



ABBEY PROTECTION PLC

# Abbey Protection plc Interim Report 2011



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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

6% increase in pre-tax profits to £5.0m

Revenue up 6% to £18.3m

Claims ratio steady at 65.2%

Shareholders' funds up to £26.9m

Earnings per share up 10% to 3.79p

Interim dividend increased by 12% to 1.9p per share (2010: 1.7p per share)

Outlook **encouraging** with stable underwriting results, robust demand for our services and significant opportunities for both legal and specialist tax services in 2012 and beyond.

## Financial results 2011

	6 months ended 30 June 2011 unaudited	6 months ended 30 June 2010 unaudited	Year ended 31 December 2010 audited
Total revenue	£18.3m	£17.3m	£34.9m
Profit before tax	£5.0m	£4.7m	£9.6m
EBITDA*	£5.4m	£5.1m	£10.2m
Profit after tax	£3.8m	£3.4m	£6.9m
Basic earnings per share	3.79p	3.44p	6.97p

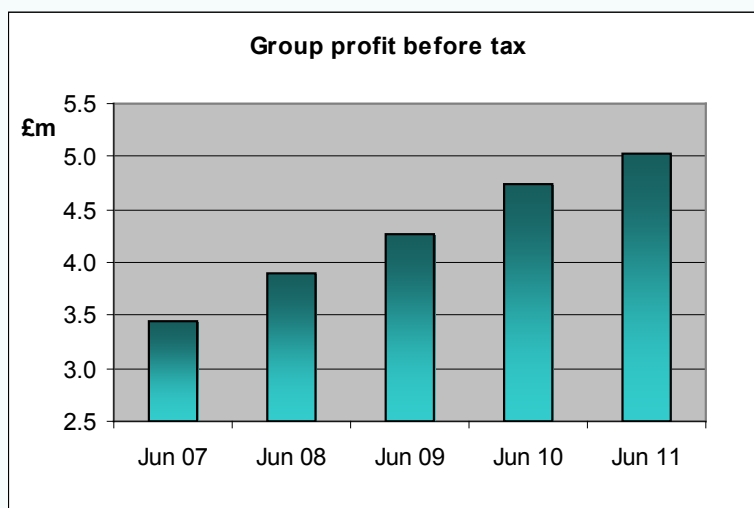
\*Earnings before interest payable, taxation, depreciation and amortisation charges

# Chief Executive's statement

## Summary

This is the fourth interim report, covering the six months ending 30 June 2011 for Abbey Protection Plc ("the Group").

A **6% increase in pre tax profits to £5.0m** (2010: £4.7m) in challenging trading conditions is a very pleasing result and with revenues up 6% too at £18.3m (2010: £17.3m), we are delighted that there remains strong demand for our services.



After tax, profits grew by 10% to £3.8m (2010: £3.4m) and earnings per share also grew 10% to 3.8 pence per ordinary share (2010: 3.4 pence per ordinary share) reflecting the lower tax rate regime that the UK government has begun to implement.

The principal trading divisions (Abbey Legal, Abbey Tax and Ibex) demonstrated again the resilience of our core business models, with **revenues increasing by 9% to £16.5m** (2010: £15.1m) and **profits up 12% to £4.9m** (2010: £4.4m).

## Current trading – principal trading divisions

Abbey Legal, comprising Abbey Legal Protection ("**ALP**") and Abbey Legal Services ("**ALS**"), produced a strong performance in the period with profit before tax up over a quarter at £1.2m, in part buoyed by revenues emanating from affinity schemes business incepting in the latter half of 2010. Call volumes in our Legal Services Centre have stabilised and fee income from employment related services increased by 12% in the first half of the year to £1.2m.

Abbey Tax Protection ("**ATP**") delivered excellent results with profit before tax for the period increasing by 19% to £1.6m. Sales in our core fee protection product remained strong, notwithstanding continuing price competition. Sales from our various consultancy products including tax planning insurance, capital allowances and tax advisory increased by 27.5% to £1.7m.

Gross premiums at **Ibex**, our reinsurance subsidiary for ALP and ATP were higher in 2010 due to a change in the way that premiums were ceded to the Company. Net earned premiums increased by 9% to £7.4m in the period. A slight increase in the claims ratio to 65.2% (2010: 63.3%), coupled with continued low investment yields, meant that the overall profit contribution from Ibex for the first six months of 2011 was static at £2.1m.

## Current trading – other trading divisions

Although revenue at **Accountax** was down by £0.2m to £0.9m for the period, this was largely a factor of a reduced number of successful no win/no fee cases in the consultancy division which boosted income in 2010. However, the underlying consultancy business is much stronger with an increased number of retainer customers which has reduced the reliance on one off assignments. The marketing side of Accountax suffered in the first part of the year due to pressures in the accountancy market, but pleasingly, sales are beginning to revive and we expect a better second half of the year.

Revenue within the After the Event ("**ATE**") division fell marginally to £0.6m and profit before tax was also slightly down at £0.1m. The division faces its own challenges, particularly with the Law Society's Accident Line insurance product suffering wholesale reductions in road traffic accident premiums and the forthcoming implementation of the Jackson reforms. However, on the positive side, Commercial After the Event insurance sales continued to progress well, with gross premiums written for insurers reaching £0.8m for the period.

A good performance from Abbey HR ("**AHR**") increased divisional revenue by 22% in the period to £0.3m, with a break even profit contribution.

# Chief Executive's statement

Continued...

## Cash flow and investment income

Whilst cash flow remained strong for the first half of the year, operational cash flow was some £1.1m lower than the comparative period. The principal cause was an increase in paid claims of some £0.8m at the insurance subsidiary, Ibex, reflecting the settlement of a large claim in the period, account growth and the slight worsening of the claims ratio reported above.

We remain committed to paying trade suppliers within contractual terms whilst providing flexible terms for our customers where possible and appropriate.

Although **investment returns** remain stubbornly low, we continue to follow our low risk investment strategy of investing in cash, short term deposits and certificates of deposit.

## Dividend

The board is delighted to approve an increase of 12% in the **interim dividend** to 1.9 pence per share (2010: 1.7 pence per share), which will be payable on 7 October 2011 to all shareholders on the register at 9 September 2011.

## Outlook

Although there remain challenges ahead, we are confident of the resilience of our business models – and with our ongoing commitment to the highest of service standards, we believe we are well placed to maintain our pre-eminent position as the market leader in the supply of legal expenses and professional fees insurance to UK SMEs.

The Jackson reforms will undoubtedly impact the ATE market, but our exposure (through the Law Society's Accident Line scheme) is significantly less than a number of our competitors – and we are already well advanced in our plans to replace this income through commercial after the event sales and other ancillary income streams.

Whilst the organic growth potential remains in our core legal and professional fees insurance markets, we are well positioned to take advantage of the opportunities afforded in specialist consultancy services in the tax market and the deregulation of legal services (now delayed until the end of 2011).

Colin Davison  
Chief Executive  
September 2011

# Consolidated income statement

Unaudited for the 6 months ended 30 June 2011

	Note	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
		Unaudited £000	Unaudited £000	Audited £000
<b>Revenue</b>				
<b>Intermediation, advisory and other income</b>	3	10,709	10,238	20,352
Gross and net premiums written		6,222	7,227	15,150
Gross and net change in provision for unearned premiums		1,179	(447)	(1,101)
<b>Gross and net premiums earned</b>	4	7,401	6,780	14,049
Net investment return	5	231	264	513
<b>Total revenue</b>		<u>18,341</u>	<u>17,282</u>	<u>34,914</u>
<b>Expenses</b>				
Claims and change in insurance liabilities	6	(4,827)	(4,290)	(8,789)
Acquisition costs		(505)	(481)	(918)
Other operating and administrative expenses	7	(7,977)	(7,766)	(15,654)
<b>Total operating expenses</b>		<u>(13,309)</u>	<u>(12,537)</u>	<u>(25,361)</u>
<b>Profit before tax</b>		<u>5,032</u>	<u>4,745</u>	<u>9,553</u>
Tax expense	8	(1,259)	(1,329)	(2,645)
<b>Profit attributable to equity shareholders of the parent</b>		<u>3,773</u>	<u>3,416</u>	<u>6,908</u>
<b>Earnings per share</b>				
From continuing operations		Pence per share	Pence per share	Pence per share
Basic	10	<u>3.79</u>	<u>3.44</u>	<u>6.97</u>
Diluted	10	<u>3.76</u>	<u>3.40</u>	<u>6.87</u>

There were no discontinued operations.

There was no other comprehensive income.

# Consolidated statement of changes in equity

Unaudited for the 6 months ended 30 June 2011

	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
<b>Shareholders' equity at 1 January 2010</b>	1,000	3,539	282	384	557	188	(298)	16,748	22,400
Equity settled share-based payments	-	-	-	106	-	-	-	10	116
Ordinary dividend paid	-	-	-	-	-	-	-	(2,084)	(2,084)
Profit for the year	-	-	-	-	-	-	-	3,416	3,416
<b>Shareholders' equity at 30 June 2010</b>	<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>
Equity settled share-based payments	-	-	-	63	-	-	-	84	147
Ordinary dividend paid	-	-	-	-	-	-	-	(1,688)	(1,688)
Acquisition of treasury shares	-	-	-	-	-	-	(287)	-	(287)
Own shares released on vesting of share options	-	19	-	-	-	-	191	-	210
Profit for the year	-	-	-	-	-	-	-	3,492	3,492
<b>Shareholders' equity at 31 December 2010</b>	<u>1,000</u>	<u>3,558</u>	<u>282</u>	<u>553</u>	<u>557</u>	<u>188</u>	<u>(394)</u>	<u>19,978</u>	<u>25,722</u>
Equity settled share-based payments	-	-	-	(285)	-	-	-	(104)	(389)
Ordinary dividend paid	-	-	-	-	-	-	-	(2,290)	(2,290)
Acquisition of treasury shares	-	-	-	-	-	-	(694)	-	(694)
Own shares released on vesting of share options	-	-	-	-	-	-	812	-	812
Profit for the year	-	-	-	-	-	-	-	3,773	3,773
<b>Shareholders' equity at 30 June 2011</b>	<u>1,000</u>	<u>3,558</u>	<u>282</u>	<u>268</u>	<u>557</u>	<u>188</u>	<u>(276)</u>	<u>21,357</u>	<u>26,934</u>

# Consolidated balance sheet

Unaudited as at 30 June 2011

	Note	30 June 2011 Unaudited £000	30 June 2010 Unaudited £000	31 Dec 2010 Audited £000
<b>Assets</b>				
Goodwill		4,618	4,618	4,618
Other intangible assets		1,351	1,697	1,545
Property, plant and equipment		1,555	1,729	1,642
Financial investments	11	19,402	14,290	19,454
Trade and other receivables	12	23,421	20,385	23,614
Cash and cash equivalents	13	17,148	22,745	18,879
<b>Total assets</b>		<b>67,495</b>	<b>65,464</b>	<b>69,752</b>
<b>Liabilities</b>				
Insurance contract provisions	14	17,754	18,734	19,214
Finance lease obligations		146	269	168
Deferred tax liabilities		99	705	60
Current tax liabilities		1,306	2,503	2,352
Accruals and deferred income	15	6,879	6,742	9,012
Trade and other payables	16	14,377	12,663	13,224
<b>Total liabilities</b>		<b>40,561</b>	<b>41,616</b>	<b>44,030</b>
<b>Equity</b>				
Share capital		1,000	1,000	1,000
Share premium		3,558	3,539	3,558
Own shares		(276)	(298)	(394)
Retained earnings		21,357	18,090	19,978
Merger reserves		282	282	282
Reverse takeover reserve		188	188	188
Capital redemption reserve		557	557	557
Equity settled share incentive reserve		268	490	553
<b>Total shareholders' equity</b>		<b>26,934</b>	<b>23,848</b>	<b>25,722</b>

# Consolidated cash flow statement

Unaudited for the 6 months ended 30 June 2011

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
<b>Profit before tax</b>	5,032	4,745	9,553
Adjusted for:			
Interest receivable	(243)	(215)	(450)
Profit on disposal of assets	-	-	(17)
Amortisation of intangible assets	201	207	411
Depreciation of property, plant and equipment	119	147	276
Equity settled share-based payments	68	116	263
Decrease/(increase) in receivables	270	(25)	(3,296)
(Decrease)/increase in payables	(2,462)	(877)	2,406
<b>Cash generated by operations</b>	<u>2,985</u>	<u>4,098</u>	<u>9,146</u>
Interest received	166	106	384
Tax paid	(2,266)	(1,471)	(3,583)
<b>Net cash from operating activities</b>	<u>885</u>	<u>2,733</u>	<u>5,947</u>
<b>Investing activities</b>			
Sales/(purchases) of financial investments	52	(6,801)	(11,965)
Purchases of intangible assets	(7)	(23)	(75)
Purchases of property, plant and equipment	(32)	(145)	(243)
Acquisition of subsidiary	-	(580)	(580)
<b>Net cash from/(used in) investing activities</b>	<u>13</u>	<u>(7,549)</u>	<u>(12,863)</u>
<b>Financing activities</b>			
Equity dividend paid	(2,290)	(2,084)	(3,772)
Purchase of own shares	(694)	-	(291)
Receipts on exercise of share options	355	-	213
<b>Net cash used in financing activities</b>	<u>(2,629)</u>	<u>(2,084)</u>	<u>(3,850)</u>
<b>Net decrease in cash and cash equivalents</b>	(1,731)	(6,900)	(10,766)
Cash and cash equivalents at beginning of the period	18,879	29,645	29,645
<b>Cash and cash equivalents at the end of the period</b>	<u>17,148</u>	<u>22,745</u>	<u>18,879</u>

# 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 2010, 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 2010. Although these estimates are based on management's 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 2010.

## 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 the provision of tax consultancy and marketing services. Insurance Underwriting comprises reinsuring a proportion of the business the Group 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 2011 - Unaudited**

	<b>Abbey Legal Protection</b>	<b>Abbey Tax Protection</b>	<b>Accounttax</b>	<b>Insurance Underwriting</b>	<b>Other segments</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
Revenue from external customers	5,022	3,831	871	7,401	985	18,110
Interest revenue	41	28	6	147	9	231
Depreciation and amortisation	79	32	175	-	34	320
Reportable segment profit	1,241	1,551	38	2,149	53	5,032
Expenditures for reportable segment non-current assets	14	17	2	-	6	39

**6 months ended 30 June 2010 - Unaudited**

	<b>Abbey Legal Protection</b>	<b>Abbey Tax Protection</b>	<b>Accounttax</b>	<b>Insurance Underwriting</b>	<b>Other segments</b>	<b>Total</b>
	£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

**Year ended 31 December 2010 - Audited**

	<b>Abbey Legal Protection</b>	<b>Abbey Tax Protection</b>	<b>Accounttax</b>	<b>Insurance Underwriting</b>	<b>Other segments</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
Revenue from external customers	9,621	6,755	1,877	14,049	2,099	34,401
Interest revenue	78	56	14	348	17	513
Depreciation and amortisation	183	79	352	-	73	687
Reportable segment profit	2,153	2,459	77	4,567	297	9,553
Expenditures for reportable segment non-current assets	80	99	20	-	119	318

**Information about major customers - Unaudited**

Revenues from one customer represent approximately £2,675,000 of the Group's total revenue (6 months ended 30 June 2010 £2,659,000 and 12 months ended 31 December 2010 £5,326,000). Revenue from this customer is recorded in segmental revenue for Abbey Legal Protection, Abbey Tax Protection and Insurance Underwriting.

**(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 Intermediation, advisory and other income**

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Income from intermediation	4,901	4,259	9,260
Advisory fees	2,233	2,210	4,362
Other income	3,575	3,769	6,730
<b>Total intermediation, advisory and other income</b>	<b>10,709</b>	<b>10,238</b>	<b>20,352</b>

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 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Investments at fair value through Income Statement:			
- certificates of deposit income	155	99	278
Other investments:			
- cash and cash equivalents income	88	116	172
<b>Interest investment income</b>	<b>243</b>	<b>215</b>	<b>450</b>
Net (loss)/gain on investments at fair value through the Income Statement	(12)	49	63
<b>Net investment return</b>	<b>231</b>	<b>264</b>	<b>513</b>

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

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Claims paid	(5,108)	(4,299)	(8,972)
Change in the provision for claims	281	9	183
<b>Claims and change in insurance liabilities</b>	<b>(4,827)</b>	<b>(4,290)</b>	<b>(8,789)</b>

## Notes to the financial statements

Continued...

**7 Operating and administration expenses**

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Staff costs	5,543	5,283	10,720
Other operating expenses	2,434	2,483	4,934
<b>Total operating and administration expenses</b>	<b>7,977</b>	<b>7,766</b>	<b>15,654</b>

**8 Tax expense**

Income tax for the six months period is charged at 25.0% (six months ended 30 June 2010: 28.0%; year ended 31 December 2010: 27.7%), 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 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Amounts recognised as distributions to equity holders in the period:			
Dividends on ordinary shares	2,290	2,084	3,772
Net appropriation for the year	2,290	2,084	3,772

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.

On 7 October 2010 a dividend of £1,688,000 (net of £12,000 receivable by a group ESOP trust) was paid representing 1.7 pence per Abbey Protection plc share.

On 25 March 2011 a dividend of £2,290,000 (net of £10,000 receivable by a group ESOP trust) was paid representing 2.3 pence per Abbey Protection plc share.

The Board declares the payment of an interim dividend of 1.9 pence per Abbey Protection plc ordinary share amounting to £1,900,000. The dividend will be payable on 7 October 2011 to all shareholders on the register on 9 September 2011. These interim 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 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Profit attributable to equity holders of the parent	3,773	3,416	6,908
Effect of dilutive potential ordinary shares	-	-	-
Earnings for the purposes of diluted earnings per share	<u>3,773</u>	<u>3,416</u>	<u>6,908</u>
	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 Dec 2010
	Unaudited	Unaudited	Audited
	No. of shares	No. of shares	No. of shares
Weighted average number of ordinary shares in issue	99,435,245	99,231,375	99,129,980
Effect of dilutive potential ordinary shares (share options)	900,106	1,373,738	1,381,291
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>100,335,351</u>	<u>100,605,113</u>	<u>100,511,271</u>

**11 Financial investments**

	30 June 2011 Unaudited	30 June 2010 Unaudited	31 Dec 2010 Audited
	£000	£000	£000
Financial investments at fair value through profit and loss - certificates of deposit	18,902	14,290	18,954
Loan receivable	500	-	500
<b>Total financial investments</b>	<u>19,402</u>	<u>14,290</u>	<u>19,454</u>

The fair values of the Group's financial investments at fair value through profit and loss have been arrived at by reference to readily available market prices and are considered level one financial investments as defined in the fair value hierarchy within IFRS 7 Financial Investment Disclosures paragraph 27B. There have been no transfers between level 1 and level 2 financial investments.

## Notes to the financial statements

Continued...

**12 Trade and other receivables**

	30 June 2011	30 June 2010	31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Receivables arising from insurance and reinsurance contracts:			
- premiums due from insurers	6,298	5,991	6,606
Trade debtors	15,149	12,235	14,850
Other receivables:			
- other prepayments and accrued income	1,158	1,045	985
- amounts due from related parties	431	709	638
- other debtors	385	405	535
<b>Total insurance and other receivables</b>	<b>23,421</b>	<b>20,385</b>	<b>23,614</b>
<b>Due within one year</b>	<b>23,421</b>	<b>20,385</b>	<b>23,614</b>

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

**13 Cash and cash equivalents**

Included in cash and cash equivalents held by the Group as at each period end are balances totalling £1.0 million not available for use by the Group. This amount is held in trust to guarantee claims liabilities.

**14 Insurance contract provisions (gross and net)**

	30 June 2011	30 June 2010	31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Unearned premiums	7,230	7,755	8,409
Claims reported by policyholders	7,081	6,403	7,268
Claims incurred but not reported	3,443	4,576	3,537
<b>Total insurance contract provisions</b>	<b>17,754</b>	<b>18,734</b>	<b>19,214</b>

**15 Accruals and deferred income**

	30 June 2011	30 June 2010	31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Accruals	1,583	1,434	1,849
Deferred income	5,296	5,308	7,163
<b>Total accruals and deferred income</b>	<b>6,879</b>	<b>6,742</b>	<b>9,012</b>

## Notes to the financial statements

Continued...

**16 Trade and other payables**

	30 June 2011	30 June 2010	31 Dec 2010
	Unaudited	Unaudited	Audited
	£000	£000	£000
Other trade payables	13,273	11,610	12,264
Other taxes and social security	694	619	581
Other payables	410	434	379
<b>Total trade and other payables</b>	<b>14,377</b>	<b>12,663</b>	<b>13,224</b>

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

**17 Share option schemes****Options granted**

During the period to 30 June 2011, the following options were granted or were outstanding at the balance sheet date:

**Save As You Earn (SAYE)**

	20/12/2007	24/07/2008	27/05/2010	26/05/2011
Date of grant				
Options outstanding at 1 January 2011	812,481	74,350	232,273	-
Options granted during the period	-	-	-	606,747
Options forfeited during the period	(872)	-	(5,706)	(5,605)
Options exercised during the period	(807,246)	-	-	-
Options outstanding at 30 June 2011	4,363	74,350	226,567	601,142
Exercise price	£0.44	£0.536	£0.636	£0.644
Share price at date of grant	£0.61	£0.67	£0.785	£0.805
Contractual life (years)	3.5	3.5	3.5	3.5
Vesting Date	01/02/2011	01/09/2011	01/07/2013	01/07/2014
Settlement	Shares	Shares	Shares	Shares
Expected volatility	35%	35%	20%	11%
Expected option life at date of grant	Three Years	Three Years	Three Years	Three Years
Risk free interest rate	5.00%	5.00%	1.30%	3.48%
Expected dividend yield	5.00%	5.00%	5.00%	5.36%
Expected annual departures	2.38%	2.75%	3.00%	3.00%
Probability of meeting performance criteria at date of grant	100%	100%	100%	100%
Fair value per option at date of grant	£0.20	£0.197	£0.125	£0.111

## Notes to the financial statements

Continued...

## 17 Share option schemes (continued)

**Company Share Ownership Plan (CSOP)**

Date of grant	27/06/2008	29/04/2009	30/04/2010	27/04/2011
Options outstanding at 1 January 2011	30,000	51,724	37,735	-
Options granted during the period	-	-	-	317,755
Options forfeited during the period	-	-	-	-
Options exercised during the period	-	-	-	-
Options outstanding at 30 June 2011	<u>30,000</u>	<u>51,724</u>	<u>37,735</u>	<u>317,755</u>
Exercise price	£0.67	£0.58	£0.80	£0.80
Share price at date of grant	£0.67	£0.58	£0.80	£0.80
Contractual life (years)	10	10	10	10
Vesting Date	30/06/2011	30/04/2012	01/05/2013	30/04/2014
Settlement	Shares	Shares	Shares	Shares
Expected volatility	35%	35%	20%	11%
Expected option life at date of grant	Three Years	Three Years	Three Years	Three Years
Risk free interest rate	5.00%	2.00%	3.50%	3.48%
Expected dividend yield	5.00%	6.20%	5.00%	5.36%
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	£0.13	£0.12	£0.05

**Long Term Incentive Plan (LTIP)**

Date of grant	29/11/2007	27/06/2008	29/04/2009	30/04/2010	27/04/2011
Options outstanding at 1 January 2011	363,636	150,000	330,437	146,666	-
Options granted during the period	-	-	-	-	49,844
Options forfeited during the period	-	(15,000)	-	-	-
Options exercised during the period	<u>(363,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Options outstanding at 30 June 2011	<u>-</u>	<u>135,000</u>	<u>330,437</u>	<u>146,666</u>	<u>49,844</u>
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00
Share price at date of grant	£0.55	£0.67	£0.58	£0.795	£0.803
Contractual life (years)	10	10	10	10	10
Vesting Date	1/1/2011	30/06/2011	30/04/2012	01/05/2013	01/05/2014
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility	35%	35%	35%	20%	11%
Expected option life at date of grant	Three Years	Three Years	Three Years	Three Years	Three Years
Risk free interest rate	5.00%	5.00%	2.00%	3.50%	3.48%
Expected dividend yield	5.00%	5.00%	6.20%	5.00%	5.36%
Expected annual departures	0.00%	0.00%	0.00%	0.00%	0.00%
Probability of meeting performance criteria at date of grant	100%	90%	96.1%	96.8%	100%
Fair value per option at date of grant	£0.52	£0.58	£0.48	£0.68	£0.68

# Notes to the financial statements

Continued...

## 17 Share option schemes (continued)

All share options are fair valued at the date of grant using a binomial valuation model.

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/or individual performance.

The weighted average share price at the date of exercise for SAYE share options exercised during the period was £0.81. The weighted average share price at the date of exercise for LTIP share options exercised during the period was £0.81.

The aggregate fair value of SAYE share options granted during the period was £61,412. The aggregate fair value of CSOP share options granted during the period was £15,125. The aggregate fair value of LTIP share options granted during the period was £34,083.

The Company has calculated expected volatility with reference to the share price of the Group and comparable companies.

At the balance sheet date 4,363 SAYE share options were exercisable at £0.44 per share, 30,000 CSOP share options were exercisable at £0.67 per share and 135,000 LTIP share options were exercisable at nil consideration.

## 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 Ibex 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 2011	2011 Interim dividend paid
March 2012	2011 year end results and final dividend
April 2012	2011 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](http://www.abbeyprotectionplc.com) or at [www.londonstockexchange.com](http://www.londonstockexchange.com) - code: ABB. The ISIN number is GB00B293ZK84.

## Company Registration No

06352358

## Registered Office

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