Johnston, a brother of Mr CWT Johnston, a director and the controlling related party of the Group, as follows:

	<i>£'000</i>
Tangible fixed assets	7
Goodwill - written off to reserves	66
	<u>73</u>

£3,000 of the consideration remained unpaid at 31 December 1997 and was included in other creditors. This amount was paid in the following year.

6.23 Capital commitments

	<i>1997 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>
Contracted for but not provided in these financial statements	–	237	4,853
	<u> </u>	<u> </u>	<u> </u>

At 23 December 1999 the Company conditionally agreed to acquire the entire issued share capital of Abbeygate Developments (Marlborough Gate) Limited ("Abbeygate"). Abbeygate has entered into an agreement to develop and acquire land at North 14th Street, Central Milton Keynes and for the construction of a building on such land.

Conditional upon completion of those works, the Company will acquire the entire issue share capital of Abbeygate for approximately £5 million.

At 31 December 1998 the Company had made an offer to purchase the entire share capital of Homefinders (Most Accommodating People) Limited (now known as Personal Property Management Limited) for £150,000 plus another possible £50,000 deferred until July 1999 dependent upon post acquisition performance. The purchase was completed with effect from 1 January 1999.

Personal Insurance & Reinsurance Brokers Limited had at 31 December 1998 made a commitment to purchase a freehold property for £86,500.

6.24 Contingent liabilities

There were no contingent liabilities 31 December 1999 (1998: nil; 1997: nil).

6.25 Leasing commitments

Group operating lease payments to which these amounts relate expire as follows:

	1997 £'000	1998 £'000	1999 £'000
Land and Buildings			
Between one and two years	1	1	15
Between two and five years	–	–	93
In five years or more	93	93	–
	<u>94</u>	<u>94</u>	<u>108</u>
Other			
Less than one year	–	–	1
Between one and two years	–	–	6
	<u>–</u>	<u>–</u>	<u>7</u>

6.26 Controlling related party

Mr C W T Johnston is the Group's controlling related party by virtue of his shareholding.

6.27 Pensions

Defined contribution schemes

The Group operates defined contribution schemes for the benefit of certain directors. The assets of the schemes are administered by trustees in funds independent from those of the Group.

Yours faithfully

GRANT THORNTON

(b) Unaudited interim accounts for the eight months ended 31 August 2000

Grant Thornton 

The Directors
Personal Group Holdings PLC
Bank House
171 Midsummer Boulevard
Central Milton Keynes
MK9 1EB

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

and

The Directors
Rowan Dartington & Co. Limited
Colston Tower
Colston Street
Bristol
BS1 4RD

24 November 2000

Dear Sirs

Personal Group Holdings PLC (“PGH”) and its subsidiary undertakings (together “the Group”)

1. INTRODUCTION

We have reviewed the accounting policies and calculations for the unaudited interim accounts of the Group for the eight months ended 31 August 2000 (“Unaudited Management Accounts”).

The unaudited interim accounts do not constitute statutory accounts. They have been included in the Admission Document dated 24 November 2000 of PGH in accordance with paragraph 45 (10) of Schedule 1 of the Public Offers of Securities Regulations 1995. They have been drawn up using the Group’s accounting policies and presentation consistent with those applied in the three years ended 31 December 1999. They have been made after due and careful inquiry and the directors of PGH accept responsibility for them and have consented on behalf of PGH to their inclusion in this Admission Document.

2. OPINION

The unaudited interim accounts, for which the directors of PGH accept responsibility on behalf of PGH, are set out below.

In our opinion the unaudited interim accounts, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis stated and are presented on a basis consistent with the accounting policies normally adopted by the Group.

3. UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>8 months ended 31 August 2000 £'000</i>
TECHNICAL ACCOUNT – General Business	
Gross premiums written	7,004
Reinsurance premiums	<u>–</u>
Net premiums written	7,004
Change in gross provision for unearned premiums	<u>(35)</u>
Earned premiums	<u>6,969</u>
Claims incurred net of reinsurance	
Claims paid	
Gross amount	(1,595)
Reinsurer's share	<u>–</u>
Net	<u>(1,595)</u>
Change in the provision for claims	
Gross amount	(186)
Reinsurer's share	<u>–</u>
Net	<u>(186)</u>
Net operating expenses	
Financial reinsurance costs	(41)
Other	<u>(3,454)</u>
	<u>(3,495)</u>
Balance on the technical account for general business	1,693
NON-TECHNICAL ACCOUNT	
Investment income	600
Unrealised losses on investments	(101)
Investment expenses and other charges	(10)
Other income	1,550
Other charges	(1,054)
Other charges - charitable donations	<u>(35)</u>
Profit on ordinary activities before tax	2,643
Tax on profit on ordinary activities	<u>(853)</u>
Profit for the period	1,790
Dividends	<u>(504)</u>
Profits retained	<u><u>1,286</u></u>

4. UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2000

	<i>As at 31 August 2000 £'000</i>
Assets	
Investments	4,050
	<u>4,050</u>
Debtors	
Debtors arising out of direct insurance operations	897
Debtors arising out of direct reinsurance operations	32
Other debtors due within one year	252
	<u>1,181</u>
Other assets	
Intangible fixed assets – goodwill	105
Tangible fixed assets	752
Cash at bank and in hand	8,964
	<u>9,821</u>
Prepayments and accrued income	
Accrued interest and rent	61
Deferred acquisition costs	14
Other prepayments and accrued income	576
	<u>651</u>
Total assets	<u><u>15,703</u></u>
Liabilities	
Capital and reserves	
Called up share capital	1,528
Profit and loss account	10,120
Equity shareholders' funds	<u>11,648</u>
Technical provisions	
Provision for unearned premiums	234
Claims outstanding	1,055
	<u>1,289</u>
Provision for other risks and charges	163
Creditors	
Arising out of reinsurance operations	20
Current taxation	1,197
Other creditors including other taxation and social security	608
	<u>1,825</u>
Accruals and deferred income	778
Total liabilities	<u><u>15,703</u></u>

5. CAPITAL COMMITMENTS

At 23 December 1999 the Company conditionally agreed to acquire the entire issued share capital of Abbeygate Developments (Marlborough Gate) Limited ("Abbeygate"). Abbeygate has entered into an agreement to develop and acquire land at North 14th Street, Central Milton Keynes and for the construction of a building on such land.

Conditional upon completion of those works, the Company will acquire the entire issue share capital of Abbeygate for approximately £5 million.

No significant events having an effect on the financial position of the Group have taken place since 31 August 2000 that necessitates revision of the figures included in the unaudited interim accounts.

Yours faithfully

GRANT THORNTON

PART III

ADDITIONAL INFORMATION

1. Incorporation and Registration

The Company was incorporated in England and Wales on 7 May 1996 as a private limited company under the Act, registered with number 3194991 and with the name Silbury 147 Limited. It changed its name to Personal Group Holdings Limited on 3 January 1997 and re-registered as a public company under the name Personal Group Holdings PLC on 23 July 1997. The liability of the members of the Company is limited.

The registered office of the Company is at Bank House, 171 Midsummer Boulevard, Central Milton Keynes, MK9 1EB and the Company's principal place of business in the United Kingdom is at the same address.

2. Share Capital

- (a) On the date of this document, the authorised and (conditional upon Admission) issued share capital of the Company is as follows:

<i>Authorised</i>		<i>Issued and fully paid</i>		
<i>Nominal value</i>	<i>No. of shares</i>	<i>Nominal value</i>	<i>No. of shares</i>	
£10,000,000	200,000,000	Ordinary Shares of 5p each	£1,527,397	30,547,940

- (b) On 31 October 2000, by resolutions passed at an extraordinary general meeting of the Company it was resolved that conditional upon Admission:

- (i) the Company's authorised share capital of £10,000,000 divided into 10,000,000 Ordinary Shares of £1 each be sub-divided and converted into 200,000,000 Ordinary Shares of 5p each, of which 30,547,940 are in issue immediately following Admission;
- (ii) the Directors be generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities (as defined in that Section) up to a maximum nominal amount of £76,370 such authority to expire at the commencement of the annual general meeting of the Company next following the date upon which such resolution was passed except as regards an allotment being made pursuant to an offer or agreement made by the Company before such date;
- (iii) the rules of the Company's All Employee Share Ownership Plan and associated trust be adopted, further details of which are summarised in paragraph 11 below;
- (iv) the rules of the Company's Selective Company Share Ownership Plan and the trust which would be used in conjunction with that Plan be adopted, further details of which are summarised in paragraph 11 below;
- (v) the Company be authorised to make market purchases of its own shares up to a maximum of 1,527,400 Ordinary Shares;
- (vi) the Company adopt new Articles of Association, certain of the provisions of which are summarised at paragraph 5 below;
- (vii) the Company's Memorandum of Association be amended with regard to its share capital clause; and
- (viii) pursuant to Section 95 of the Act the rights of pre-emption in respect of the Ordinary Shares capable of being allotted under the authority referred to in paragraph 2(b) (ii) above be disapplied in relation to shares with an aggregate nominal value not exceeding £76,320; such disapplication to expire at the commencement of the annual general meeting of the Company next following the date upon which such resolution was passed except as regards an allotment being made thereafter pursuant to an offer or agreement made by the Company before such date.

- (c) No share or loan capital of the Company, or of any other company within the Group, is currently under option or has been agreed, conditionally or unconditionally, to be put under option and no securities have been issued and are outstanding which are capable of being converted into shares in the capital of the Company.
- (d) Other than upon the exercise of options duly granted pursuant to the Share Incentive Schemes, there is no present intention to issue any of the authorised but unissued share capital of the Company although Mr Christopher Johnston's Service Agreement with the Company contains a provision which allows him to elect to have his bonus entitlement (net of all deductions) satisfied in Ordinary Shares up to a maximum of 0.5 per cent. of the Company's issued share capital in respect of any completed financial period of the Company.

3. The Group

The Company is the non-trading holding company of the following wholly-owned subsidiaries:

Personal Assurance Public Limited Company

Personal Assurance Public Limited Company's principal business activity is the transaction of short-term health insurance business in the United Kingdom. It was incorporated in England and Wales on 11 July 1984 with registered number 1832067 under the Companies Acts 1948 to 1983 as a public company limited by shares. The registered office and principal place of business is the same as that of the Company.

The authorised share capital of this subsidiary on incorporation was £2,000,000 divided into 2,000,000 ordinary shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 28 November 1995, the authorised share capital of Personal Assurance Public Limited Company was increased from £2,000,000 to £10,000,000 by the creation of 8,000,000 ordinary shares of £1 each.

On the date of this document the issued share capital is £1,527,397 divided into 1,527,397 ordinary shares of £1 each.

Personal Assurance Services Limited

Personal Assurance Services Limited's principal activity is the provision of administration and other related services.

It was incorporated in England and Wales on 7 May 1996 under the name Silbury 148 Limited with registered number 3194988 under the Act as a private company limited by shares. The registered office and principal place of business is the same as that of the Company. It changed its name to its present name on 3 January 1997.

The authorised share capital of this subsidiary on incorporation was £1,000 divided into 1,000 ordinary shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 28 October 1997, the authorised share capital of Personal Assurance Services Limited was increased from £1,000 to £50,000 by the creation of 49,000 new ordinary shares of £1 each.

On the date of this document the issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each.

Personal Group Benefits Limited

Personal Group Benefits Limited's principal activity is the sale and marketing of employee benefits.

It was incorporated in England and Wales on 7 May 1996 under the name Silbury 149 Limited with registered number 3195037 under the Act as a private company limited by shares. It changed its name to its present name on 3 January 1997. The registered office and principal place of business is the same as that of the Company.

The authorised share capital of this subsidiary on incorporation was £1,000 divided into 1,000 ordinary shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 28 October 1997, the authorised share capital of Personal Group Benefits Limited was increased from £1,000 to £50,000 by the creation of 49,000 new ordinary shares of £1 each.

On the date of this document the issued share capital is £50,000 divided into 50,000 ordinary shares of £1 each.

Personal Insurance & Reinsurance Brokers Limited

Personal Insurance & Reinsurance Brokers Limited's principal activity is insurance and reinsurance broking.

It was incorporated in England and Wales on 21 February 1997 under the name Silbury 163 Limited with registered number 3322646 under the Act as a private company limited by shares. It changed its name to its present name on 15 October 1997. The principal places of business are the premises in Sturminster Newton, Dorset and at the company's registered office which is the same as that of the Company.

The authorised share capital of this subsidiary on incorporation was £1,000 divided into 1,000 ordinary shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 12 May 1997, the authorised share capital of Personal Insurance & Reinsurance Brokers Limited was increased from £1,000 to £100,000 by the creation of 99,000 new ordinary shares of £1 each and on 16 December 1997 its authorised share capital was increased from £100,000 to £1,000,000 by the creation of £900,000 new ordinary shares of £1 each.

On the date of this document the issued share capital is £200,000 divided into 200,000 ordinary shares of £1 each.

Personal Assurance Financial Services PLC

Personal Assurance Financial Services PLC's principal activity is transacting business as independent financial service advisers.

It was incorporated in England and Wales on 4 March 1991 under the name Neejam 89 Limited with registered number 2588144 under the Act as a private company limited by shares. It changed its name to Personal Trust Company Limited on 16 April 1991 and to its present name on 29 March 1999, having re-registered as a public company on that date. The registered office and principal place of business is the same as that of the Company.

The authorised share capital of this subsidiary on incorporation was £100 divided into 100 ordinary shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 24 November 1998, the authorised share capital of Personal Assurance Financial Services PLC was increased from £100 to £1,000,000 by the creation of 999,900 ordinary shares of £1 each.

On the date of this document the issued share capital is £100,000 divided into 100,000 ordinary shares of £1 each.

Personal Property Management Limited

Personal Property Management Limited's principal activity is residential lettings management and estate agency.

It was incorporated in England and Wales on 5 July 1991 under the name Chadtons Limited with registered number 2627085 under the Act as a private company limited by shares. It changed its name on 12 July 1993 to Homefinders (Most Accommodating People) Limited and to its present name on 26 March 1999. The registered office is at Bank House, 171 Midsummer Boulevard, Central Milton Keynes, MK9 1EB. Its principal places of business are at Kings Langley, Hertfordshire and 171 Midsummer Boulevard, Milton Keynes.

The authorised share capital of this subsidiary on incorporation was £1,000 divided into 1,000 shares of £1 each of which two subscriber shares were issued fully paid for cash at par.

On 4 November 1999, the authorised share capital of Personal Property Management Limited was increased from £1,000 to £100,000 by the creation of 99,000 new ordinary shares of £1 each.

On the date of this document, the issued share capital is £100,000 divided into 100,000 ordinary shares of £1 each.

Howper 335 Limited

Howper 335 Limited is the corporate trustee of the employee benefit trust set up in association with the Share Incentive Schemes.

It was incorporated in England and Wales on 31 October 2000 with registered number 4099225 under the Act as a private company limited by shares. Pursuant to a special resolution passed on 20 November 2000 it resolved to change its name to Personal Group Trustees Limited. Its registered office and principal place of business is the same as for the Company. On the date of this document its authorised share capital was £10,000 divided into 10,000 £1 ordinary shares of which a single share is in issue.

4. Memorandum of Association

The Memorandum of Association of the Company, amended conditionally upon Admission at the extraordinary general meeting held on 31 October 2000 with regard to its share capital clause, provides that the Company's principal object is to act as the holding and coordinating company of the Group of which the Company is for the time being the holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company.

5. Articles of Association

The Articles of Association of the Company adopted, conditionally upon Admission, at an extraordinary general meeting of the Company held on 31 October 2000 ("the Articles") include provisions to the following effect:

(a) Transfer of shares

The shares are generally free from restrictions on transferability although in certain limited circumstances regulatory and statutory requirements must be fulfilled in relation to the characteristics of the proposed transferee.

(i) Form of transfer

Transfers of shares may be effected by transfer in certificated form in any usual or common form or in any other form acceptable to the Directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

(ii) Transfer of securities without a written instrument

Title to and interest in securities may also be transferred in uncertificated form (without a written instrument) by means of a computer based system which enables title to security to be evidenced and transferred without a written instrument under the Uncertificated Securities Regulations 1995.

(iii) Rights to decline registration

The Directors may decline to register any instrument of transfer relating to shares in certificated form unless:

(A) the duly stamped instrument of transfer:

- is in respect of only one class of share;
- is lodged at the place where the register of members is situated; and
- is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and

(B) in the case of a transfer to joint holders, the number of joint holders does not exceed four.

The Directors may also decline to register a transfer of shares in their absolute discretion in the case of shares in certificated form which are not fully paid shares; and/ or where any requirements of the statutory and regulatory bodies regulating the industries in which the Company and its subsidiaries operate and the characteristics of persons who may hold shares, are not satisfied; and/ or if there has been a failure to provide the Company with information concerning interest in those Shares required to be provided under the Articles or the Act.

(b) Votes of Members

(i) Votes attaching to shares

Subject to any specification by the Company of a time (not more than 48 hours before the time fixed for the meeting) by which a person must be entered on the register of members in order to have the right to attend and vote at a meeting and to special rights or restrictions as to voting attached by or in accordance with the Articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he/she is a holder.

(ii) No voting rights where calls outstanding

No member shall, unless the Directors otherwise determine, be entitled to vote:

- (A) if any call or other sum presently payable by him/her to the Company in respect of the shares remains unpaid; or
- (B) if there has been a failure to provide to the Company information concerning interests in the shares required to be provided under the Act and the Articles until such failure has been remedied.

(c) Dividends

(i) Final Dividends

The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Directors.

(ii) Fixed and Interim dividends

In so far as, in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying fixed dividends to be payable on fixed dates (half yearly or other dates prescribed for the payment of such dividends) and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in respect of such periods as they think fit.

(iii) Retention of dividends

The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the monies payable to the Company in respect of that share. The Directors may withhold dividends payable on shares if there has been failure to provide the Company with information concerning interests in those shares required to be provided under the Act and the Articles until such failure has been remedied.

(iv) Unclaimed dividend

Any dividend unclaimed after a period of six years from the date the dividend became due for payment shall be forfeited and shall revert to the Company.

(v) *Distribution in specie*

The Company may upon the recommendation of the Directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (in particular paid up shares or debentures of any other company) and the Directors shall give effect to such resolution.

(vi) *Distribution in specie on a winding-up*

If the Company is to be wound up the liquidator may, with the authority of an extraordinary resolution and subject to any provision of law, divide among the members in specie or kind the whole or any part of the assets of the Company whether or not the assets consist of property of one kind or properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division is to be carried out between the members or different classes of members.

(d) *Capitalisation of profits and reserves*

The Directors may, with the sanction of an ordinary resolution of the Company, capitalise any sum outstanding and credit it to any of the Company's reserve accounts or the profit and loss account.

Such capitalisation shall be effected by appropriating such sum to the holders of shares in proportion to their holdings of shares and applying such sum on their behalf either in or towards paying up the amounts unpaid by them or in paying up in full unissued shares.

(e) *Overseas Members*

A member (who having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notice shall not be entitled to receive notices from the Company.

(f) *Share Capital*

(i) *Variation of rights*

The special rights attached to any class may be varied or abrogated, subject to the provisions of the Act, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

(ii) *Increase in share capital*

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution prescribes.

(iii) *Consolidation, subdivision and cancellation*

The Company may by ordinary resolution:

- (A) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (B) subject to the provisions of the Act, sub-divide its shares into shares of smaller amount than is fixed by the Company's Memorandum of Association; and
- (C) cancel any shares which at the date of passing the resolution have not been taken or agreed to be taken.

(iv) *Reduction of capital*

The Company may by special resolution reduce its share capital or any revaluation reserve or share premium account or any other reserve fund in any manner and with, and subject to, any confirmation or consent required by law.

(v) *Purchase of own shares*

Subject to the provisions of the Act, the Company may purchase or may enter into contract under which it will, or may, purchase any of its own shares.

(vi) *Allotment of shares*

The allotment of shares by the Company is subject to the fulfilment of certain regulatory and statutory requirements in relation to the characteristics of certain proposed allottees.

(g) *Forfeiture and Lien*

(i) *Notice on failure to pay a call*

If a member fails to pay in full any call or instalment of a call on the due date for payment, the Directors may at any time serve a notice on him/her requiring payment and stating that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited. Further if the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls, interest and expenses has been made, be forfeited by a resolution of the Directors to that effect.

(ii) *Disposal of shares forfeited or surrendered*

Subject to the Act, a Share forfeited or surrendered becomes the property of the Company and may be sold, re-allotted or otherwise disposed of to such person and upon such terms and in such manner as the Directors think fit and the Directors have the right to cancel the surrender or forfeiture at any time before such sale, re-allotment or disposal.

(iii) *Holder to remain liable despite forfeiture*

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of those shares (and shall, in the case of shares held in certificated form), surrender to the Company for cancellation the certificate for such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest at 15 per cent per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or for any consideration received on their disposal, or waive payment in whole or in part.

(iv) *Lien on partly paid shares*

The Company shall have a first and paramount lien on every Share (not being a fully paid Share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such Share.

(v) *Sale of shares subject to lien*

The Company may sell in such manner as the Directors think fit any Share on which the Company has a lien upon the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

(h) *Directors*

(i) *Number of Directors*

Unless otherwise determined by ordinary resolution the Directors shall not be less than two but there shall be no maximum.

(ii) *Directors' remuneration*

The Directors shall be paid by way of remuneration for their services such sums as the Directors may determine from time to time, and in the case of the executive directors, such remuneration shall be determined by the Remuneration Committee.

(iii) *Other remuneration of Directors*

Any Director who holds any executive office or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise, or may receive such other benefits as the Directors may determine.

(iv) *Directors' expenses*

The Directors may repay to any Director all such reasonable expenses as he/she may incur in attending meetings of the Directors, of any committee of the Directors or shareholders' meetings, or otherwise in connection with the business of the Company.

(v) *Directors' pensions and other benefits*

The Directors have the power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund, or to pay premiums.

(vi) *Age limit*

Any provision of the Act which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment or election as a Director or liable to vacate office as a Director on account of having reached any specified age or requiring special notice or any other special formality in connection with the appointment or election of any Director over a specified age shall not apply to the Company.

(vii) *Restrictions on voting*

A Director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal whatsoever in which he/she or persons connected with him/her have a material interest. A Director shall not be counted in the quorum of a meeting in relation to any resolution on which he/she is not entitled to vote.

Subject to the provisions of the Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution:

- (A) relating to the giving of any security guarantee or indemnity in respect of money lent or obligations incurred by him/her or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
- (B) where the Company or any of its subsidiary undertakings is offering securities and the Director is or may be entitled to participate in the offer as a holder of securities or in underwriting or sub-underwriting; or
- (C) relating to another company in which he does not hold an interest in shares representing one per cent or more of either any class of the equity share capital or the voting rights in such company; or
- (D) relating to an arrangement for the benefit of the employees of the Company or its subsidiary undertaking which does not award him any privilege or benefit not awarded to the employees to whom such arrangement relates; or
- (E) concerning insurance which the Company proposes to maintain or purchase for the benefit of the Directors or for the benefit of persons including the Directors.

(viii) *Appointment and removal of Directors*

The appointment of any Director including as an alternate director, executive or managing director is subject to the appointee satisfying certain requirements of the statutory and regulatory bodies regulating the industries in which the Company operates.

Similarly, the removal of any Director from office is subject to certain notification requirements to those bodies.

A Director is required to vacate office if he ceases to satisfy these regulatory requirements.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities to an amount equal to three times the Company's adjusted Capital and Reserves.

The expression "Adjusted Capital and Reserves" is defined in the Articles to mean a sum equal to the aggregate of:

- (i) the amount paid up or credited as paid up (excluding any premium) on the issued share capital of the Company; and
- (ii) the aggregate amount standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiaries whether distributable or undistributable (including, without limitation, any share premium account, capital redemption reserve and profit and loss account) all as shown by the then latest audited consolidated balance sheet of the Company to have been laid before the members in general meeting but after certain exclusions and adjustments.

(j) *Untraceable shareholders*

The Company shall be entitled to sell, subject to various notice requirements, at the best price reasonably obtainable at the time of sale the shares of a member if during a period of 6 years no communication has been received by the Company from the member, no fewer than three dividends in respect of the shares have become payable, and no dividends in respect of those shares have been claimed (i.e. no dividend warrants and cheques have been cashed).

6. Substantial Interests

The table below sets out (as at 24 November, being the latest practicable date prior to publication of this document) the Shareholders who are, so far as they are known to the Company, directly or indirectly, jointly or severally, interested in three per cent or more of the issued Ordinary Shares:

	<i>No. of Ordinary Shares</i>	<i>Percentage of of issued Ordinary Shares</i>
C W T Johnston *	15,400,060	50.41
Vereinigte Haftpflicht Versicherung VAG	3,954,960	12.95
Refuge Assurance PLC	3,743,480	12.25
Natwest Ventures Investments Limited	3,743,480	12.25
J Ormond (deceased)	1,971,600	6.45

*denotes Director

Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

7. Directors' Interests

- (a) The table below sets out (as at 24 November, being the latest practicable date prior to publication of this document) the interests (all of which are beneficial) of the Directors, their families and persons connected with the Directors within the meaning of Section 346 of the Act, in the share capital of the Company, in the case of the Directors and their families, as required to be notified to the Company pursuant to Sections 324 and 328 of the Act or required by Section 325 of that Act to be entered in the register referred to therein and, in the case of persons connected with the Directors, as would be required to be so notified or entered in such register if such connected person were a director of the Company, and the existence of which is known to or could with reasonable diligence be ascertained by the Directors.

	<i>No. of Ordinary Shares</i>	<i>Percentage of of issued Ordinary Shares</i>
C W T Johnston	15,400,060	50.41
J P Barber	258,320	0.85
S M Donald	25,260	0.08
K H Klaeser	38,560	0.13
R P Pease	44,840	0.15
J Swarbrick	10,500	0.03
K W Rooney	—	—

- (b) Mr Johnston can exercise control over the Company by virtue of the size of his holding.
- (c) There are no outstanding loans, guarantees or other securities or indemnities granted or provided by any member of the Group to or for any Director.

8. Directors' Interests in Transactions

On 9 February 1999, the Group acquired the entire issued share capital of Homefinders (Most Accommodating People) Limited (now known as Personal Property Management Limited) for a consideration of £150,000 which was satisfied in cash. The controlling member of the Company, Mr C W T Johnston may be regarded as interested in this transaction in so far as certain shareholders of Homefinders (Most Accommodating People) Limited at the time of the acquisition were related to Mr Johnston in that their father or father-in-law is Mr Johnston's brother.

During the financial year ended 31 December 1997, Personal Insurance & Reinsurance Brokers Limited purchased for cash the fixed assets and goodwill of "Insurance Shop", a business owned and carried on by Mr R Johnston, a brother of Mr C W T Johnston.

Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Group and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

9. Directors' Service Agreements

(a) Service agreements (or in the case of the Chairman and other non-executive Directors, letters of appointment) have been entered into between the Company and the Directors, the principal terms of which are summarised below:

<i>Directors</i>	<i>Employer</i>	<i>Effective Date of Contract</i>	<i>Current Annual Remuneration</i>	<i>Pension Contribution % of Salary</i>	<i>Position</i>
John Swarbrick	the Company	10 November 2000	£24,060	NIL	Non-Executive Chairman
Christopher Johnstone	the Company	22 November 2000	Until 1 January 2001 the remuneration arrangements under Mr Johnstone's previous service agreement with PA dated 12 December 1984 apply to him. Under this, he receives a basic salary of £42,000 per annum together with a commission equal to 5% of Earned Premiums in excess of £840,000 for the year in question ("Earned Premiums" is defined as the gross premiums before any deductions including for commissions or brokerage) received by PA in respect of policies of insurance written by PA (whether or not reinsured) and as certified by the Company's auditors. With effect from the beginning of the financial year ending 31 December 2001, this arrangement will be replaced by one whereby Mr Johnstone receives no salary but instead receives a monthly payment which, when added back, equals 12% of the Group's unaudited consolidated profit before tax (after deducting unrealised investment gains or losses) for the previous month. In respect of each completed financial year, the Company's auditors will certify the amount of the Group's audited consolidated profits before tax for the period in question. If there has been an overpayment to Mr Johnstone by reference to the monthly payments received by him on the basis of the unaudited monthly management accounts, then Mr Johnstone will refund any overpayment. Similarly, if there has been an underpayment, the Company must make this good. His annual remuneration is subject to a maximum of £750,000, and he may elect to have all or part of this remuneration satisfied in Ordinary Shares so long as the number of Ordinary Shares issued in respect of any completed financial period does not exceed 0.5% of the Company's issued share capital at that time. In addition Mr Johnstone has the benefit of company car, mobile telephone and life assurance in an amount equal to four times his P60 earnings for the most recently completed tax year.	£24,000 (by way of salary sacrifice)	Managing Director

<i>Directors</i>	<i>Employer</i>	<i>Effective Date of Contract</i>	<i>Current Annual Remuneration</i>	<i>Pension Contribution % of Salary</i>	<i>Position</i>
John Barber	the Company	23 November 2000 (transfer to the Company of 1 July 1991 service agreement with PAS)	A salary of £72,800. In addition, Mr Barber has life assurance in an amount equal to four times his remuneration. Mr Barber also participates in the Company's profit-related pay scheme.	5%	Finance Director and Company Secretary
Kenneth Rooney	the Company	23 November 2000 (transfer to the Company of 19 April 1999 service agreement with PAFS)	A salary of £50,000 and a commission equal to 50% of all commission generated personally for PAFS. In addition, Mr Rooney may be provided with a mobile telephone and has the benefit of life assurance in an amount equal to four times his remuneration. Mr Rooney also participates in the Company's profit related pay scheme.	5%	Director and Managing Director of PAFS
Robert Pease	the Company	23 November 2000 (transfer to the Company of 1 May 1997 service agreement (as amended) with PIRB)	A salary of £100,000 and a commission equal to 30% of the net profits of PIRB generated from those of PIRB's activities over which he has direct personal control. In addition, Mr Pease has the benefit of a company car, mobile telephone and life assurance in an amount equal to four times his remuneration.	NIL	Director and Managing Director – PIRB
Sidney Donald	the Company	10 November 2000	£20,622	NIL	Non-Executive Director
Karl Klaeser	the Company	10 November 2000	£20,622	NIL	Non-Executive Director

- (b) All service agreements with executive directors are terminable on 12 months' notice by either party except that Mr Pease's service agreement is terminable on 6 months' notice. Appointments of each of the non-executive Directors under their respective are terminable on 6 months' notice. Following Admission, there will be no other existing or proposed service contracts between any of the Directors and any member of the Group. The directors of PAS (N.J. Woods, D. Williams and P.J. Yates) all have service agreements with that company which are terminable on 12 months' notice by either party.
- (c) Accordingly, there are no service agreements existing or proposed between the Directors and the Company or any of its subsidiaries which are not terminable within one year by the relevant company without payment of compensation (other than statutory compensation). However, Mr Johnston's service agreement provides: (a) for the payment to him of a sum by way of liquidated damages in an amount equal to the remuneration and benefits he would have received during his 12 month notice period if his employment terminates following a change in control of the Company; and (b) a payment equal to a further 12 months' remuneration and benefits in consideration for Mr Johnston's agreeing to observe certain non-competition covenants for the 12 month period following the effective date of termination of his employment. The service agreements for the other executive directors also include a provision entitling the relevant director to a payment by way of liquidated damages in an amount equal to the remuneration and benefits he would have received during his notice period if his employment is terminated by his employer following a change in control of his employer or the Company.
- (d) The aggregate remuneration and benefits in kind of the Directors in respect of the financial year ended 31 December 1999 was £890,000 (including pension contributions to money purchase pension schemes of approximately £24,000). The aggregate remuneration and benefits in kind of the Directors of the Group in respect of the financial year ending 31 December 2000 under the arrangements in force at the date hereof is expected to be approximately £1,014,000 (including pension contributions to money purchase pension schemes of approximately £31,000 and approximately £121,000 by way of emoluments and benefits to deceased director John Ormond who died on 15 July 2000).
- (e) Mr Klaeser was overseas for the first 3 months of 2000 and accordingly requested that the Company should not pay him any remuneration in respect of that period. The Company paid the amount otherwise receivable by Mr Klaeser (£5,155.68) to the Insurance Benevolent Fund. Save for this, there is no arrangement under which any Director has agreed to waive future emoluments and there has been no waiver of emoluments during the financial year immediately preceding the date of this document.

10. Current and Prior Directorships and Partnerships of the Directors

- (a) In addition to directorships of the Company and other members of the Group, the Directors currently hold the following directorships and partnerships and have held the following directorships within the five years prior to the publication of this document:

John Swarbrick

Current directorships

None other than he is a director of the Company and members of the Group

Former directorships in previous five years

None other than members of the Group

Christopher Johnston

Current directorships

None other than members of the Group
He is a director of all Group companies

Former directorships in previous five years

None other than members of the Group

John Barber

Current directorships

None other than members of the Group.
He is a director of the Company, PA, PAS and PPM

Former directorships in previous five years

None other than members of the Group

Robert Pease

Current directorships

None other than members of the Group.
He is a director of the Company, PA and PIRB

Former directorships in previous five years

Carpenter Bowring Limited
Jardine Thompson Graham Limited

Karl Klaeser*Current directorships*

None other than members of the Group.
He is a director of the Company and PA

Former directorships in previous five years

Summit Holdings Limited
Summit Marketing Company Limited
Jardine Arber and Company Limited
Gardner Wood Limited
Saveguard Holdings Plc
Club Members Financial Services Limited
Criterion Holdings Limited
Criterion Insurance Company Limited
Criterion Life Assurance Company Limited
Lifeguard Trustees Assurance Limited

Sidney Donald*Current directorships*

Festive Holidays Limited
GenCel Group Plc
County Kitchens, Bathrooms and
Bedrooms Limited
Sandford Limited
Ormolu Group Limited
Maturetimes Limited
He is also a director of the Company and PA

Former directorships in previous five years

Pillans & Wilson Limited
UCL Ventures Limited
Fletcher Newspapers Limited
Straker (Holdings) Plc
Lyric Hotels Limited
Trent Taverns Limited

Kenneth Rooney*Current directorships*

None other than members of the Group
He is a director of the Company,
and PAFS

Former directorships in previous five years

School Fees Insurance Agency Limited
SFIA Group Limited
School Fees Investment Advisers Limited
Kingsway House Limited

- (b) Save as disclosed above, none of the Directors has been a director or partner at any time in the previous five years. None of the Directors has any unspent convictions in respect of indictable offences. None of the directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors was a partner in any partnership at the time of or within 12 months of any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner in any partnership at the time of or within 12 months of receivership of any assets of the partnership.
- (c) There have been no public criticisms of any of the Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors has ever been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company.
- (d) Mr Rooney was a director of School Fees Insurance Agency from 1991 until he resigned in September 1996. Tax concessions associated with its company's main product were withdrawn and so therefore was the product, with the result that losses mounted. The company's landlord was unwilling to re-negotiate the company's 25 year lease and the company was unable to meet regulatory solvency requirements. Accordingly this company went into creditors' voluntary liquidation in March 1997. Mr Donald represented a member of an equity syndicate of venture capitalists as a non-executive director of Maclaine Holdings Limited, which manufactured components for the bus industry in 1989. When the equity syndicate declined to provide any more finance a receiver was appointed in April 1990 and Mr Donald resigned in the same month. The company was dissolved in July 1995. Mr Klaeser became a non-executive director of Summit Marketing Co. Limited in October 1992, representing an institutional investor. When the company's principal customer terminated its agreement, the institutional investor whom Mr Klaeser represented precipitated a creditor's winding up in April 1994. The company was dissolved on 12 May 1998. Apart from those instances, none of the Directors was a director of any company at the time of or within 12 months preceding any receivership, compulsory

liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangements with its creditors generally or any class of its creditors.

11. Share Incentive Schemes

- (a) At the extraordinary general meeting of the Company held on 31 October 2000 resolutions were proposed and passed approving, conditional upon Admission, (and subject to obtaining Inland Revenue approval) the rules of the Personal Group Holdings PLC All Employee Share Ownership Plan and the Personal Group Holdings PLC Selective Company Share Ownership Plan and associated trusts.

It is anticipated that the trusts may acquire on the market and hold Ordinary Shares which will be used to satisfy awards and/ or grants under the Share Incentive Schemes. It is expected that the trusts will borrow from the Company in order to fund the acquisition of Ordinary Shares. It is not anticipated that the trusts will hold between them more than 5 per cent. of the Company's issued share capital at any one time.

- (b) *The Personal Group Holdings PLC All Employee Share Ownership Plan ("AESOP")*

The principal terms of the AESOP can be summarised as follows:

(i) *Main Features of Plan*

An AESOP's key features are as follows:

- introduced by this year's Finance Act, the essence of an AESOP is that shares can be awarded free by the Company to employees. They are held within a trust ("the Plan Trust") for a period of between 3 and 5 years before being released to the individual employees to whom they have been awarded who may retain them or sell them on the market. The purpose of the Plan Trust is to ensure independent legal ownership of the designated shares and thus safeguard the interests of employees.
- an AESOP must be open to all employees (including part-time employees) subject to their having worked for the Company for a specified minimum period of time not exceeding 18 months and any performance criteria which may be set by the Company from time to time. However, a person with a "material interest" – any individual who (whether alone or together with his associates) controls more than 25 per cent. of the ordinary share capital of the Company – cannot participate.
- all shares retained within the Plan Trust for 5 years will be received by employees free of income tax, national insurance contributions and capital gains tax.
- the Company can award up to £3,000 worth of shares to an employee, free of tax and national insurance contributions, each year, gratuitously ("free shares").
- an AESOP may also provide for employees to be able to buy shares ("partnership shares") out of their pre-tax salary within the following limits:
 - (A) a maximum of 10 per cent. of gross earnings, subject to an upper limit of £1,500 per year;
 - (B) maximum monthly contributions of £125; and
 - (C) minimum monthly contributions of £10.
- the Company can "match" partnership shares by giving employees further shares according to the number of shares purchased – "matching shares". The Company can (but is not obliged to) match partnership shares with up to 2 free matching shares for each partnership share purchased by an employee, subject to a maximum value of £3,000.
- accordingly, the maximum value of shares an employee can acquire each year is £7,500 – £3,000 of free shares, £1,500 of partnership shares, and £3,000 of matching shares.

(ii) *Tax Advantages for Employees*

The potential tax advantages for employees depend on the length of time the shares are held within the Plan Trust.

- Employees who allow their shares to be retained in the Plan Trust for 5 years pay no income tax or national insurance contributions on the eventual receipt of those shares.
- If free shares or matching shares are withdrawn from the Plan Trust after being retained within the Plan Trust for between 3 and 5 years, then income tax and national insurance will be due on the initial value of the shares when first transferred to the Plan Trust.

If partnership shares are also withdrawn after an interval of between 3 and 5 years then the tax charge will be on the lesser of:

(A) the salary used to buy the shares; and

(B) the market value of the shares at the time they are removed from the Plan Trust.

- free and matching shares cannot normally be withdrawn from the Plan Trust in the first 3 years. Partnership shares withdrawn from the Plan Trust in the first 3 years will be subject to income tax and national insurance contributions on their market value at the time they are withdrawn.
- any dividends paid on shares held in the Plan Trust will be tax free up to an annual limit of £1,500 provided that such dividends are used to purchase additional shares in the Company, which are then held in the Plan Trust for 3 years.
- all shares must be released from the Plan Trust when employees leave the Company or its subsidiaries. An employee who leaves within 3 years of the award of shares may lose his entitlement to free shares and matching shares, although this rule does not apply to employees who leave for certain specified reasons including redundancy or retirement. An employee who leaves within 5 years will also have tax and national insurance contributions to pay, although again the tax liability is mitigated in the case of redundancy or retirement.

(iii) *Limit on Number of Shares*

The Company intends to seek Inland Revenue approval for the AESOP, so no awards can be made until such approval has been given. In accordance with recent Association of British Insurers guidelines, the maximum number of shares issued or issuable or utilised or capable of being utilised in respect of all awards under this share incentive scheme and any other share incentive scheme operated by the Company should not as a result of awards and options granted within the preceding 10 year period exceed 10 per cent. of the Company's issued ordinary share capital.

(iv) *Plan Trust*

It is a requirement of an AESOP that a Plan Trust be established to hold the shares awarded to individual employees for the requisite period before being released to them. Unless a corporate trustee is appointed there must always be at least two trustees. The trustees have the power to borrow money for the purpose of acquiring shares and paying expenses properly incurred by the trustees in administering the trust. It is anticipated that the Plan Trust will purchase shares on the market in order to satisfy awards made under the AESOP. However, the maximum number of shares in the Company held by the trust will not, when aggregated with shares in the Company held by any other employee share ownership trust, exceed 5 per cent. of the Company's issued share capital at any one time.

(v) *Acquisition Price*

The price per ordinary share for the purposes of determining the value of any award will be the average middle-market quotation for a Share over the 5 dealing days preceding the date of the award.

(vi) *Performance Criteria*

Awards made under the AESOP may be subject to certain performance criteria. The Directors have still to determine the precise nature of these performance criteria although it will be necessary for such criteria to be capable of objective measurement.

(vii) *General*

If the Company undertakes a capitalisation, rights issue or any consolidation, subdivision or reduction of its ordinary share capital, the number of shares held in the Plan Trust and the acquisition price of those shares will be adjusted in such manner as the Company's auditors confirm to be fair and reasonable.

Participation in the AESOP does not give any participant any additional right to compensation on the termination of his/ her employment.

(c) *The Personal Group Holdings PLC Selective Company Share Ownership Plan ("CSOP")*

The principal terms of the CSOP can be summarised as follows:

(i) *Main Features of Plan*

A CSOP's main features are as follows:

- this scheme is intended to motivate, retain and reward selected directors and employees who by their efforts are able to influence the performance and the success of the Company and its subsidiaries. Options are granted to selected individuals to acquire shares at a price linked to the market value of a Share at date of grant. Those individuals can exercise their options normally between the 3rd and 10th anniversary of the date of grant and can then either retain or sell the shares acquired on the market.
- unlike the AESOP, eligibility for the CSOP is selective in that the Company has a total discretion as to which employees or Directors should be granted options. However, CSOP options cannot be granted to an individual who has a material interest in the Company and for these purposes an individual is defined as holding a material interest if he (whether alone or together with his associates) controls more than 10 per cent. of the ordinary share capital of the Company.
- Option holders who exercise their options at least 3 years after the date of grant and before the 10th anniversary of the date of grant will not incur tax on the initial grant or exercise of the options, only upon the ultimate disposal of the shares acquired.

(ii) *Tax Advantages for the Option Holder*

An employee or Director who acquires options under a CSOP will not incur a tax liability on the initial grant or later exercise of the options provided the options are exercised more than 3 years after the date of grant and before the 10th anniversary of the date of grant. Only the ultimate disposal of shares acquired through the exercise of CSOP options will give rise to a capital gains tax liability in respect of the difference between the market value of the shares at the date of the eventual disposal and the amount of the exercise price.

(iii) *Limit on Frequency of Exercise of Options & Number of Shares*

- The Company intends to seek Inland Revenue approval for the CSOP. No options can be granted until this approval is received. A key feature of such an Inland Revenue-approved scheme is that the aggregate value of subsisting and unexercised options granted to an individual in respect of shares should not exceed £30,000, based on the market value of the Company's shares as at date of grant.

In addition, options awarded will only attract the capital gains tax treatment described above if such options are exercised more than 3 years after the date of the initial grant or, 3 years following the most recent exercise of a CSOP option by the same option holder. Thus in addition to the "quarantine period" precluding the exercise of options for an initial 3 year period, there is also a restriction on the exercise of successive options within an interval of less than 3 years – a "once in every three year rule". The only exception to these restrictions apply to the personal representatives of an option

holder who may exercise any outstanding options within a period of 12 months from the date of death of an option holder and still secure the capital gains tax treatment described above.

The maximum duration of any CSOP option is 10 years from the date of grant. However, options may be exercised whether the initial 3-year "quarantine period" or the "once in every three year rule" have been complied with (although they will not attract the beneficial capital gains tax treatment referred to above) in any of the following circumstances:

- (A) if the participant ceases to be employed by reason of injury, disability, redundancy or retirement, in which the participant may exercise his/ her option no later than 3 months from the date of termination of employment, failing which the option will lapse; or
- (B) if the Company passes a resolution for voluntary winding up, in which case any subsisting option may be exercised within 6 months after the date upon which the resolution is passed; or
- (C) if as a result of a general offer, a third party obtains control of the Company, in which case the option is exercisable for a period of six months after such change of control has occurred although, with the consent of the acquiring company, the existing options may be replaced by new options over shares in the acquiring company.

However, if the participant is adjudicated bankrupt, the options will lapse immediately.

The Company will not grant an option under the CSOP if, as a result, the number of shares issued or issuable or utilised or capable of being utilised in respect of all options granted under the CSOP and any other share incentive scheme operated by the Company would, as a result of options or rights granted within the preceding 10 year period, exceed 10 per cent. of the Company's issued ordinary share capital.

(iv) Share Ownership Trust

The rules of the CSOP allow grants to be made by an employee share ownership trust instead of the Company. At the 31 October 2000 extraordinary general meeting, shareholder approval was obtained conditionally upon Admission to the rules for an employee share ownership trust to be established to acquire shares on the market to be used to satisfy options granted under the CSOP. Unless a corporate trustee is appointed there must always be at least two trustees. The trustees have the power to borrow money for the purposes of acquiring shares and paying expenses properly incurred by the trustees in administering the trust. However, the maximum number of shares held by the trust will not, when aggregated with shares in the Company held by any other share ownership trust, exceed 5 per cent. of the Company's issued share capital at any one time.

Howper is the corporate trustee of this trust.

(v) Acquisition Price

The price per Share at which an option may be exercised under the CSOP will be the middle-market quotation for a Share over the 5 dealing days preceding the date of grant.

(vi) Performance Criteria

It is anticipated that options granted under the CSOP will be exercisable only if certain performance criteria are satisfied. The Directors have still to determine the precise nature of these performance criteria although it will be necessary for such criteria to be capable of objective measurement.

(vii) General

If the Company undertakes a capitalisation, rights issue or any consolidation, subdivision or reduction of its ordinary share capital, the number of shares subject to any option and the acquisition price of those shares shall be adjusted in such manner as the Company's auditors from time to time confirm to be fair and reasonable.

Participation in the CSOP does not give any participant any additional right to compensation on the termination of his/ her employment.

12. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Group in the two years prior to the date hereof and are, or may be, material:

- (a) an agreement dated 31 December 1998 made between (1) Judith Ann Ballard and Mary Josephine Marr (2) Home Finders (Most Accommodating People) Limited (now PPM) and (3) Peter Charles Ballard and Nicholas Marr. Under the agreement Home Finders (Most Accommodating People) Limited purchased the unincorporated business carried on by Judith Ann Ballard and Mary Josephine Marr trading as Ballard Marr Residential Rentals for a total consideration of £60,000. Pursuant to the foregoing agreement by an assignment dated 31 December 1998 between (1) Judith Ann Ballard and Mary Josephine Marr, (2) Peter Charles Ballard and Nicholas Marr, and (3) Home Finders (Most Accommodating People) Limited the benefit of certain contracts were assigned to Home Finders (Most Accommodating People) Limited. Under the assignment Home Finders (Most Accommodating People) Limited covenanted to indemnify the other parties against any claims, costs, actions, defaults or expenses arising in relation to such contracts for the period from 1 January 1999.
- (b) share purchase agreement dated 9 February 1999 between (1) Katrine Johnston, (2) Adrian Glew, (3) Fiona Johnston, (4) Andrew Manby (5) Françoise Johnston, (6) Patrick Johnston, (7) Amanda Johnston, (8) Frederic De Braconier and (9) the Company. Under the agreement the Company purchased the entire issued share capital of Home Finders (Most Accommodating People) Limited (now PPM) for a consideration of £150,000.
- (c) an agreement dated 23 December 1999 between (1) Abbeygate Developments Limited and (2) the Company pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Abbeygate Developments (Marlborough Gate) Limited ("Abbeygate"). Abbeygate has entered into an agreement to develop and acquire land at North 14th Street, Central Milton Keynes and for the construction of a building on such land. Conditional upon completion of these works, the Company will acquire the entire issued share capital of Abbeygate for a consideration of approximately £5 million. It is estimated that the cost of fitting out the building to be carried out after completion of the purchase of the Abbeygate shares will be approximately £500,000. Under the foregoing agreement Abbeygate was required to enter into the following agreements:
 - (i) a building contract with John Sisk & Sons Limited for the carrying out of the design and construction of the building works; and
 - (ii) an agreement with Currie & Brown Cost Management Limited to act as employer's agent under the building contract referred to above.

Ancillary to or connected with the share purchase agreement referred to above Abbeygate has entered into a loan agreement dated 23 December 1999 with Abbeygate Developments Limited relating to development costs, subject to a maximum of £4,338,477. All repayments made by Abbeygate will be deducted from the consideration payable by the Company to Abbeygate Developments Limited under the share purchase agreement referred to above.

- (d) an agreement dated 23 December 1999 made between (1) Abbeygate Developments Limited and (2) PPM relating to Phase 2 Blocklet E1.4 Central Milton Keynes ("the Site"). Abbeygate Developments Limited and PPM have agreed that any acquisition of the Site pursuant to an option to purchase should be undertaken as an equal joint venture. An option fee of approximately £28,000 from PPM is payable of which 50 per cent. has been paid and the balance is payable at the end of November 2000. The option to acquire the Site has not yet been exercised by Abbeygate Developments Limited or PPM.
- (e) a sponsor's agreement dated 24 November between the (1) Rowan Dartington (2) the Company and (3) the Directors under which Rowan Dartington has agreed to provide corporate broking services to the Company for the purposes of the Admission in return for which the Company has agreed to pay to Rowan Dartington a fee of £50,000 (plus non recoverable VAT). The Directors have given certain warranties and indemnities as to the accuracy of the information contained in this document and other matters in relation to the Company and its business.

13. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's financial position.

14. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group, from the time the Ordinary Shares are admitted to AIM, will be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

15. Taxation

(a) Dividends

Any individual Shareholder resident (for tax purposes) in the United Kingdom is entitled to a tax credit in respect of any dividend received equal to one ninth of the dividend. Such an individual Shareholder's liability to UK income tax is calculated on the sum of the dividend and the related tax credit which will be regarded as the top slice of the individual's income. The tax credit therefore equals 10 per cent of the combined amount of the dividend and tax credit. The tax credit will be available for offset against such shareholder's liability (if any) to income tax on the dividend. The tax credit will be taken to satisfy the whole of the lower and basic rate income tax liability in respect of the dividend of individuals resident in the United Kingdom for tax purposes. Higher rate taxpayers will have to pay additional tax (currently) equal to 22.5 per cent of the aggregate of the dividend and the tax credit. If the tax credit exceeds the individual's liability to income tax on the total of the dividend and the tax credit, that shareholder will not be able to claim payment of the excess from the Inland Revenue.

Shareholders who are exempt from income tax or corporation tax, such as pension funds, cannot reclaim the tax credit in respect of dividends paid.

A corporate shareholder resident (for tax purposes) in the United Kingdom will not normally be liable to UK corporation tax on any dividend received. However, where shares are held as trading stock, dividends paid and profits on the disposal of the shares will be treated for tax purposes as part of the Shareholder's trading profit.

Whether Shareholders who are resident (for tax purposes) in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of any dividends received depends in general upon the provisions of any double taxation agreement or convention which exists between such countries and the United Kingdom. Individual Shareholders who are resident (for tax purposes) in countries other than the United Kingdom but who are Commonwealth citizens, European Economic Area nationals, residents of the Isle of Man or the Channel Islands or within certain other categories contained in Section 278 (2) of the Taxes Act are entitled to a tax credit which they may set off against their total UK income tax liability or, in appropriate cases, reclaim in cash. Shareholders who are resident (for tax purposes) in countries other than the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received and as to whether they are entitled to reclaim any part of the tax credit and, if so, the procedure for claiming payment and what relief or credit may be claimed in respect of such tax credit in the country in which they are resident (for tax purposes). A Shareholder outside the United Kingdom may also be subject to foreign taxation under local law.

(b) Taxation of capital gains

An individual Shareholder who is either resident or ordinarily resident in the United Kingdom (for tax purposes) (whether or not domiciled in the United Kingdom) may be liable to capital gains tax on his/ her disposal of shares in the Company. UK resident corporate Shareholders may be liable to corporation tax on chargeable gains on the disposal of any of its shares in the Company.

(c) *Stamp duty and SDRT*

The conveyance or transfer on sale of Ordinary Shares will generally be liable to stamp duty on the instrument of transfer at a rate of 0.5 per cent. on the amount or value of the consideration rounded up (if necessary) to the nearest multiple of £5. Where an unconditional agreement to transfer such shares is not completed by a duly stamped instrument of transfer, a charge to Stamp Duty Reserve Tax ("SDRT") (generally at the same rate) will arise. Stamp duty and SDRT are usually paid by the purchaser.

The statements made in the paragraphs above are intended as a general guide only to current tax law in the United Kingdom and Inland Revenue practice and may not apply to certain classes of persons (such as dealers in securities).

Any person who is in any doubt as to his/ her tax position, and in particular any person who is subject to taxation in a jurisdiction other than the United Kingdom, is strongly advised to consult his/ her professional adviser.

16. Principal Establishments

(a) Details of the principal establishments owned or occupied by the Group are set out below:

<i>Location</i>	<i>Tenure</i>	<i>Lease Term</i>	<i>Rent</i>
Part Ground and Part First Floor Bank House, 171 Midsummer Boulevard Milton Keynes	Leasehold	10 years from 1.12.94	£78,806
1a High Street, Kings Langley, Herts (subject to Underlease in favour of Christine Trybus which expired 27.9.2000).	Leasehold	2.5 years from 25.3.98 to 28.9.2000	£9,000 p.a.
1 High Street, Kings Langley, Herts	Under leasehold	4 years from 29.9.96	£11,500 p.a.
8 Market Cross, Sturminster Newton, Dorset	Freehold	—	—

- (b) The rent payable in respect of Part Ground and Part First Floor Bank House, 171 Midsummer Boulevard, Milton Keynes was subject to review on 25 December 1999, but has not been finalised and is subject to arbitration. Rent has therefore been paid since the review date at the pre-review rate. Following the Company's anticipated relocation to new premises in Spring 2001, it expects (subject to obtaining landlord's consent) to assign or sublet its lease of these premises and will remain liable for payment of rent and performance of original tenant's covenants, subject to obtaining an appropriate indemnity from an assignee or to being able to enforce a corresponding obligation against any subtenant.
- (c) The Group's lease of 1a High Street, Kings Langley, Herts. has expired and these premises will be vacated by 25 December 2000.
- (d) Notice to quit has been served in relation to 1 High Street, Kings Langley and the Group may vacate these premises on or before 27 April 2001.
- (e) On 23 December 1999 the Company agreed to acquire the entire issued share capital of Abbeygate Developments (Marlborough Gate) Limited. This company has entered into an agreement to develop and acquire land at North 14th Street, Central Milton Keynes and for the construction of a building on such land. Conditional upon completion of these works, the Company will acquire the entire issued share capital of Abbeygate. Further details about this material contract are set out in paragraph 12 above.

17. General

- (a) Save as disclosed in this document, in relation to the material contracts referred to in paragraph 12 above and paragraph 17(b) below, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

- (i) received, directly or indirectly, from the Company within the 12 months preceding the application for Admission; or
 - (ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (A) fees totalling £10,000 or more; or
 - (B) securities in the Company with a value of £10,000 or more; or
 - (C) any other benefit with a value of £10,000 or more at the date of Admission.
- (b) (i) Kimbell & Co, the solicitors who acted for the Company in relation to the property matters referred to amongst the material contracts referred to in paragraph 12 above received in 1999 fees totalling approximately £43,000 (including non-recoverable VAT).
- (ii) Pursuant to an agreement with Jackson Coles Construction Consultants evidenced by letter dated 19 April 1999 and a letter of amendment dated 1 November 1999 the Company agreed a fee of £24,500 (plus non-recoverable VAT) for project management services in respect of the property referred to in paragraph (c) of paragraph 12. In 1999, Jackson Coles, who provided project management services in connection with those property matters received fee income from the Company of approximately £11,200 (inclusive of non-recoverable VAT). For the period 1 January to 31 October 2000 they received from the Company fee income of approximately £13,320 (inclusive of non-recoverable VAT).
- (iii) Pursuant to an agreement with Allan Sly, the Company has agreed to pay £69,325 (including non-recoverable VAT) for the creation of a sculpture. Fees paid by the Company to date to Allan Sly amount to approximately £23,110 (including non-recoverable VAT).
- (iv) Pursuant to a consultancy agreement dated 1 July 1999, a Mr David Reynolds provided recruitment, training, motivation and management consultancy services for the Group's sales staff for a 12 month term at a fee of £20,000. This agreement has been renewed for a further 12 months on the same terms.
- (c) The total costs and expenses payable by the Company in connection with or incidental to the Admission including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses are estimated to amount to approximately £200,000 (including non-recoverable VAT) and are payable by the Company.
- (d) Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- (e) The Ordinary Shares are not being offered generally and no applications have or will be accepted.
- (f) Rowan Dartington & Co Limited has been appointed nominated adviser to the Company. Under the AIM Rules the nominated adviser owes certain responsibilities to the London Stock Exchange. In accordance with these Rules, Rowan Dartington has confirmed to the London Stock Exchange that it has satisfied itself that, in relation to the application for Admission, the Directors of the Company have received advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with.
- (g) Rowan Dartington has also been appointed as nominated broker to the Company.
- (h) Rowan Dartington is registered in England with the number 2752304 and its registered office is at Colston Tower, Colston Street, Bristol BS1 4RD is regulated in the UK by The Securities and Futures Authority Limited
- (i) Rowan Dartington has given and has not withdrawn its written consent to the issue of this document with the references to it in the form and context in which such references are included.
- (j) Grant Thornton, of Melton Street, Euston Square, London NW1 2EP, have given and have not withdrawn their written consent to the issue of this document with the inclusion of their report and letter and the references to such report and letter and to their name in the form and context in

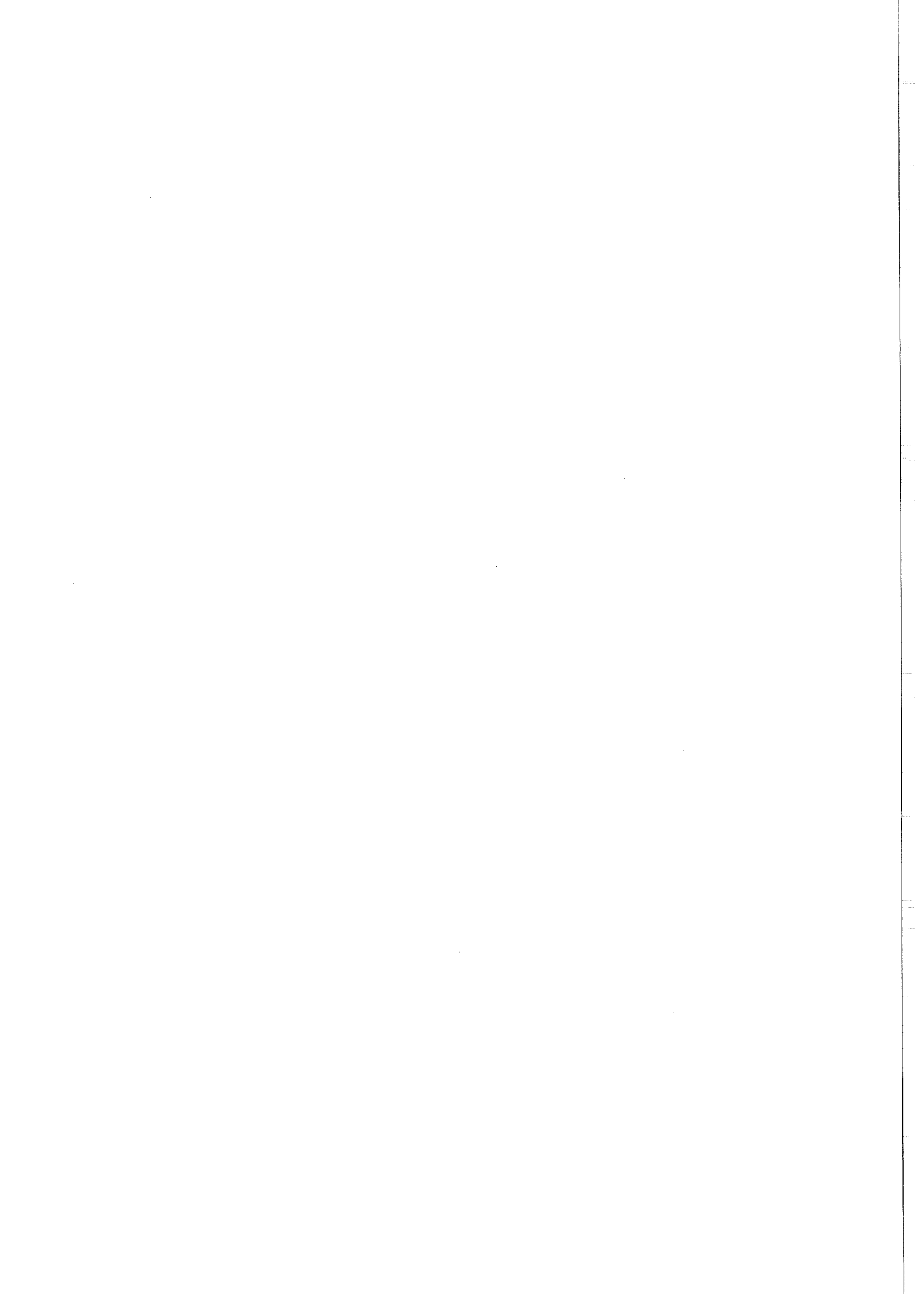
which they are included. Grant Thornton accept responsibility for their report and letter and have stated that they have not become aware, since the date of the report or letter, of any matter affecting the validity of the report or letter at that date.

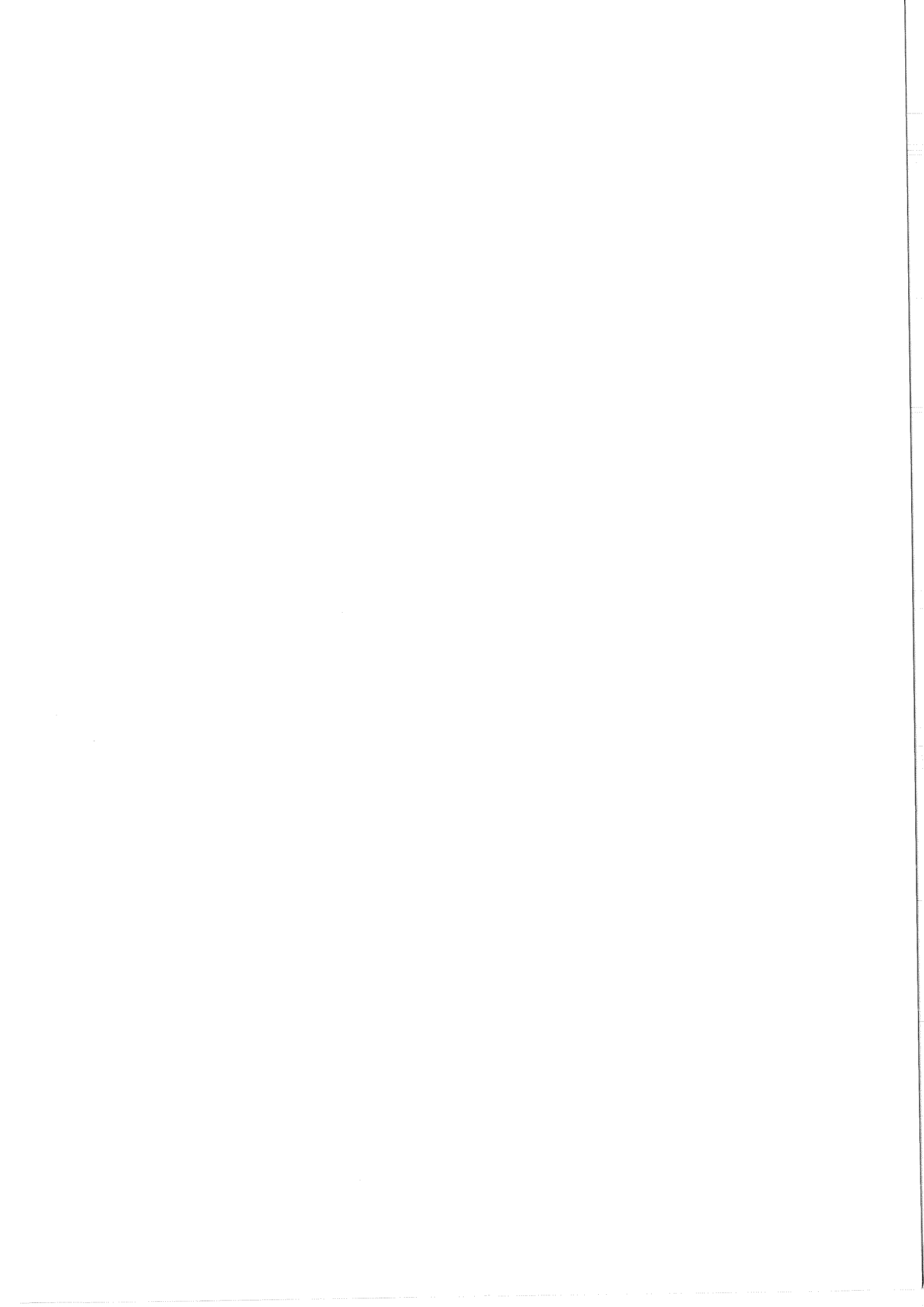
- (k) The Ordinary Shares in issue at the date of this document are in registered form. It is expected that share certificates in respect of any Ordinary Shares issued by way of allotment will be despatched at the risk of the persons entitled to them within one month of allotment and that in relation to Ordinary Shares acquired by transfer, share certificates will be issued within 14 days of lodgement of the transfer. Where Shareholders request that Ordinary Shares be delivered to them in uncertificated form, it is expected that such Ordinary Shares will be credited to their CREST accounts as soon as practicable.
- (l) The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.
- (m) Save as disclosed in this document there has been no significant change to the financial or trading position of the Group since 31 December 1999, the date to which the most recent audited financial statements were compiled.
- (n) Following Admission, the Ordinary Shares will be listed on AIM. It is not proposed to seek a listing for the Ordinary Shares on any stock exchange other than the London Stock Exchange.
- (o) The financial information contained in this document does not constitute full statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of the Group for the last two financial years to which the financial information relates and on which the Company's auditors gave reports under Section 235 of the Act, which were neither qualified within the meaning of Section 262 of the Act nor contained statements under Section 237 (2) or (3) of the Act, have been delivered to the Registrar of Companies. The statutory financial statements for the period ended 31 December 1999 were given an unqualified report.
- (p) The current accounting reference period of the Company will end on 31st December 2000.
- (q) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

18. Publication of Admission Document

Copies of this document will be available free of charge to the public at the offices of Rowan Dartington at Colston Tower, Colston Street, Bristol BS1 4RD and at the offices of Howes Percival at 252 Upper Third Street, Grafton Gate East, Central Milton Keynes MK9 1DZ from the date of this document.

Dated 24 November 2000





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