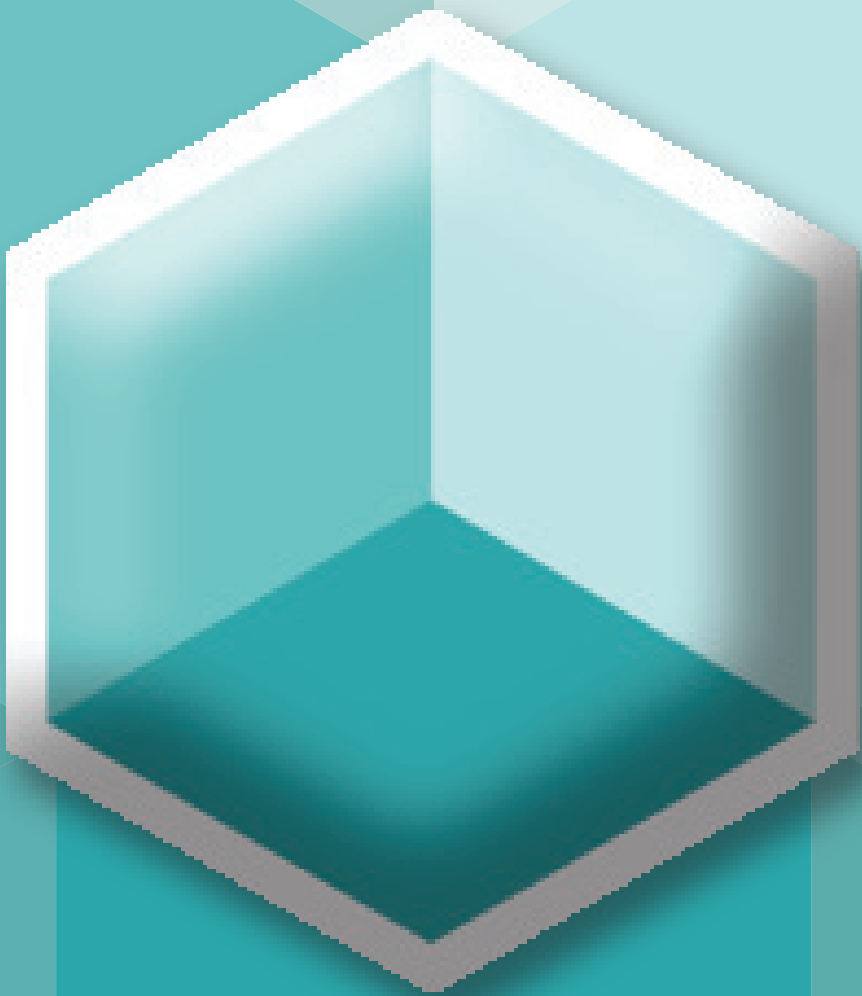




ABBHEY PROTECTION PLC

Abbey Protection plc
Interim Report 2010



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Who we are

Abbey Protection plc is a specialist insurance and consultancy Group focused on the delivery of legal and taxation related professional fees insurance products and services to UK small to medium sized enterprises (“SMEs”). Abbey Protection plc is the ultimate holding company for:

Abbey Protection Group Limited, which is the Group’s intermediary and consultancy arm. It is authorised and regulated by the Financial Services Authority (firm ref: 308829).

Ibex Reinsurance Company Limited, the Group’s reinsurance subsidiary. It is authorised and regulated by the Guernsey Financial Services Commission (registration no. 40683).

Abbey Protection plc is committed to high service levels and is the leading supplier of legal expenses and taxation related professional fees insurance to UK SMEs. Our objective is to achieve strong, sustainable earnings and progressive dividend yield through a strategy of driving organic growth, developing opportunities for the Group’s consultancy divisions and making selective and complementary acquisitions.

Financial highlights

11% increase in pre-tax profits to £4.7m

Revenue up 5% to £17.3m

Steady and profitable underwriting results (claims ratio of 63.3%)

Shareholders' funds up to £23.8m

Earnings per share up 11% to 3.44p

Interim dividend increased to 1.7p per share (2009: 1.6p)

Outlook **positive** with stable underwriting results, a robust demand for its service and opportunities following the deregulation of the legal services sector in 2011 and beyond

Interim financial results 2010

	6 months ended 30 June 2010 unaudited	6 months ended 30 June 2009 unaudited	Year ended 31 December 2009 audited
Revenue	£17.3m	£16.4m	£32.9m
Profit before tax	£4.7m	£4.3m	£8.7m
EBITDA*	£5.1m	£4.6m	£9.5m
Profit after tax	£3.4m	£3.1m	£6.4m
Basic earnings per share	3.44p	3.11p	6.43p

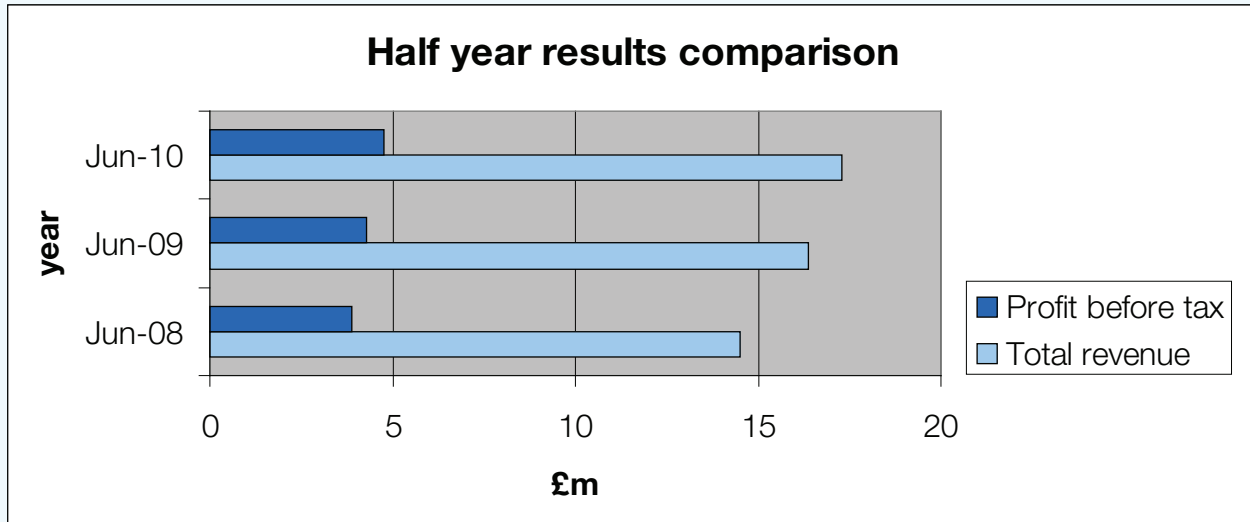
*Earnings before interest payable, taxation, depreciation and amortisation charges

Chief Executive's statement

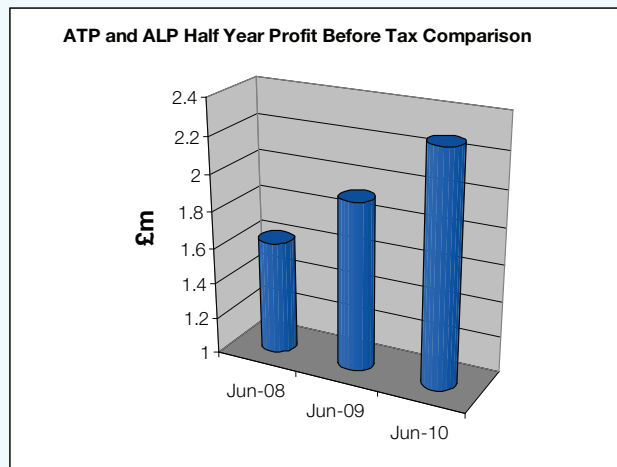
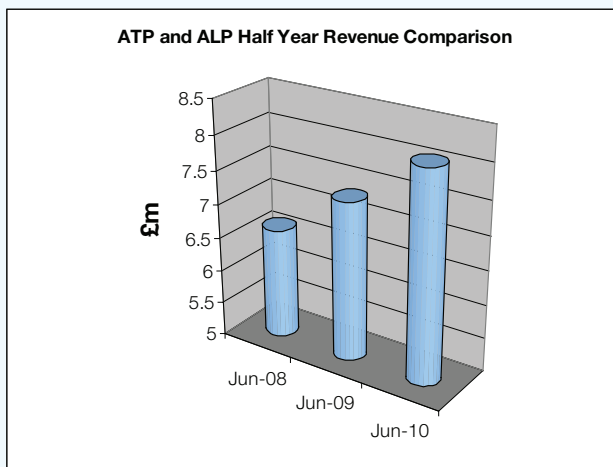
Summary

This is the third interim report and covers the six months ending 30 June 2010 for Abbey Protection plc ("the Group").

I am pleased to report that our results have held up well against a difficult economic backdrop and the continued low interest rate environment, with an **11% increase in profit before tax to £4.7m** (2009:£4.3m):



The resilience of our core business model is demonstrated, in particular, by the underlying performance of our principal trading divisions (**Abbey Legal** and **Abbey Tax**) where **revenues increased by 11% to £8.2m** (2009:£7.4m) and **profits were up 18% to £2.3m** (2009:£1.9m):



Current trading – divisional performance

Revenue from **Abbey Tax Protection ("ATP")** was up 14% to £3.5m, with significant contributions from recently introduced products such as our embedded capital allowances surveying service and also from specialist tax planning insurance. Sales of our traditional core product of fee protection insurance held up very well in an extremely competitive market and over the first part of 2010 we have consolidated our position as market leader in this sector. HMRC enquiries, which declined in 2009, have started to increase again in 2010 which should stabilise the aggressive pricing models of some competitors. Overall, pre-tax profits, inclusive of allocated central costs, increased by 11% to £1.3m.

There was solid growth in the revenue from the legal protection divisions, **Abbey Legal Protection/Services ("ALP/ALS")**, up 8% to £4.7m, with new business sales exceeding £0.5m and fee income from litigation and consultancy services increasing to £1m. Overall the profit contribution from ALP/ALS, inclusive of allocated central costs, increased by 28% to £1m, helped in part by the call volumes being handled by the call centre returning to pre-recession levels and enabling us to control our operational costs.

The claims ratio at our reinsurance subsidiary, **lbex**, improved to 63.3% (2009:67.7%), benefiting from some early year reserve releases. The underlying loss ratios remain stable, with a marginal increase in employment claims in 2009 being off-set by reduced numbers of tax claims in the year. Despite the continued low investment yields, lbex increased its profit by 11% to £2.1m in the first half of 2010. This profit contribution derives almost entirely from premium written by the core divisions of ALP and ATP.

Chief Executive's statement

Continued...

Although overall revenue from the **After the Event ("ATE")** division reduced to £0.7m (2009: £0.9m), this was the result of all material income from our managed run-off contracts having reached a natural conclusion. Sales of our injury compensation product, Accident Line, were up 16% and particularly pleasingly, our new commercial after the event insurance produced sales in excess of expectations.

Sales revenue from the specialist accountancy services unit at **Accountax ("ACX")** has overall remained flat compared with 2009. However, the consulting arm has enjoyed a 17% increase in revenue to £0.9m whereas the marketing division has suffered an equivalent reduction due to lower levels of conversions by its accountancy clients. Pre-tax profit for ACX, after amortisation and central costs, has risen by 22% to £0.2m.

Abbey HR ("AHR"), which sells packaged employee relations and health and safety services directly to businesses, had a difficult start to the year but in the second quarter, business has significantly improved. Consequently revenue has increased by 11% to £0.3m, although the division still hovers at the break even point. If the recent improvement in sales continues, then we expect a small profit by the end of 2010.

Investment income has remained depressed with little expectation of increased yields materialising until 2011. We remain committed to our low risk strategy of investing in short term deposits and certificates of deposit with a maximum duration of two years. On the positive side, when yields pick up, our results will receive a further boost.

Operating **cash flow** remains strong at just over £4m for the six months to 30 June 2010 although tax payments have increased following the changes to the controlled foreign company regime announced in 2009. We have also made the final payment of deferred consideration associated with our acquisition of Accountax which is now fully integrated.

The board has approved an **interim dividend** of 1.7 pence per share, an increase of 0.1p over 2009, which will be payable on 7 October 2010 to all shareholders on the register at 10 September 2010.

Outlook

We remain confident about the Group's prospects for the remainder of the year and beyond, as we have demonstrated our resilience and ability to grow the business in tough economic times. We are committed to maintaining the highest standards of service and this philosophy will enable us to not only maintain, but also enhance our position as the market leader in the supply of legal and professional fees insurance to UK SMEs and maintain the strong organic growth in revenue and profits.

In addition, our emphasis in recent years in developing specialist consultancy services in both the legal and tax divisions is now bearing fruit, as is the launch of new and specialist insurance products for commercial ATE and Tax indemnities.

We continue to investigate the acquisition of complementary businesses in the consultancy compliance and fee protection markets, although, we have not yet identified a suitable target at a price which would be realistic for our shareholders.

It is now just over 12 months until the first of the licences are scheduled to be granted following the de-regulation of the legal services market. We are well advanced in our preparations and believe we are well positioned to take advantage of the opportunities in the sector.

Colin Davison
Chief Executive
September 2010

Consolidated income statement

Unaudited for the 6 months ended 30 June 2010

	Note	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
		Unaudited	Unaudited	Audited
		£000	£000	£000
Revenue				
Intermediary, advisory and other income	3	10,238	9,615	19,314
Gross and net premiums written		7,227	6,655	13,623
Gross and net change in provision for unearned premiums		(447)	(180)	(451)
Gross and net premiums earned	4	<u>6,780</u>	<u>6,475</u>	<u>13,172</u>
Net investment return	5	264	301	459
Total revenue		<u>17,282</u>	<u>16,391</u>	<u>32,945</u>
Expenses				
Claims and change in insurance liabilities	6	(4,290)	(4,383)	(8,328)
Acquisition costs		(481)	(403)	(966)
Other operating and administrative expenses	7	(7,766)	(7,330)	(14,906)
Total operating expenses		<u>(12,537)</u>	<u>(12,116)</u>	<u>(24,200)</u>
Profit before tax		<u>4,745</u>	<u>4,275</u>	<u>8,745</u>
Tax expense	8	(1,329)	(1,189)	(2,362)
Profit attributable to equity shareholders of the parent		<u>3,416</u>	<u>3,086</u>	<u>6,383</u>
Earnings per share				
From continuing operations		Pence per share	Pence per share	Pence per share
Basic	10	<u>3.44</u>	<u>3.11</u>	<u>6.43</u>
Diluted	10	<u>3.40</u>	<u>3.08</u>	<u>6.36</u>

There were no discontinued operations.

There was no other comprehensive income.

Consolidated balance sheet

Unaudited as at 30 June 2010

	Note	30 June 2010 Unaudited £000	30 June 2009 Unaudited £000	31 Dec 2009 Audited £000
Assets				
Goodwill		4,618	5,138	4,638
Other intangible assets		1,697	1,960	1,881
Property, plant and equipment		1,729	1,784	1,731
Financial investments	11	14,290	10,519	7,489
Trade and other receivables	12	20,385	18,223	20,251
Cash and cash equivalents	13	22,745	24,098	29,645
Total assets		65,464	61,722	65,635
Liabilities				
Insurance contract provisions	14	18,734	18,050	18,296
Financial liabilities		-	1,100	600
Finance lease obligations		269	265	199
Deferred tax liabilities		705	2,047	1,873
Current tax liabilities		2,503	1,637	1,477
Accruals and deferred income	15	6,742	6,039	8,644
Trade and other payables	16	12,663	12,023	12,146
Total liabilities		41,616	41,161	43,235
Equity				
Share capital		1,000	1,000	1,000
Share premium		3,539	3,539	3,539
Own shares		(298)	(298)	(298)
Retained earnings		18,090	15,039	16,748
Merger reserves		282	282	282
Reverse takeover reserve		188	188	188
Capital redemption reserve		557	557	557
Equity settled share incentive reserve		490	254	384
Total shareholders' equity		23,848	20,561	22,400

Consolidated statement of changes in equity

Unaudited for the 6 months ended 30 June 2010

	Share capital	Share premium	Merger reserve	Equity settled share incentive reserve	Capital redemption reserve	Reverse takeover reserve	Own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Shareholders' equity at 1 January 2009	1,000	3,539	282	163	557	188	(298)	13,937	19,368
Equity settled share-based payments	-	-	-	91	-	-	-	-	91
Ordinary dividend paid	-	-	-	-	-	-	-	(1,984)	(1,984)
Profit for the year	-	-	-	-	-	-	-	3,086	3,086
Shareholders' equity at 30 June 2009	<u>1,000</u>	<u>3,539</u>	<u>282</u>	<u>254</u>	<u>557</u>	<u>188</u>	<u>(298)</u>	<u>15,039</u>	<u>20,561</u>
Equity settled share-based payments	-	-	-	130	-	-	-	-	130
Ordinary dividend paid	-	-	-	-	-	-	-	(1,588)	(1,588)
Profit for the year	-	-	-	-	-	-	-	3,297	3,297
Shareholders' equity at 31 December 2009	<u>1,000</u>	<u>3,539</u>	<u>282</u>	<u>384</u>	<u>557</u>	<u>188</u>	<u>(298)</u>	<u>16,748</u>	<u>22,400</u>
Equity settled share-based payments	-	-	-	106	-	-	-	10	116
Ordinary dividend paid	-	-	-	-	-	-	-	(2,084)	(2,084)
Profit for the year	-	-	-	-	-	-	-	3,416	3,416
Shareholders' equity at 30 June 2010	<u>1,000</u>	<u>3,539</u>	<u>282</u>	<u>490</u>	<u>557</u>	<u>188</u>	<u>(298)</u>	<u>18,090</u>	<u>23,848</u>

Consolidated cash flow statement

Unaudited for the 6 months ended 30 June 2010

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Profit before tax	4,745	4,275	8,745
Adjusted for:			
Interest receivable	(215)	(360)	(548)
Profit on disposal of assets	-	(22)	(41)
Amortisation of intangible assets	207	197	403
Depreciation of property, plant and equipment	147	154	318
Equity settled share-based payments	116	91	221
(Increase)/decrease in receivables	(25)	333	(1,825)
(Decrease)/increase in payables	(877)	(763)	2,184
Cash generated by operations	4,098	3,905	9,457
Interest received	106	480	798
Tax paid	(1,471)	(1,079)	(2,586)
Net cash from operating activities	2,733	3,306	7,669
Investing activities			
(Purchase)/sale of financial investments	(6,801)	(2,307)	723
Purchases of intangible assets	(23)	(81)	(208)
Purchases of property, plant and equipment	(145)	(255)	(386)
Acquisition of subsidiary	(580)	-	-
Net cash (used in)/from investing activities	(7,549)	(2,643)	129
Financing activities			
Equity dividend paid	(2,084)	(1,984)	(3,572)
Net cash used in financing activities	(2,084)	(1,984)	(3,572)
Net (decrease)/increase in cash and cash equivalents	(6,900)	(1,321)	4,226
Cash and cash equivalents at beginning of the period	29,645	25,419	25,419
Cash and cash equivalents at the end of the period	22,745	24,098	29,645

Notes to the financial statements

1 Basis of preparation

The consolidated financial information contained within these financial statements is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2009, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The report of the independent auditor on those statutory accounts contained no qualification or statement under Section 498(2) or (3) of the Companies Act 2006.

The preparation of the interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant judgements and estimates applied by the Group in these interim financial statements have been applied on a consistent basis with the statutory accounts for the year ended 31 December 2009. Although these estimates are based on managements best knowledge of the amount, event or actions, actual results may ultimately differ from those of estimates.

The accounting policies applied in these interim financial statements are the same as those published in the Group's statutory accounts for the year ended 31 December 2009.

2 Segment information

(a) Primary reporting format - business segments

Abbey Protection plc's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different skill sets, technology and marketing strategies.

Abbey Protection plc has four reportable segments: Abbey Legal Protection, Abbey Tax Protection, Accountax and Insurance Underwriting. Abbey Legal Protection comprises the intermediation of legal expenses insurance together with the provision of related advice and consultancy. Abbey Tax Protection comprises the intermediation of professional fee protection insurance together with the provision of related advice and consultancy. Accountax comprises of the provision of tax consultancy and marketing services. Insurance Underwriting comprises reinsuring a proportion of the business Abbey Protection plc introduces to underwriting partners.

Other segments represent business units whose operations fall below the quantitative disclosure thresholds. These businesses offer human resources consultancy, after the event insurance intermediation and insurance run-off services.

The accounting policies applied in preparing operating segment disclosures are the same as those applied throughout these financial statements. Abbey Protection plc evaluates performance on the basis of profit from operations before tax expense.

Notes to the financial statements

Continued...

2 Segment information (continued)

(a) Primary reporting format - business segments (continued)

6 months ended 30 June 2010 - Unaudited

	Abbey Legal Protection	Abbey Tax Protection	Accountax	Insurance Underwriting	Other segments	Total
	£000	£000	£000	£000	£000	£000
Revenue from external customers	4,657	3,428	1,084	6,780	1,069	17,018
Interest revenue	39	28	7	182	8	264
Depreciation and amortisation	98	40	177	-	39	354
Reportable segment profit	975	1,302	156	2,125	187	4,745
Expenditures for reportable segment non-current assets	34	58	2	-	74	168

6 months ended 30 June 2009 - Unaudited

	Abbey Legal Protection	Abbey Tax Protection	Accountax	Insurance Underwriting	Other segments	Total
	£000	£000	£000	£000	£000	£000
Revenue from external customers	4,326	3,022	1,090	6,475	1,177	16,090
Interest revenue	13	8	-	275	5	301
Depreciation and amortisation	92	26	183	-	50	351
Reportable segment profit	759	1,168	128	1,907	313	4,275
Expenditures for reportable segment non-current assets	181	83	16	-	56	336

Year ended 31 December 2009 - Audited

	Abbey Legal Protection	Abbey Tax Protection	Accountax	Insurance Underwriting	Other segments	Total
	£000	£000	£000	£000	£000	£000
Revenue from external customers	9,061	6,105	2,069	13,172	2,079	32,486
Interest revenue	30	23	6	388	12	459
Depreciation and amortisation	194	82	368	-	77	721
Reportable segment profit	1,946	2,213	123	4,141	322	8,745
Expenditures for reportable segment non-current assets	317	142	46	-	89	594

Information about major customers - Unaudited

Revenues from one customer represent approximately £2,659,000 of the Group's total revenue (6 months ended 30 June 2009 £2,568,000 and 12 months ended 31 December 2009 £5,182,000). Revenue from this customer is recorded in segmental revenue for Insurance Underwriting, Abbey Legal Protection and Abbey Tax Protection.

(b) Secondary segment information - geographical analysis

All of the Group's revenues, costs, assets and liabilities are derived from providing its services in the United Kingdom.

Notes to the financial statements

Continued...

3 Intermediary, advisory and other income

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Income from intermediation	4,259	4,010	8,217
Advisory fees	2,210	2,082	4,194
Other income	3,769	3,523	6,903
Total intermediary, advisory and other income	10,238	9,615	19,314

Other income comprises consultancy, claims handling, marketing services and management services.

4 Net insurance premium

There were no reinsurance policies in effect throughout the periods reported.

5 Net investment return

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Investments at fair value through Income Statement:			
- certificates of deposit	99	177	463
Other investments:			
- cash and cash equivalents income	116	183	85
Interest investment income	215	360	548
Net gains/(losses) on investments at fair value through the Income Statement	49	(59)	(89)
Net investment return	264	301	459

6 Claims and change in insurance liabilities (gross and net)

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Claims paid	(4,299)	(3,473)	(7,443)
Change in the provision for claims	9	(910)	(885)
Claims and change in insurance liabilities	(4,290)	(4,383)	(8,328)

Notes to the financial statements

Continued...

7 Operating and administration expenses

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Staff costs	5,283	4,964	10,100
Other operating expenses	2,483	2,366	4,806
Total operating and administration expenses	7,766	7,330	14,906

8 Tax expense

Income tax for the six months period is charged at 28.0% (six months ended 30 June 2009: 27.8%; year ended 31 December 2009: 27.0%), representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

9 Dividends

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Amounts recognised as distributions to equity holders in the period:			
Dividends on ordinary shares	2,084	1,984	3,572
Net appropriation for the year	2,084	1,984	3,572

On 30 April 2009 a dividend of £1,984,000 (net of £16,000 receivable by a group ESOP trust) was paid representing 2.0 pence per Abbey Protection plc share.

On 7 October 2009 a dividend of £1,588,000 (net of £12,000 receivable by a group ESOP trust) was paid representing 1.6 pence per Abbey Protection plc share.

On 26 March 2010 a dividend of £2,084,000 (net of £16,000 receivable by a group ESOP trust) was paid representing 2.1 pence per Abbey Protection plc share.

The Board declares the payment of an interim dividend of 1.7p per Abbey Protection plc ordinary share amounting to £1,700,000. The dividend will be payable on 7 October 2010 to all shareholders on the register on 10 September 2010. These financial statements do not reflect this dividend payable.

Notes to the financial statements

Continued...

10 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Profit attributable to equity holders of the parent	3,416	3,086	6,383
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purposes of diluted earnings per share	<u>3,416</u>	<u>3,086</u>	<u>6,383</u>
	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	99,231,375	99,231,375	99,231,375
Effect of dilutive potential ordinary shares (share options)	1,373,738	1,089,107	1,175,564
	<u>100,605,113</u>	<u>100,320,482</u>	<u>100,406,939</u>

11 Financial investments

Financial investments at fair value through profit and loss

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Certificates of deposit	<u>14,290</u>	<u>10,519</u>	<u>7,489</u>

The fair values of the Group's financial investments have been arrived at by reference to readily available market prices.

12 Trade and other receivables

	30 June 2010	30 June 2009	31 Dec 2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Receivables arising from insurance and reinsurance contracts:			
- premiums due from insurers	5,991	5,844	5,286
- trade debtors	12,235	9,724	12,895
Other receivables:			
- other prepayments and accrued income	1,045	1,324	875
- amounts due from related parties	709	867	799
- other debtors	405	464	396
Total insurance and other receivables	<u>20,385</u>	<u>18,223</u>	<u>20,251</u>
Due within one year	<u>20,385</u>	<u>18,223</u>	<u>20,251</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the financial statements

Continued...

13 Cash and cash equivalents

Included in cash and cash equivalents held by the Group as at each period end are balances totalling £1m not available for use by the Group. This amount is held in trust to guarantee claims liabilities. Additionally, as at 30 June 2009 and 31 December 2009 £1.1m was held in escrow to guarantee deferred acquisition consideration.

14 Insurance contract provisions (gross and net)

	30 June 2010 Unaudited £000	30 June 2009 Unaudited £000	31 Dec 2009 Audited £000
Unearned premiums	7,755	7,037	7,308
Claims reported by policyholders	6,403	6,097	6,026
Claims incurred but not reported	4,576	4,916	4,962
Total insurance contract provisions	18,734	18,050	18,296

15 Accruals and deferred income

	30 June 2010 Unaudited £000	30 June 2009 Unaudited £000	31 Dec 2009 Audited £000
Accruals	1,434	1,345	1,781
Deferred income	5,308	4,694	6,863
Total accruals and deferred income	6,742	6,039	8,644

16 Trade and other payables

	30 June 2010 Unaudited £000	30 June 2009 Unaudited £000	31 Dec 2009 Audited £000
Other trade payables	11,610	10,922	11,040
Other taxes and social security	619	579	640
Other payables	434	522	466
Total trade and other payables	12,663	12,023	12,146

Trade and other payables are all expected to be settled within twelve months of the balance sheet date.

Notes to the financial statements

Continued...

17 Share option schemes

Options granted

As at 30 June 2010, share options were outstanding as set out below:

	SAYE	SAYE	SAYE	
Date of grant	20/12/2007	24/07/2008	27/05/2010	
Number of options granted	815,099	76,454	232,273	
Exercise price	£0.44	£0.536	£0.636	
Share price at date of grant	£0.61	£0.67	£0.785	
Contractual life (years)	3.5	3.5	3.5	
Vesting Date	01/01/2011	01/09/2011	01/07/2013	
Settlement	Shares	Shares	Shares	
Expected volatility	35%	35%	20%	
Expected option life at date of grant	Three Years	Three Years	Three Years	
Risk free interest rate	5.00%	5.00%	1.30%	
Expected dividend yield	5.00%	5.00%	5.00%	
Expected annual departures	5.00%	3.00%	0.00%	
Probability of meeting performance criteria at date of grant	100%	100%	100%	
Fair value per option at date of grant	£0.20	£0.197	£0.125	
Valuation model	Binomial	Binomial	Binomial	
Total fair value	£138,567	£13,718	£29,034	
	CSOP	CSOP	CSOP	CSOP
Date of grant	29/11/2007	27/06/2008	29/04/2009	30/04/2010
Number of options granted	381,815	30,000	51,724	37,735
Exercise price	£0.55	£0.67	£0.58	£0.795
Share price at date of grant	£0.55	£0.67	£0.58	£0.795
Contractual life (years)	10	10	10	10
Vesting Date	30/11/2010	30/06/2011	30/04/2012	01/05/2013
Settlement	Shares	Shares	Shares	Shares
Expected volatility	35%	35%	35%	20%
Expected option life at date of grant	Three Years	Three Years	Three Years	Three Years
Risk free interest rate	5.00%	5.00%	2.00%	3.50%
Expected dividend yield	5.00%	5.00%	6.20%	6.20%
Expected annual departures	0.00%	0.00%	0.00%	0.00%
Probability of meeting performance criteria at date of grant	100%	100%	100%	100%
Fair value per option at date of grant	£0.20	£0.20	£0.13	£0.12
Valuation model	Binomial	Binomial	Binomial	Binomial
Total fair value	£76,745	£6,120	£6,737	£4,490

Notes to the financial statements

Continued...

17 Share option schemes (continued)

	LTIP	LTIP	LTIP	LTIP
Date of grant	29/11/2007	27/06/2008	29/04/2009	30/04/2010
Number of options granted	363,636	150,000	330,437	146,666
Exercise price	£0.00	£0.00	£0.00	£0.00
Share price at date of grant	£0.55	£0.67	£0.58	£0.795
Contractual life (years)	10	10	10	10
Vesting Date	01/01/2011	30/06/2011	30/04/2012	01/05/2013
Settlement	Shares	Shares	Shares	Shares
Expected volatility	35%	35%	35%	20%
Expected option life at date of grant	Three Years	Three Years	Three Years	Three Years
Risk free interest rate	5.00%	5.00%	2.00%	3.50%
Expected dividend yield	5.00%	5.00%	6.20%	5.00%
Expected annual departures	0.00%	0.00%	0.00%	0.00%
Probability of meeting performance criteria at date of grant	100%	75%	89.5%	96.8%
Fair value per option at date of grant	£0.52	£0.58	£0.48	£0.68
Valuation model	Binomial	Binomial	Binomial	Binomial
Total fair value	£190,182	£64,913	£142,508	£97,109

All share options require a minimum of three years service for the share options to vest. The Save as You Earn scheme requires beneficiaries to make regular savings which are deposited in a designated account. The grants made under the Long Term Incentive Plan contain performance conditions linked to growth in earnings per share and individual performance.

18 Contingent liabilities

Barclays Bank Plc has issued an irrevocable standby letter of credit in respect of Brit Insurance Limited for £1,000,000 in connection with the insurance activities of Ibox Reinsurance Company Limited. This is secured on its bank balances and has been in force throughout all reporting periods.

Information for shareholders

Directors

Tony Shearer	Non-Executive Chairman
Colin Davison	Chief Executive Officer
Chris Ward	Group Managing Director
Adrian Green	Group Finance Director and Company Secretary
Paul Wilson	Non-Executive Director

Financial Calendar

7 October 2010	2010 Interim dividend paid
March 2011	2010 year end results and final dividend paid
April 2011	2010 Annual report issued

The ordinary shares of Abbey Protection plc (Company No 06352358) are traded on the Alternative Investment Market of the London Stock Exchange (AIM) and information on the share price and the Company can be accessed via the Company's website, www.abbeyprotectionplc.com or at www.londonstockexchange.com - code: ABB. The ISIN number is GB00B293ZK84.

Company Registration No

06352358

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