

Placing and Admission to AIM



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PricewaterhouseCoopers LLP
Nominated Adviser

Numis Securities Limited
Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from a person who is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA"), who specialises in advising on the acquisition of shares and other securities.

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the UK Listing Authority ("Official List"). The rules of AIM are less demanding than those of the Official List.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.

Your particular attention is drawn to the risk factors set out in Part II of this document. The whole of this document should be read in light of those risk factors.

It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on AIM on 29 November 2007. All of the Ordinary Shares will, upon Admission, rank pari passu in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

It is emphasised that no application is being made for admission of these securities to the Official List. The Ordinary Shares are not dealt on any Regulated Market (as defined in the Markets in Financial Instruments Directive) and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

This document, which comprises an admission document required by the AIM Rules, has been drawn up in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of section 84 of FSMA. Therefore, this document is not an approved document for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and has not been approved by the FSA or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

The Directors, whose names and functions appear on page 4 of this document, under the heading "Directors, Secretary and Advisers" and the Company accept responsibility individually and collectively for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge of the Directors and the Company (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 likely to affect the import of such information.

ABBEY PROTECTION PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 06352358)

Placing of 27,814,581 Ordinary Shares of 1p each at a price of 55p per Ordinary Share and Admission to trading on AIM

Nominated Adviser
PricewaterhouseCoopers LLP

Broker
Numis Securities Limited

Share capital immediately following Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number</i>	<i>Nominal Amount</i>	<i>Number</i>	<i>Nominal Amount</i>
150,000,000	£1,500,000	99,994,773	£999,948
Ordinary Shares		Ordinary Shares	

PricewaterhouseCoopers LLP, which is authorised and regulated in the UK by the FSA, is acting as the nominated adviser to the Company in connection with the proposed Placing and proposed Admission and is not acting for any person other than the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for providing advice to any other person in connection with this document. Its responsibilities under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and not to the Company, any Director nor any other person. No representation or warranty, express or implied, is made by PricewaterhouseCoopers LLP as to any of the contents of this document and to the fullest extent permitted by law PricewaterhouseCoopers LLP accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

Numis Securities Limited, which is authorised and regulated in the UK by the FSA, is acting as the broker to the Company in connection with the proposed Placing and proposed Admission and is not acting for any person other than the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for providing advice to any other person in connection with this document. Its responsibilities under the AIM Rules are owed solely to the London Stock Exchange and not to the Company, any Director nor any other person. No representation or warranty, express or implied, is made by Numis Securities Limited as to any of the contents of this document and to the fullest extent permitted by law Numis Securities Limited accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933 (as amended) or under any applicable securities laws of any state of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan nor to or for the account or benefit of, US persons (as defined in Regulation S of the US Securities Act of 1933 (as amended)) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. This document does not constitute an offer for, or the solicitation of an offer to subscribe for, any of the Ordinary Shares, in respect of any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or PricewaterhouseCoopers LLP or its respective directors or professional advisers. The Placing as described in this document is only being made in the United Kingdom. No Ordinary Shares have been marketed to, nor are any available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with the Placing. This document does not constitute an offer to sell or an invitation to any such person to subscribe for or purchase any Ordinary Shares.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and the offices of PricewaterhouseCoopers LLP from the date of this document until the date being one month after the date of Admission.

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PLACING STATISTICS

Placing Price	55p
Number of New Ordinary Shares	9,090,909
Number of Placing Shares	27,814,581
Number of Sale Shares	18,723,672
Number of Ordinary Shares in issue at Admission	99,994,773
Estimated net proceeds to be received by the Company from the Placing	£3.8 million
Percentage of enlarged issued share capital represented by the Placing Shares	27.8%
Market capitalisation on Admission at the Placing Price	£55.0 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	22 November 2007
Admission and dealings in Ordinary Shares to commence on AIM	8.00 a.m. on 29 November 2007
CREST accounts credited	8.00 a.m. on 29 November 2007
Where applicable, definitive certificates for Ordinary Shares despatched	6 December 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors	Anthony Shearer (<i>Non-Executive Chairman</i>) John Acornley (<i>Non-Executive Director</i>) Colin Davison (<i>Chief Executive Officer</i>) Chris Ward (<i>Group Managing Director</i>) Adrian Green (<i>Group Finance Director</i>)
Registered Office and Head Office	Minories House 2-5 Minories London EC3N 1BJ
Company Secretary	Adrian Green
Nominated Adviser	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Auditors and Reporting Accountants	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 3TR
Legal Advisers to the Company	Eversheds LLP 115 Colmore Row Birmingham B3 3AL
Financial Public Relations	Financial Dynamics Limited Holborn Gate 26 Southampton Buildings London WC2A 1PB
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 7NH
Legal Advisers to the Nominated Adviser and Broker	Norton Rose LLP 3 More London Riverside London SE1 2AQ

NOTICE TO INVESTORS

1. FINANCIAL INFORMATION

The periods analysed in this document in relation to Abbey Protection Group Limited are for the 9 months ended 31 December 2004, the 12 months ended 31 December 2005, and 31 December 2006, and the 6 months ended 30 June 2006, and 30 June 2007. Abbey Protection plc was incorporated on 24 August 2007 and became the parent company of Abbey Protection Group Limited on 19 November 2007. The financial information in Part V(B) of this document has been derived from the consolidated financial statements and accounting records of Abbey Protection Group Limited. The financial information in this document in relation to Abbey Protection Group Limited has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). In the future, the Company will prepare its financial information in accordance with IFRS.

The financial information contained in this document relating to Abbey Protection Group Limited does not constitute statutory accounts within the meaning of Section 240 of the 1985 Act. Mazars LLP has audited the accounts of Abbey Protection Group Limited and of its principal subsidiaries for the 9 months ended 31 December 2004, and Deloitte & Touche LLP has audited the accounts of Abbey Protection Group Limited and of its principal subsidiaries for the 12 months ended 31 December 2005 and 31 December 2006. Unqualified audit reports in respect of these financial periods were issued by Mazars LLP and Deloitte Touche LLP in respect of the financial periods audited by them. Such reports were unqualified and did not include any statement made under Section 237 (2) or (3) of the 1985 Act.

Deloitte & Touche LLP has not issued an audit opinion on the consolidated accounts of Abbey Protection Group Limited for the 6 month periods ended 30 June 2006 and 30 June 2007, although consolidated financial information for the 6 months ended 30 June 2007 is included in the scope of the Accountant’s Report in Part V(A) of this document.

Unaudited financial information has been included in Part V(C) of this document in relation to Abbey Protection plc and has been prepared under UK GAAP.

Both Mazars LLP and Deloitte & Touche LLP are members of the Institute of Chartered Accountants in England and Wales.

2. FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements regarding the financial condition, results of operations, dividends, business strategies, growth opportunities, plans and strategic objectives and other matters relating to the Company. Statements in this document that are not historical facts are hereby identified as “forward-looking statements”. In some instances, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “expects”, “intends”, “may”, “plans”, “anticipates”, “aims”, “continues”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements are necessarily based on assumptions reflecting the current views of the Company, involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward looking statements and reflect expectations only as at the date of this document. Important factors which may cause actual results to differ include, but are not limited to, those described in the section entitled “Risk Factors” in Part II of this document.

Save as required by law or by the AIM Rules, or where applicable to the Company, the Disclosure Rules, the Company undertakes no obligation to update or revise any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph.

3. MARKET AND INDUSTRY DATA AND COMPETITIVE POSITION

The Company confirms that information which has been sourced from third parties and used in this document has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Information in relation to the Company’s competitive position in the market is based on independent analysis of the market by ARK.

PART I

INFORMATION RELATING TO THE COMPANY

The financial data included in this Part I is sourced from the financial information in Part V of this Admission Document unless otherwise stated.

1 OVERVIEW

1.1 *The Group*

Abbey Protection is an integrated specialist insurance and consultancy group focused on the delivery of legal and tax related professional fees insurance products and services to UK SMEs. The Group's principal products provide protection against costs incurred as a result of legal actions and HMRC investigations. Abbey Protection is the market leader in this niche sector of the insurance market and has generated profits for each of the last 14 years. The stability of the Group's underwriting track record is due to the non-cyclical nature of the market, with its low average risk exposures and stable claims frequency.

Abbey Protection believes that an increasingly litigious society, a growing compliance burden faced by the SME market from higher levels of regulation ("red tape") and an increasing level of HMRC audit activity, will continue to drive growth in the demand for the Group's products and services. As the Group has expanded, it has developed a range of complementary legal, professional and reinsurance services and now operates under five divisions:

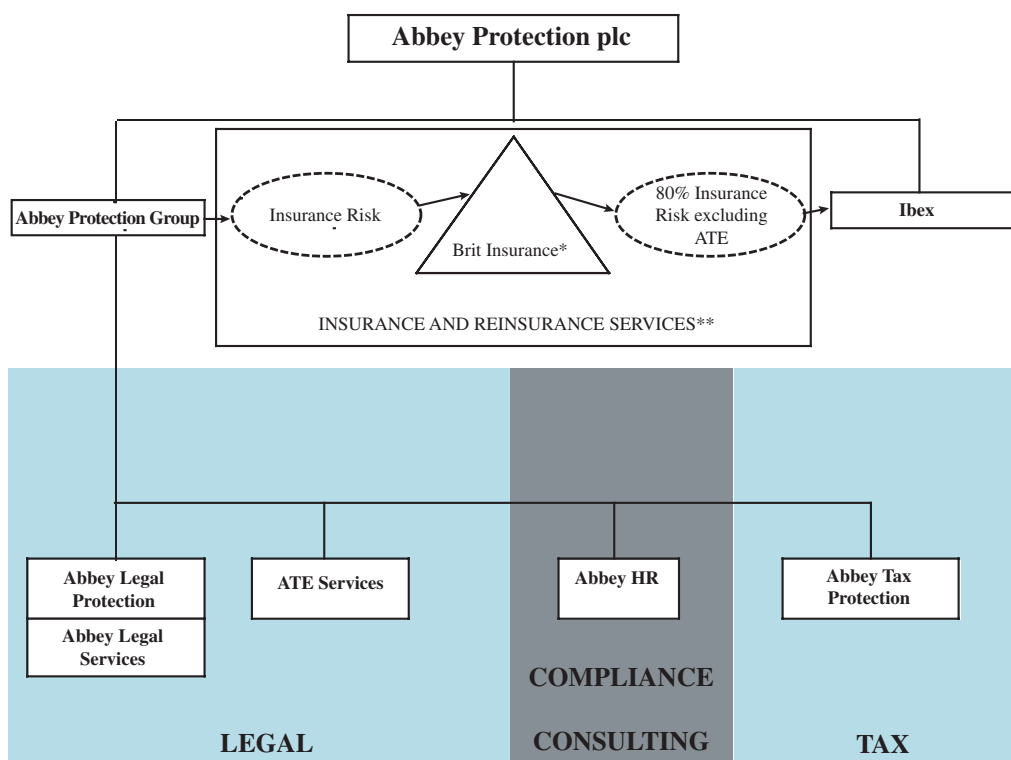
- *Abbey Legal Protection ("ALP") and Abbey Legal Services ("ALS")*, which provide commercial legal expenses insurance ("*CLEP*") to reimburse legal fees incurred by clients in the event of legal actions, and legal advice and related employment services
- *Abbey Tax Protection ("ATP")*, which provides professional fees insurance to reimburse fees incurred by taxpayers who undergo an HMRC investigation, and provides specialist tax advisory services
- *Abbey HR ("AHR")*, which provides HR consultancy services direct to businesses
- *Ibex*, the Group's captive reinsurer which reinsures ALP, ATP and AHR policies
- *Abbey After The Event Services ("ATE")*, which manages The Law Society's personal injury compensation scheme, Accident Line and its related ATE insurance policies.

Abbey Protection operates an integrated operational model with the aim of ensuring that these divisions work together where possible to capture multiple revenue streams from a single product sale or distribution channel.

The Group has high service levels and where appropriate can customise its product offering. This has assisted with client retention at profitable pricing levels.

The Group's stable and low claims ratio is assisted by its risk management and control of legal costs through the use of Abbey Protection's own legal team where possible.

1.2 Group Overview



* Brit Insurance is the Group's third party insurance partner and is not part of the Group

** This is only illustrative of the insurance and reinsurance arrangements and should be read in the context of the information set out in the rest of this document

1.3 Strategy

Abbey Protection is committed to service and is the UK's leading supplier of legal expenses and tax related professional fees insurance to SME's. Abbey Protection intends to build on this strong base and expand in the compliance consultancy market. Abbey Protection aims to be the partner of choice for solutions to a business' legal and taxation needs and exposures.

Abbey Protection's strategy is focused on delivering continued organic growth, developing opportunities for its consultancy divisions and broadening the product range through complementary acquisitions.

Continued organic growth

- ALP will continue to focus on the commercial sector of the CLEI market, with its attractive growth prospects. The Group's strategy is two-fold: to (i) win new business and (ii) maintain or increase the level of premiums payable by existing customers (the renewal rate for which was at least 100 per cent. in terms of year-on-year revenue for the year ended 31 December 2006).
- ATP will continue to broaden the distribution of its products through accountancy firms and strive to maintain and improve its high levels of service.
- The Group will seek to grow Ibex's underwriting profits in line with premiums by continuing the Group's integrated approach to risk management and pricing discipline.

Development opportunities

- The Group believes that, through ALS, it is ideally positioned to take advantage of the proposed deregulation of the legal services sector and will look to provide additional services to both insured and non-insured clients.

- AHR is a newly established part of the Group, but is well positioned to grow by marketing its products directly to medium to larger SME's.
- The Group intends to invest a further £1m of capital in Ibex and extend its quota share reinsurance facility to 90 per cent., from 80 per cent., of the book from Brit to further benefit from the profitability of its underwriting.

Acquisitions

- The compliance consultancy and legal and tax expenses protection products markets are all relatively fragmented, with many smaller suppliers that may represent feasible, value enhancing acquisitions for Abbey Protection. Abbey Protection has an established integrated operating model from which to grow the business through acquisitions.
- The Group will seek to add complementary services through acquisition, such as Health and Safety.

1.4 ***Reasons for the Placing and Admission***

The Directors believe that the Placing and Admission offers the Group a number of benefits, including:

- offering access to capital market funding for acquisitions and to further capitalise Ibex;
- raising the profile of the business;
- further motivating employee shareholders by providing them with visibility on the value that they have brought to the business; and
- enabling the Company to adopt share incentive arrangements which are designed to attract and retain key employees.

1.5 ***Key strengths***

Abbey Protection has the following key strengths:

Existing Market leader – in the supply of legal protection and tax related professional fee protection insurance to SME's, a specialist sector where market leaders require a complementary advisory service which can be difficult to build or outsource.

Consistent record of profitability – operates in a non-cyclical sector of the insurance market and has historically had a stable and low claims ratio.

Risk control – underwriting risk of Ibex is mitigated by the fact that the Group provides its own advisory and representative services to its insurance clients, which assists in the control of costs and can avert claims arising.

Diversified – Abbey Protection comprises an insurance intermediary, an underwriting business and consultancy practices covering several product areas.

Integrated – Abbey Protection's trading divisions work together with the aim of capturing multiple revenue streams from a single product sale or distribution channel.

Management – experienced, stable and committed management team who have delivered Abbey Protection's strong organic growth.

Staff – experienced and appropriately trained and qualified staff (including Lawyers and ex-HMRC tax inspectors) working together in Abbey Protection's trading divisions, help facilitate a quick and cost effective understanding of the issues concerned.

Distribution – long standing relationships with a wide network of distribution channels including insurance brokers, insurance companies, accountants and affinity groups.

Well positioned – the Directors believe that Abbey Protection is well positioned to expand into the consulting suppliers market and benefit from the proposed de-regulation of the legal services industry.

1.6 *Financial performance*

Abbey Protection has a track record of revenue and profit growth – in 2006 the Group produced pre-tax profits of £6.7m from a turnover of £24m. Summary financials for the period 1 April 2004 to 30 June 2007 are set out below.

Summary profit and loss

<i>(£'000)</i>	<i>31 December 2004 9 months</i>	<i>31 December 2005 12 months</i>	<i>31 December 2006 12 months</i>	<i>30 June 2006 6 months unaudited</i>	<i>30 June 2007 6 months</i>
Total revenue	14,530	21,290	23,950	11,314	13,077
Pre-Tax Profit	2,820	6,530	6,717	3,082	3,437

Revenue by trading division (for the 12 month period ended 31 December 2006)

	<i>Abbey Legal Protection and Abbey Legal Services</i>	<i>Abbey Tax Protection</i>	<i>Abbey After The Event Services</i>	<i>Ibex</i>	<i>Total</i>
Revenue (£'000)	6,723	4,650	2,516	10,061	23,950
<i>% of Total</i>	28%	19%	11%	42%	

2 THE BUSINESS

Abbey Protection is an integrated specialist insurance and consultancy group focused on the underwriting and sale of insurance products to UK SME's providing protection against legal expenses and professional fees incurred as a result of legal actions and HMRC investigations. As the Group has expanded, it has developed a range of complementary legal, professional, and reinsurance services and now operates under five divisions.

2.1 *History and development*

The Group was founded in 1992 with the formation of ALP, which was set up in response to a demand from businesses faced with an increasing regulatory burden and a need to insure against certain legal and professional fees. As the Group has expanded, it has developed a range of complementary legal and professional services and insurance products to sell to its clients.

In 1995 the Group launched an after the event policy for the Law Society's Accident Line scheme, with a relaunch in 2000 to coincide with the changes in the law in personal injury litigation.

In 1996, the Group entered the market for tax protection schemes, through the formation of ATP.

To provide legal advice to ALP clients, the Group set up ALS in 1998, subsequently developing litigation, representation and consultancy services.

The Group was selected in 2002 to assist underwriters with the run-off of claims arising under defunct claims management insurance schemes, such as Claims Direct and The Accident Group.

In 2003, the Group established Ibex as its captive insurance company in Guernsey, in order to benefit from the underwriting profits being generated from ALP and ATP.

In January 2007, the Group formed Abbey HR, marketing compliance consultancy services direct to customers.

2.2 *Abbey Legal Protection (“ALP”) and Abbey Legal Services (“ALS”)*

ALP

ALP, based in the City of London, sells and underwrites commercial legal expenses insurance (“CLEI”) that reimburses the legal fees incurred by businesses, typically SME’s, in the event of legal actions, such as employment and contract disputes. ALP is the market leader in the provision of CLEI to SME’s.

ALP has built up an extensive and diverse distribution network of over 500 insurance brokers, five insurance companies, and over 150 affinity groups.

ALS

ALS, based in Croydon, provides legal advice and related employment services to ALP clients as part of their insurance policies. ALS services in excess of 250,000 calls a year.

ALP and ALS derive their turnover in four principal ways:

- sales and management margin commission;
- legal advice income, both from insured clients and under advice-only arrangements;
- employment litigation services, predominantly as an insured claim; and
- employment consultancy and related non-insured services.

As part of the Group’s integrated approach to risk management, ALP clients have an obligation to consult with ALS at an early stage in any potential employment claim or dispute situation which may result in an insured claim. This arrangement helps facilitate the provision of timely advice to clients on how to manage potentially litigious situations both before and after an event occurs. In addition to the benefits ensuing to clients, this integrated risk management approach is designed, where appropriate, to help prevent issues becoming full-scale legal disputes and mitigate any ensuing legal costs.

The benefits to customers of having CLEI from Abbey Protection include:

- peace of mind against rising legal costs in an increasingly litigious society;
- immediate access to qualified Lawyers;
- legal risk management support to cope with higher levels of red tape; and
- where appropriate, practical solutions to dealing with legal disputes.

ALP and ALS attract experienced and appropriately qualified staff, including over 60 qualified Lawyers in the legal advice team and a legally qualified claims team.

2.3 *Abbey Tax Protection (“ATP”)*

ATP, based in Rugby, sells and underwrites professional fees insurance which reimburses fees incurred by taxpayers when HMRC undertakes an investigation into a taxpayer’s tax, VAT or PAYE return.

HMRC investigations can be very intrusive, often taking several years to conclude, and can involve the inspection of 20 years of records, bank accounts and other financial statements. Accordingly, the taxpayer may incur significant expenses in engaging a professional adviser to defend the investigation. For the taxpayer the Directors are of the belief that the benefits of professional expenses insurance are:

- being able to afford to engage the appropriate defence advisers and engage specialists where necessary;
- being able to deal with HMRC on an equal basis;

- peace of mind; and
- reduced premiums as a result of the accountancy practice's bulk purchasing power.

ATP distributes its insurance and advisory products through a network of over 1,000 accountants who are typically the beneficiaries of fee reimbursements in the event of an insurance claim. This provides an incentive for accountants to support the products as it helps ensure their fees, which otherwise may be disputed by clients, are protected in the event of a claim. There are a number of additional benefits to the accountancy practice including:

- making additional profits by marking up premiums in the distribution of the insurance;
- in the majority of cases being able to charge full rates for professional services without discount or waiver;
- adding value for clients;
- providing further support services to the practice via ATP tax and VAT advice lines; and
- serving as a risk management tool for the firm.

Accountancy firms are sometimes instructed to complete Self Assessment Returns on behalf of their clients on an annual basis, which provides a natural renewal point for any existing policies.

Although the sale of insurance products constitutes the majority of ATP's revenues, ATP also provides specialist tax, VAT and other related professional advisory services to clients on a consultative basis.

ATP employs an experienced team, including twelve former inspectors of taxes and other staff who have worked in practice.

2.4 **Abbey HR ("AHR")**

AHR, based in Rugby, provides HR consultancy services direct to businesses. AHR was established in January 2007 to leverage off the Group's existing specialist skills in employment law and to penetrate further the £400m independent compliance consultancy market. (*Source: ARK, estimated market size for 2007.**)

AHR provides a packaged product comprising insurance to reimburse legal fees incurred as a result of employment law issues, access to an on-line employment law resource and designated HR consultancy. Rather than marketing through intermediary channels, AHR targets businesses directly and has established a telemarketing and field sales force to optimise opportunities.

2.5 **Ibex**

Ibex, based in Guernsey, is the Group's captive reinsurer. In order to provide a rated insurance counter party, the Group places its insurance policies through its insurance partner, Brit Insurance. With the exception of the ATE division, and certain specialist risks, Ibex reinsures Brit on an 80 per cent. straight quota share basis, thereby benefiting from the majority of the underwriting profits.

Ibex was founded to take advantage of the low-risk (average net underwriting loss ratios of 65 per cent.), stable insurance underwriting revenues being produced from the policies delivered by ALP and ATP.

Although Ibex is an insurance risk vehicle, it benefits from:

- a proven track record of consistent profits;
- a stable claims environment due to the spread of risk, low limits of indemnity (the majority of risks covered are limited to £100,000 or less) and stable frequencies;

* The independent compliance consultancy market comprises organisations offering protection against predominantly employment, tax, and health and safety related risks by offering advice/consultancy services backed by fees insurance or indemnity cover.

- the Group’s integrated approach to risk management;
- use of the Group’s in-house Lawyers and consultants which is aimed at affording cost control; and
- an investment philosophy which is considered by the Directors to be conservative.

2.6 *After The Event (“ATE”)*

Abbey Protection’s ATE division, based in Croydon, manages the Law Society’s only personal injury compensation scheme, Accident Line and its related ATE insurance policies, designed to support solicitors who undertake an injury claim on a conditional fee agreement (“CFA”).

Accident Line has over 200 specialist personal injury firm solicitors as members. The association with the Law Society distinguishes it from other suppliers in the same market and benefits from an actuarial claims history dating back to the introduction of CFA’s in 1995.

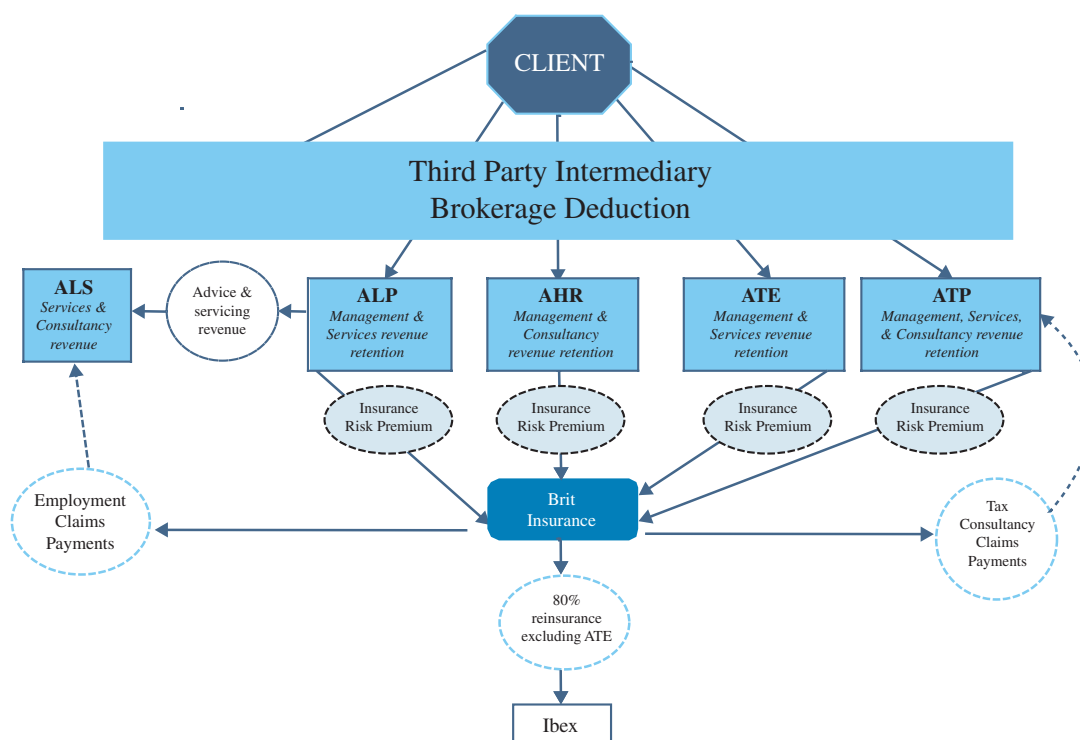
The ATE division derives its turnover from Accident Line by way of (i) sales and management margin commission from the ATE insurances and (ii) subscription income from solicitors for the provision of a customer referral line and other support services, such as training.

The ATE division also manages the run-off, on behalf of underwriters, of various defunct claims management insurance schemes, such as Claims Direct and The Accident Group. The Directors believe that income from these activities will decrease and cease at the end of 2009. The Directors believe this income will be replaced by increased revenues from the 2006 re-launch of Accident Line (which provides policies on deferred premium terms) and commissions from commercial ATE placements for businesses dealing with commercial litigation such as contractual or property disputes.

The insurance element of ATE is not reinsured into Ibex.

2.7 *Key revenue streams*

The following diagram illustrates the key revenue streams for the Group, and summarises the reinsurance arrangements with Brit Insurance.



N.B. Third party intermediaries do not introduce every single client to the Group. This diagram is illustrative of the Group’s key revenue streams.

3 THE MARKET

3.1 *Market overview*

Abbey Protection operates in the independent compliance services market which is a well established, high growth market. Market research undertaken by ARK indicates that the market will grow at around 7.5 per cent. per annum to 2010, moving the market size from its current level of £400m in 2007 to over £500m by 2010.

Dedicated compliance and risk management specialists such as Abbey Protection are leading the way in the provision of regulatory and compliance services, ahead of traditional professional service providers such as accountants, lawyers, and non-specialist insurers. Entry into the market has become increasingly difficult now that a number of established specialist providers are operating successfully in the market, with integrated operating structures and control of the key distribution channels which are particularly important at the micro end of the SME market.

3.2 *Increased regulatory burden on businesses*

The increasing amount of legislation and red tape has had a significant impact on businesses of all sizes, with the UK government's own figures suggesting that businesses are having to cope with a recurrent regulatory burden of over £11 billion in 2007, more than double the amount five years ago.

Businesses are increasingly looking to outsource the regulatory burden to consultants and to protect against the costs of legal action, driven by the presence or threat of enforcement action or penalties. The Directors believe that the Group is well positioned to address these concerns, offering both insurance, advisory and consultancy services in many areas which have been affected by regulatory changes, particularly employment and taxation law.

3.3 *De-regulation of legal services*

The recommendations in the Clementi Report and the ensuing Legal Services Act have signalled the Government's intention to make the market for the delivery of legal services less restrictive. This is expected to allow solicitors to enter into partnership with other professionals, external investment in law firms, and new commercial entrants to the market to carry out work currently restricted to businesses owned by solicitors.

In addition to making the market for the delivery of legal services less restrictive, there is expected to be a relaxation of the current restraints on employed legal professionals, allowing them to deliver legal services presently only permitted by solicitors in private practice. The proposed changes are due to be phased in between 2008-2011, and in response, the Group intends to expand the range of legal services that it provides to both insured and non-insured clients.

4 STRATEGY

Abbey Protection is committed to high service levels and is the UK's leading supplier of legal expenses and tax related professional fees insurance to SME's. The Group intends to build on this strong base, taking the opportunity to expand in the compliance consultancy market. The Group aims to be the partner of choice for solutions to a business's legal and taxation needs and exposures.

The Group's strategy is focused on driving organic growth, developing opportunities for the Group's consultancy divisions and broadening the product range through complementary acquisitions.

4.1 *Organic growth*

ALP and ALS

ALP and ALS will continue to concentrate on the growing commercial sector of the CLEI market, where the Directors believe competition is less intense and business models are more profitable than in the personal lines sector. The CLEI market penetration in the UK stands at 50 per cent., indicating

that there is significant scope for higher penetration levels to drive growth in the size of the overall market. ALP intends to write new business for profit rather than just to grow its market share.

In addition to winning new business, ALP will aim to maintain or increase premiums payable by renewing customers, through continuing to offer bespoke policies with high levels of service, thereby aiming to protect its market leading position.

ALP currently distributes CLEI through insurance brokers, insurance companies and affinity groups. There are benefits to all of these intermediaries from offering CLEI, and Abbey Protection believes that its strong relationships with existing intermediaries will position it well to benefit from growth in the market.

ATP

ATP will continue to focus on distribution of its products through accountancy firms. Currently, ATP distributes its products through over 1,000 accountancy firms, of which the majority are firms with between 2 and 20 partners. ATP offers bespoke policies that offer high levels of service and intends to increase market share whilst still writing new business for profit.

ATP intends to continue as market leader by continuing to develop and promote its specialist advisory products through its accountancy client network, with the aim of ensuring that clients' issues continue to be addressed, enabling them to concentrate on their core activity. Furthermore, ATP aims to maintain its renewal rate with existing customers which stood at more than 100 per cent. in terms of year-on-year revenue for the year ended 31 December 2006.

The Directors believe that the ATP brand is already well recognised by the accountancy profession, and after introducing a recently refined marketing and sales approach some new clients have been won from competitors. Endorsement of ATP's products and services by key accountancy bodies including ICAEW, ACCA, and ICAS has, the Directors believe, helped strengthen the brand's identity amongst the accountancy profession.

Ibex

Abbey Protection intends to continue to grow underwriting profits in Ibex in line with premiums through its integrated approach to risk management and maintenance of pricing discipline.

ATE

Accident Line has less than 10 per cent. of the current personal injury ATE market, but the Directors believe that this should grow following the launch of a deferred premium policy in October 2006, which allows potential claimants to pay insurance premiums at the conclusion of the claims process.

4.2 *Development opportunities*

The Directors intend that Abbey Protection maintains its focus in the legal and professional fees sectors. The Directors intend to develop complementary new services and products where they can add value to both the client and the Group.

ALP and ALS

The Directors believe that, through ALS, the Group is ideally positioned to take advantage of the proposed de-regulation of the legal services sector to existing and new clients via its team of professionally trained staff, its emphasis on risk management and its use of technology for documentation and information solutions.

As already evidenced by Abbey Protection in the field of employment law, the Group believes it will be in a position to deliver certain legal services to clients at more attractive rates than those offered in private practice. This is because Abbey Protection believes it can manage its operations and cost base more efficiently than competitors in private practice. As a result, the Directors believe the Group will be able to obtain new income streams of profitable business, and where the risk is insured, be able to benefit from the cost control it exercises.

Services which Abbey Protection believes it will be able to offer to businesses include the following:

- trading standards magistrates court work;
- health and safety prosecution defence;
- data protection prosecution defence;
- road traffic act defence work at magistrates courts;
- commercial contract disputes at county courts;
- business property disputes; and
- statutory licence representation.

As new regulations are introduced, Abbey Protection intends to provide “wholesale” services to new and existing practitioners in the market. For example, Abbey Protection has been approached by law firms, who are unable to deliver basic employment law services on an economic basis to their large corporate clients. These firms may be able to overcome this issue and maintain control of their clients, by assigning these services to Abbey Protection.

ATP

ATP has identified development opportunities in the field of bespoke insurance products to support tax planning and consulting opportunities for capital allowances products.

AHR

AHR was established at the beginning of 2007 to take advantage of the opportunities in the consulting suppliers segment of the compliance specialists market. AHR markets directly to businesses and given the additional costs involved in this approach rather than marketing through intermediaries, there is an emphasis on medium to larger enterprises in the SME market.

Although AHR intends to primarily target businesses directly, it also intends to leverage off ATP’s existing client base of accountancy firms as a distribution network for its services.

Ibex

The Group intends to invest a further £1m of capital in Ibex and to extend its quota share reinsurance facility to 90 per cent., from 80 per cent., of the book from Brit. The Directors believe that this should ensure Abbey Protection further benefits from the profitability of its underwriting.

ATE

In addition, ATE intends to start offering ATE insurance for large commercial disputes, with its insurance partner, Brit. The Group does not intend to reinsure these policies.

4.3 *Acquisitions*

The compliance consultancy and legal and tax expenses protection products markets are both relatively fragmented, with many smaller suppliers that may represent feasible value enhancing acquisitions for the Group. Abbey Protection has an established integrated operating infrastructure from which to grow the business through acquisitions.

Although no specific targets have yet been identified, the Group’s acquisition strategy will focus on businesses which the Directors believe would:

- build on the range of complementary services offered by the Group. In particular, the Group is looking for an acquisition to enable it to enter the health and safety market, which is estimated by ARK to be worth over £500m in 2007 and which represents a good opportunity to supplement the combined insurance and advisory products already offered by the Group;

- generate underwriting profits from re-insuring business which is currently insured through a third-party and not re-insured through Ibex;
- add key staff to the business with additional specialised skills and experience; and
- deliver revenue synergies through cross selling opportunities and/or cost synergies through the combination of central functions of the existing and acquired businesses.

5 CURRENT TRADING AND PROSPECTS

Based on the Group's financial performance since 30 June 2007, the Group continues to trade in line with the Board's expectations. The Board is confident of the Group's prospects for the remainder of the financial year to 31 December 2007.

6 DIVIDEND POLICY

The Directors currently intend, subject to unforeseen circumstances, to pay an aggregate dividend in respect of the financial year to 31 December 2008 of £3.5m (equivalent to 3.5 pence per share), subject to the availability of distributable reserves. They intend to increase the dividend in subsequent years, providing it is commercially prudent to do so, in line with growth in the Group's earnings, having regard to the availability of the Company's distributable profits and the retention of funds required to finance future growth.

The Directors may amend the dividend policy of the Company from time to time and the above statement regarding the Board's dividend policy should not be construed as any form of profit forecast, and your attention is drawn to the risk factors in Part II.

7 REASONS FOR THE PLACING AND ADMISSION

The Directors believe that Admission and the creation of a public market for the Ordinary Shares will offer Abbey Protection a number of benefits, including:

- increasing the strategic and financial flexibility of the Group, particularly in terms of giving Abbey Protection access to capital market funding for the acquisition of complementary businesses as appropriate opportunities arise and in further capitalising Ibex;
- raising the profile of Abbey Protection's business;
- further motivating the employee shareholders of the Company by providing them with visibility on the value they have brought to the business; and
- enabling the Company to adopt share incentive arrangements based on a quoted daily share price which will assist the Company in continuing to attract and retain key employees.

8 INVESTMENT POLICY

As a reinsurer, Ibex holds a significant amount, in excess of £18m at 30 June 2007, of cash and liquid assets. Ibex currently outsources the management of most of its investment funds. The Directors view Ibex's investment strategy as conservative, as investments are primarily in short-duration, high-grade, fixed-income securities.

Following Admission, it is intended that the management of Ibex's liquid assets will remain outsourced. The Directors propose to continue to adopt a conservative approach to the investment of Ibex's own assets. The investment strategy will seek to achieve appropriate investment returns consistent with the principal aims of diversification of risk and the preservation of capital and liquidity of funds. The Directors supervise the strategy and monitor the performance of the investment manager and its compliance with the investment guidelines which the Ibex Board establishes.

9 THE REGULATORY ENVIRONMENT

The principal regulatory environment for Abbey Protection is in respect of its insurance mediation activities, where the Group has been authorised and regulated by the FSA (firm ref 308829) since 15 January 2005. The Directors are not aware of any regulatory changes currently proposed by the FSA that will materially impact on the Group.

FSA regulation is designed to uphold the integrity of businesses operating in the financial services market and provides a degree of surety to clients seeking insurance cover.

An element of work in the ATE division has fallen under the regulatory control of the Ministry of Justice (Authorisation no. CRM 1587) since April 2007. This work relates to the referral of members of the public, who have suffered a personal injury, to solicitors. Following enactment of the Legal Services Bill, it is intended that this regulation will fall under the scope of the Legal Services Board.

Abbey Protection's captive reinsurance subsidiary, Ibex, is regulated by the Guernsey Financial Services Commission (GFSC – registration no.40683). The Directors are not aware of any regulatory changes currently proposed by GFSC that will materially impact Ibex.

The ALS division employs over sixty Lawyers, all of whom hold practising certificates issued by the body which regulates them. These employees are individually regulated by the respective professional body to which they belong. This level of individual regulation provides both added protection and potential redress for clients, and ensures an internal commitment to professional ethical conduct.

10 OPERATIONAL INFRASTRUCTURE

Premises

The Group operates out of three offices:

- City of London, where the Group's central finance and personnel services are located, together with ALP's sales, underwriting and claims functions;
- Rugby, which houses ATP and AHR; and
- Croydon, where ALS, ATE, and the Group's central IT functions are located.

Information Technology

Due to the extensive use of IT infrastructure by Abbey Protection's various divisions, investment has been made in the development and support of Abbey Protection's IT systems and infrastructure with a view to improving operational efficiency.

Abbey Protection's IT infrastructure provides communication and data access to geographically mobile employees, including staff members who work remotely from home offices. The systems allow off-site client advisers to work as if they were in the office, with all voice traffic channelled through the network core where it can be recorded for quality control processes as necessary.

The Directors believe that this functionality assists Abbey Protection to retain and recruit suitably qualified employees who require the flexibility to work from home, reduces the required office space, and enables employees to make site visits to customers.

The focus for Abbey Protection's business applications is 'proven technology' and Abbey Protection utilises a number of standard "off the shelf" applications across the Group.

Abbey Protection has an off-site data centre that provides a gateway to the public domain. This facility is a fundamental element of Abbey Protection's business continuity plan, as it hosts replicated data from each site.

11 SHARE OPTION SCHEMES

The Directors believe that equity incentives are and will continue to be an important means of retaining, attracting and motivating employees. The Board, therefore, proposes to establish prior to Admission the Share Incentive Plans and the EBT outlined below:

11.1 *The Abbey Protection plc Savings Related Share Option Scheme*

The SAYE Scheme can only be operated once HMRC has formally approved the Scheme. Such approval is being sought.

It is intended that subject to obtaining HMRC formal approval in respect of the SAYE Scheme following its adoption by the Company, invitations to participate in the SAYE Scheme will be issued on the Admission Date to eligible employees (i.e. those employees who have been continuously employed within the Group for the 12 month period ending on the date of the invitation) inviting them to apply for options under the SAYE Scheme. In relation to such invitations, eligible employees may apply to save an amount between £5 and £250 per month in accordance with the rules of the SAYE Scheme under a three year savings contract. It is further intended that options pursuant to such invitations shall be granted shortly after the Admission Date.

In the event that HMRC does not formally approve the SAYE Scheme in sufficient time prior to the Admission Date, invitations under the SAYE Scheme shall be issued shortly after the Admission Date.

Further details of the SAYE Scheme are set out at paragraph 4 of Part VI of this document.

11.2 *The Abbey Protection plc Company Share Option Plan (2007)*

The CSOP can also only be operated once HMRC has formally approved the Scheme. Such approval is being sought.

Similarly, it is intended that subject to obtaining HMRC formal approval in respect of the CSOP and following its adoption by the Company, the Company shall grant options to eligible employees selected at the discretion of the Remuneration Committee on the Admission Date. In the event that HMRC does not approve the CSOP in sufficient time prior to Admission, it is intended that options under the CSOP be granted shortly after the Admission Date.

Each individual's participation in the CSOP is restricted by HMRC limits so that the aggregate market value of Ordinary Shares subject to all options (calculated at the date of grant of each option), held by that individual and granted under the CSOP or any other HMRC company share option plan operated by the Company or any associated company shall not exceed £30,000. Further details of the CSOP are set out at paragraph 4 of Part VI of this document.

11.3 *The Abbey Protection plc Long Term Incentive Plan*

The LTIP will be adopted by the Company shortly before Admission with the intention that an award be made pursuant to the LTIP on the Admission Date.

Under the LTIP, awards over Ordinary Shares may be granted to employees of the Company or any of its subsidiaries selected at the discretion of the Remuneration Committee. Awards will be granted at the discretion of the Trustee after consultation with the Remuneration Committee. Awards made under the LTIP will be subject to the achievement of stretching performance targets. Further details of the LTIP and the performance targets the Remuneration Committee intend to apply to the initial grant of awards under the LTIP are summarised at paragraph 4 of Part VI of this document.

11.4 *The Abbey Protection plc Employee Benefit Trust*

The EBT is to be constituted by a trust deed to be entered into between the Company and Rathbone Trustees Jersey Limited. The intention is that the EBT will be established shortly before Admission.

The Trustee will be able to either purchase existing Ordinary Shares in the market or subscribe for new Ordinary Shares.

It is intended that the EBT will be used in conjunction with the LTIP but it may be used to satisfy options granted under the CSOP or any other employees' share scheme adopted by the Company.

Further details of the EBT are set out in paragraph 4 of Part VI of this document.

11.5 *Initial awards and options*

CSOP

It is intended to grant certain members of the management team options pursuant to the CSOP on or shortly after Admission. These options replace the proposed grant of HMRC approved options in Abbey Protection Group ("Original Options"), the grant of which was postponed as a result of the proposed Admission. The Original Options were not going to be granted pursuant to any performance targets and consequently it is intended that the initial grant of options pursuant to the CSOP will not be subject to any performance targets.

The rules of the CSOP provide that options can be granted subject to performance targets and therefore any options granted pursuant to the CSOP in the future may be granted subject to performance targets which will be determined having regard to market practice at the date of grant of the options concerned.

Subject to the limits contained within the CSOP, the Remuneration Committee anticipates that options may initially be granted under the CSOP over Ordinary Shares with an aggregate market value of £210,000 at the date of grant.

SAYE

The Remuneration Committee anticipates that a maximum of 1.5 per cent. of the issued Ordinary Shares at Admission will be made available for options granted pursuant to the SAYE in relation to invitations issued on Admission.

LTIP

The Remuneration Committee is proposing to grant one award pursuant to the LTIP at Admission to Adrian Green. The award will be subject to the performance targets summarised at paragraph 4 of Part VI of this document over Ordinary Shares with an aggregate market value of £200,000.

12 BONUS SCHEME

- 12.1 The Executive Directors of the Company and the directors of Abbey Protection Group are, between them, entitled to a bonus of up to 10 per cent. of the Group's profit before tax (after deducting any underwriting profit attributable to Ibex). The bonus is ordinarily shared equally amongst each relevant director.

In respect of Abbey Protection Group's financial year ended 31 December 2006 a bonus of £50,000 was paid in April 2007 to each of Colin Davison, Chris Ward, Elizabeth Grace, Richard Candy and Murray Fairclough.

In respect of the Group's current financial year ending on 31 December 2007, a bonus of £50,000 has already been paid to each of Elizabeth Grace and Murray Fairclough (such sums to be deducted from the amounts payable to the remaining beneficiaries of the bonus scheme). Following Admission, the Company's Remuneration Committee will determine any further amounts payable to the Company's Executive Directors and directors of Abbey Protection Group pursuant to this bonus scheme. The next bonus payment is anticipated to be made in April 2008.

PART II

RISK FACTORS

An investment in the Ordinary Shares is subject to a number of risks. Accordingly, prospective investors in the Ordinary Shares should consider carefully all of the information set out in this Admission Document and the risks attaching to an investment in the Company, including, in particular, the risks described below, prior to making an investment decision. Investors should consider carefully whether an investment in the Company is suitable for them in light of the information in this Admission Document and the financial resources available to them.

Abbey Protection's business, financial condition or results of operations could be materially affected by any of these risks. Additional risks and uncertainties relating to Abbey Protection that are not currently known to Abbey Protection, or that it currently deems immaterial, may also have an adverse effect on Abbey Protection's business, financial conditions and operating results. The trading price of the Ordinary Shares could decline due to any of these risks and investors may lose all or part of their investment in the Company.

This Admission Document also contains forward-looking statements including statements about the Directors' beliefs and expectations. Forward-looking statements involve inherent risks and uncertainties and reflect expectations only as at the date they are made. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. In particular, Abbey Protection's results of operations, claims ratios or claims frequencies may not be consistent with predicted trends. See "Forward-looking statements" on page 5 of this Admission Document.

1. RISK FACTORS RELATED TO THE INDUSTRY

1.1 Competition

Abbey Protection may find itself in competition with other businesses that may have an established position in the market (or may develop such a position) and/or greater financial, marketing and management resources available to them. Competition with Abbey Protection is based on many factors, including prices charged and other terms and conditions agreed, services provided, reputation, perceived financial strength and experience. Increased competition could adversely affect the profitability of Abbey Protection.

1.2 Regulatory environment

The conduct of Abbey Protection's business activities is subject to legal requirements and governmental and quasi governmental supervision in the UK, the European Union and Guernsey. Abbey Protection's activities are regulated by the FSA and Ibex is regulated by the GFSC. The FSA and GFSC have substantial powers of intervention in relation to the companies which they regulate, including the power to remove their authorisation to carry out or effect contracts of insurance.

Abbey Protection's ability to conduct business in the markets in which it currently operates requires the holding and maintenance of certain licences, permissions or authorisations and compliance with rules and regulations promulgated from time to time in these jurisdictions. Failure to comply with these rules and regulations could lead to disciplinary action, the imposition of fines or the revocation of the licence, permission or authorisation to conduct Abbey Protection's business in the jurisdiction in which it currently operates, which could have a material adverse effect on the continued conduct of business. Among other things, laws and regulations applicable to Abbey Protection may:

- result in higher capital requirements or a restriction on trading activities;
- regulate transactions undertaken, including transactions with affiliates and intra-group guarantees;
- affect the licensing of insurers and intermediaries (and their management);

- regulate the sale and content of policies;
- limit the right to cancel or refuse to renew policies;
- limit the types and amounts of investments made by Abbey Protection;
- regulate the right to withdraw from markets or terminate involvement with agencies;
- restrict the payment of dividends or other distributions; or
- require the disclosure of financial and other information to regulators.

Failure to comply with the relevant legal and regulatory requirements could lead to the relevant regulator taking disciplinary and/or remedial action (including public statements and censures and/or financial penalties) against Abbey Protection, or employing measures to secure redress or restitution (such as requiring Abbey Protection to compensate its customers).

Over the past few years, the insurance industry in the United Kingdom, Guernsey and the European Union has been, and is expected in future to be, subject to increased scrutiny by regulatory bodies. This scrutiny has led to changes in certain legal and regulatory provisions that govern the operations of Abbey Protection, and it can be expected that further reviews and changes to applicable laws and regulations will occur in the future. Abbey Protection cannot predict the full effect that any proposed or future law or regulation may have on the financial condition or results of operations of Abbey Protection. It is possible that Abbey Protection may be adversely affected by changes in applicable laws or regulations or in their interpretation or enforcement.

1.3 *Underwriting of insurance risks*

Abbey Protection's results depend in part on the profitability of its underwriting activity. The underwriting of insurance risks is, by its nature, a risk business. Cash flows may be affected by unpredictable events or circumstances, such as the emergence of latent risks, and legal and statutory developments. The past results of the market and of Abbey Protection are a historical record and may not necessarily be a reliable guide to future prospects.

2. **RISK FACTORS RELATED TO THE BUSINESS**

2.1 *Actual claims may exceed claims provisions*

Claims provisions or reserves represent estimates, involving actuarial and statistical projections at a given point in time, of Abbey Protection's expectations of the ultimate settlement and administration costs of claims incurred. Abbey Protection utilises actuarial models as well as historical industry loss development patterns to assist in the establishment of appropriate claim reserves. Despite low historic volatility, actual claims and claim expenses paid may deviate from the reserve estimates reflected in Abbey Protection's financial statements. It is possible that claims in respect of events that have occurred could exceed Abbey Protection's claims reserves and this would have a materially adverse effect on the Abbey Protection's results in a particular period.

2.2 *Abbey Protection's ability to continue to deliver its products and services will depend on its IT infrastructure*

Systems may fail, be perceived to be insecure or be insecure or be subject to third party claims which could adversely affect the business and damage its customer relationships.

Abbey Protection places significant reliance on its information and communication technology infrastructure as a result of the geographical spread of its activities. Any failure of this technology or its effectiveness in the future, will adversely impact the business.

2.3 *Reliance on key personnel*

The loss of key personnel could cause disruption to Abbey Protection's business.

Abbey Protection's business is reliant on certain employees who are specialised in the sectors and have relationships with clients and potential clients. Failure to retain such employees could adversely affect the business.

As Abbey Protection grows it will need to recruit and retain additional appropriately qualified employees, and failure to do so could result in decreased profitability.

2.4 ***Reliance on insurance partner***

In order to provide a rated insurance counter party, the Group places all its insurances through Brit Insurance. If this partnership came to an end, the Group would have to source alternative arrangements with possible reduction in profitability. It should be noted that the principal agreements with Brit are subject to a two year rolling notice period.

2.5 ***Accurate pricing of the insurance products***

Abbey Protection's performance depends on its ability to price accurately the insurance products it sells. If Abbey Protection's products become uncompetitive compared with those offered by its competitors, it may lose business which could result in reduced revenues.

2.6 ***Intellectual property rights, brand name and reputation***

The Group's business depends in part on the use of intellectual property and its trade name or trading style. Should the use of any of Abbey Protection's intellectual property or trade name or trading style be challenged by third parties, or the reputation or market appeal of this intellectual property be diminished in any way, the Group could be adversely impacted.

2.7 ***Accounting policies***

The preparation of financial statements in conformity with IFRS requires Abbey Protection to make estimates and assumptions that affect amounts reported in Abbey Protection's financial statements. As additional information becomes available, these estimates and assumptions are subject to change and thus impact amounts reported in the future.

Abbey Protection's accounting policies and estimates are considered to be critical due to the judgements and uncertainties affecting the application of these policies and/or the likelihood that materially different amounts would be reported under different conditions or using different assumptions. If actual events differ significantly from the underlying assumptions or estimates supplied for any or all of the accounting policies (either individually or in aggregate), there could be a material adverse effect on the Group's results of operations and financial condition and liquidity.

2.8 ***Breach of regulations***

Breach by Abbey Protection of relevant regulations which apply to its businesses may have regulatory consequences as well as cost consequences, impacting adversely on Abbey Protection's business, operations and financial condition.

2.9 ***Litigation***

Litigation can lead to significant costs being incurred, diversion of management time away from the core business and negative publicity. Any of these could have an adverse effect on Abbey Protection's financial performance and prospects.

Abbey Protection may be exposed to litigation (including litigation to which the Group is not a party) in the normal course of its operations.

2.10 ***Investment returns***

Abbey Protection holds investments in its balance sheet and its performance and profits depend in part upon the returns achieved on the investment portfolio. Therefore, changes in interest rates, and other economic variables can substantially affect Abbey Protection's financial performance.

2.11 *Customer base*

There is no assurance that existing customers of Abbey Protection will continue to conduct the same level of business with Abbey Protection in the future.

In order to grow, Abbey Protection will need increased business from existing and new customers and there is no certainty that this will be the case.

In the event that a key customer is lost through competitor pressure there may be an adverse effect on Abbey Protection's revenue, although Abbey Protection has mitigated this risk by signing certain key customers to multi-year agreements.

2.12 *Fixed price contracts*

Certain of Abbey Protection's contracts are fixed price contracts, where the Company provides its services at a fixed price. If Abbey Protection's costs estimate for a contract is inaccurate, or if it does not execute the contract within its costs estimates, cost overruns may cause the contract to be less profitable than expected or cause Abbey Protection to incur losses.

2.13 *Professional liability*

Abbey Protection's business may be subject to claims for professional errors and omissions. The professional services provided by Abbey Protection involve risk of contractual and professional errors and omissions and other liability claims, as well as publicity that may adversely affect Abbey Protection's financial performance. Abbey Protection does have errors and omissions insurance in place.

2.14 *Employee misconduct*

Abbey Protection is exposed to the risk of employees engaging in misconduct, including by improperly using or disclosing confidential client information. Employee misconduct could result in considerable harm to Abbey Protection's reputation, as well as regulatory sanctions and financial damage.

2.15 *Loss of premises*

Abbey Protection is exposed to the risk of losing its business premises which would result in difficulties in communication between clients and staff, limited access to paper records and other factors limiting the ability of Abbey Protection to trade. The inability to trade would have an adverse effect on the profitability and continuity of Abbey Protection going forward.

3. RISK FACTORS RELATED TO OWNERSHIP OF SHARES

3.1 *Investment in AIM listed securities, share price volatility and liquidity*

The existing Ordinary Shares and the Placing Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares and Placing Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment. The market price of the Ordinary Shares and Placing Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

3.2 *Shares available for future sale*

Abbey Protection is unable to predict whether substantial amounts of Ordinary Shares will be traded in the open market. Any sales of substantial amounts of Ordinary Shares in the open market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

3.3 *Applicable insurance laws may make it difficult to effect a change of control of the Company*

In the United Kingdom, the prior approval of the FSA under Part XII of the FSMA is required of any person proposing to acquire control of a FSA regulated firm, including an authorised insurance intermediary. Abbey Protection Group is authorised by the FSA as an insurance intermediary. The controller provisions are widely drafted but essentially, for these purposes, a person acquires control over a UK authorised insurance intermediary if such person holds, or is entitled to exercise or control the exercise of, twenty per cent. or more of the voting power at any general meeting of such authorised person or of the parent undertaking of such UK authorised person. A person is also regarded as acquiring control over a UK authorised person if that person exercises significant influence over the management of the UK authorised person or its parent. Accordingly, any person who proposes to acquire twenty per cent. or more of the Ordinary Shares would become a controller of Abbey Protection Group and prior approval of the FSA would be required. Also an acquisition of the beneficial ownership of twenty per cent. or more of the Company's Ordinary Shares would therefore need to be notified to the FSA and its approval obtained, even though there may have been no change in the legal ownership of the Ordinary Shares. Similarly, if a person who is already a controller of a UK authorised person proposes to increase its control in excess of certain thresholds, such person will also require the prior approval of the FSA. Under FSMA, the FSA has a period of three months from the date of notification of the proposed change of control to approve or refuse such proposed change of control.

Under the Insurance Business (Bailiwick of Guernsey) Law 2002 ("Guernsey Law") no person may carry on, or hold himself out as carrying on, insurance business in or from the Bailiwick of Guernsey unless the person is licensed by the GFSC in respect of the class of insurance business concerned. The Guernsey Law outlines two sets of rules which relate to changes of control in relation to entities licensed under Guernsey Law. The first set of rules relate to significant shareholders ("Significant Shareholder Rules") and the second set of rules relate to a change of control ("Shareholder Controller Rules"). The Significant Shareholder Rules provide that where a person becomes a significant shareholder (a person who alone or with associates is entitled to exercise or control the exercise of 5 per cent. or more but less than 15 per cent. of the voting power in general meeting of the licensed company or of any holding company of that licensed company) that person shall, within a period of 14 days immediately following the day of that event, give notice in writing of the event to the GFSC. The Shareholder Controller Rules provide that no person shall become a controller of a licensed insurer unless that person has notified the GFSC in writing of his intentions to become such a controller and the GFSC has notified him in writing that there is no objection to his becoming a controller. A "controller" is, in the context of the Shareholder Controller Rules, someone who is either a shareholder controller or an indirect controller. A shareholder controller means a person who alone or with his associates is entitled to exercise or control the exercise of 15 per cent. or more of the voting power in general meeting of the licensed insurer or its holding company. An indirect controller means, in relation to the licensed insurer, a person in accordance with whose directions or instructions any director of that company or any director of its holding company or any controller of that holding company is accustomed to act. This notification and acknowledgment of no objection must be obtained before a person acquires sufficient shares to become a controller.

These laws (and laws having similar effect in other jurisdictions) may discourage potential acquisition proposals and may delay, deter or prevent a change of control of the Company, including through transactions, and in particular unsolicited transactions, that some or all of the Company's shareholders might consider to be desirable.

3.4 ***Legislation and Tax***

This Admission Document has been prepared on the basis of current legislation, rules and practice and the advisers' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any changes in taxation legislation or rules, and in particular any changes to bases of taxation, tax relief and rates of tax, may affect the availability of reliefs. Changes in legislation affecting Abbey Protection's business may be introduced at anytime and may impact on the business, operations and financial condition of Abbey Protection.

3.5 ***General economic climate***

Various factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and stock market prices. The Group's operations, business and profitability could be affected by these and other factors, which are beyond the control of the Group.

3.6 ***Future performance***

This document includes information about the historical financial performance of the Group. Past performance is not, however, a guarantee or guide as to the future financial performance of the Group.

3.7 ***The Directors may decide not to pay any dividends in the future***

The Directors may choose not to pay any dividends in the future. In particular, as a matter of English law, the Company can pay dividends only to the extent that it has distributable profits available which, as the Company is a group holding company, is dependent on the Company's ability to receive funds for such purposes, directly or indirectly, from operating subsidiaries in a manner which creates distributable reserves for the Company. The Company's ability to pay dividends to Shareholders is therefore a function of existing Group distributable profits, future Group profitability, the ability to distribute or dividend profits from subsidiaries up the Group structure to the Company and other factors that the Directors deem significant from time to time, such as capital requirements and general economic conditions.

3.8 ***Forward looking statements***

This document contains certain forward-looking statements regarding the financial condition, results of operations, dividends, business strategies, growth opportunities, plans and strategic objectives and other matters relating to the Company. Statements in this document that are not historical facts are hereby identified as "forward-looking statements". In some instances, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "expects", "intends", "may", "plans", "anticipates", "aims", "continues", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Such forward-looking statements are necessarily based on assumptions reflecting the current views of the Company, involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements and reflect expectations only as at the date of this document.

Save as required by law or by the AIM Rules or where applicable, the Disclosure Rules, the Company undertakes no obligation to update or revise any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph.

3.9 ***Substantial control***

Following Admission, the Directors and Senior Management will own beneficially approximately 57.8 per cent. of the Ordinary Shares. By virtue of the level of this shareholding in the Company, the

Directors may be able to influence certain matters requiring approval by the Shareholders, including the election of Directors and the approval of certain business decisions.

In addition, the Directors may have sufficient voting power to, among other things, delay or deter a change of control, which could deprive Shareholders of an opportunity to earn a premium for the sale of their Ordinary Shares over the then prevailing market price. There could also arise a conflict between the interest of the Directors and the interest of the Company's other Shareholders with respect to, for instance, dividend policy.

PART III

INFORMATION RELATING TO THE PLACING AND ADMISSION

1. THE PLACING

The Placing comprises the issue by the Company of 9,090,909 New Ordinary Shares and the sale of 18,723,672 Sale Shares and will raise for the Company approximately £5 million at the Placing Price (£3.8 million net of expenses excluding VAT). The New Ordinary Shares being issued by the Company represent dilution of 9.1 per cent.

Under the Placing Agreement, Numis has agreed as agent for the Company, conditionally, *inter alia*, on Admission, to use its reasonable endeavours to procure subscribers or buyers for the Placing Shares at the Placing Price. The Placing is underwritten by Numis. The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares. The Placing Agreement contains provisions entitling either of Numis or PwC to terminate the Placing Agreement at any time prior to the completion of the Placing in certain circumstances. If this right is exercised the Placing will lapse. Further details of the Placing Agreement are set out in paragraph 8 of Part VI of this document. Application has been made to the London Stock Exchange for all of the Enlarged Issued Share Capital to be admitted to trading on AIM.

2. ALLOCATION AND PRICING

All Placing Shares issued or sold under the Placing will be issued or sold at the Placing Price. Allocations have been determined at the discretion of Numis (following consultation with the Company) after offers from prospective investors have been received.

Numis has received from prospective institutional investors indications of interest to subscribe for and/or purchase Placing Shares in the Placing at different prices. In light of these indications of interest, the Company and the Selling Shareholders, after consultation with Numis, have determined the Placing Price. A number of factors have been determined in deciding the Placing Price and the bases of allocation, including prevailing market conditions, the level and nature of demand for the Placing Shares and the objective of encouraging the long-term ownership of the Ordinary Shares.

The rights attaching to the New Ordinary Shares and the Sale Shares will be uniform in all respects. The proportions in which particular allocations of Placing Shares under the Placing will comprise New Ordinary Shares and Sale Shares may vary at the discretion of Numis.

The following table contains details of the Selling Shareholders and the Sale Shares to be sold by them pursuant to the Placing:

<i>Name</i>	<i>Address</i>	<i>Number of Sale Shares</i>
Richard Candy	128 Kings Avenue, Woodford Green, Essex IG8 0JQ	1,730,027
Murray Fairclough	Charnwood House, 32 Egmont Road, Sutton, Surrey SM2 5JN	1,187,635
James Innes	Campfield Lodge, Leith Hill, Dorking, Surrey RH5 6LX	2,183,850
Numis Corporation plc	The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT	13,101,834
Michelle Davison	Field View, Buckwell Lane, Clifton upon Dunsmore, Rugby, Warwickshire CV23 0BJ	520,326

3. USE OF PROCEEDS AND EXPENSES

The Placing will raise net proceeds of approximately £3.8 million for the Company, after deduction of commissions and other fees and expenses payable by the Company. The Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. The net proceeds of the Placing receivable by the Company will be utilised to support the future growth of the Company. The Directors also intend to invest a further £1 million into Ibex with a view to expanding its quota share 90 per cent. In

addition, the Company will pay expenses of the Placing estimated to be approximately £1.2 million (in aggregate).

4. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Following Admission, the Directors, Selling Shareholders (other than Numis) and certain other management shareholders have agreed with Numis, PwC, and the Company not to sell any Ordinary Shares until the announcement of the Company's results for the year ended 31 December 2008, subject to certain customary exceptions, and have agreed to an orderly marketing arrangement for the one year period thereafter. For tax reasons, an exception from these arrangements has been granted to Chris Ward to sell up to £500,000 of shares between 7 April 2008 and 30 June 2008, which he would otherwise have sold as part of the Placing. Further details of such arrangements are set out in paragraph 9 of Part VI.

Following Admission, Numis Corporation plc has agreed with PwC and the Company not to sell any Ordinary Shares for a period of six months from Admission, subject to certain customary exceptions, and has agreed to an orderly marketing arrangement thereafter until the announcement of the Company's results for the year ended 31 December 2008. Further details of such arrangements are set out in paragraph 9 of Part VI.

5. ADMISSION AND DEALINGS

It is expected that Admission will take place and dealings in the Ordinary Shares will commence on AIM at 8:00 a.m. on 29 November 2007.

It is intended that, where applicable, definitive share certificates in respect of the Placing will be posted by first class post by 6 December 2007 or as soon thereafter as is practicable. The Ordinary Shares are in registered form and can also be held in uncertificated form.

6. CREST

The Directors have arranged with CRESTCo for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares under the Placing may, however, elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system member" (as defined in the CREST Regulations) in relation to CREST.

7. TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK HMRC practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

7.1 *Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

7.2 *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax will generally be payable on the issue of the Ordinary Shares. A transfer of Ordinary Shares would give rise to stamp duty of stamp duty reserve tax at a rate of 0.5 per cent. of the amount or value of the consideration provided for the transfer. These charges are generally payable by purchasers, but, pursuant to the Placing Agreement, the Selling Shareholders are liable for such stamp duty in respect of transfers of ordinary shares pursuant to the Placing.

7.3 *Dividends and other Distribution*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent.) where their income falls within the basic rate limit or the dividend upper rate (32.5 per cent.) where their income exceeds the basic rate limit.

The effect will be that taxpayers who are otherwise liable to pay tax at only the starting rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent., of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of most trusts will be liable to account for income tax at the dividend trust rate applicable (currently 32.5 per cent.), on income received exceeding £1,000. The first £1,000 of income will be chargeable at the dividend ordinary rate.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

PART IV

DIRECTORS, EMPLOYEES AND CORPORATE GOVERNANCE

1. DIRECTORS

The Executive Directors have an average tenure with the Group of eight years. They are committed to the business and believe that they bring a unique breadth and depth of complementary skills to the business.

1.1 *Non Executive Directors*

Tony Shearer (Chairman)

Tony (59) is Chairman of the Company, Chairman of the Nomination and Remuneration Committees and member of the Audit Committee. He is Non-Executive Chairman of Uruguay Mineral Exploration Inc. (the AIM listed gold mine and exploration company), of Jerrold Holdings (the secured lender to the residential and commercial sectors), of Yorkshire Investment Group Ltd. (the independent financial advisers), and of Caxton FX (the foreign exchange trader). He is also a Non-Executive Director and Chairman of the Audit Committee of AIM listed minerals trader Wogen plc.

Tony has held main board executive positions in listed companies M&G Group (1988 to 1996) and Singer & Friedlander Group (2003 to 2005, as Finance Director and Chief Executive). He has worked in investment management, banking, life assurance, general insurance and Lloyd's of London.

Tony is a chartered accountant, having spent over 20 years with Deloitte Haskins & Sells, of which 8 years were as a partner specialising in financial services.

John Acornley (Non-Executive Director)

John Acornley (54) is a non-executive director of Abbey Protection plc. He is chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

He is also senior non-executive Director of NWF Group plc, Chairman of Rainford EMC Holdings Limited and non-executive Director of Ore.an Limited. John was Group Finance Director of Baxi plc from 1997 to 2000.

1.2 *Executive Directors*

Colin Davison (Chief Executive Officer)

Colin Davison (47) founded ATP in December 1996 as a sister company to ALP. Colin was Managing Director of ATP until December 2004 when ATP became a trading division of Abbey Protection. In January 2004, Colin was appointed Chief Executive Officer of Abbey Protection Group, following a management buy out of the majority shareholding in the Group.

Colin has overseen the growth of ATP to the £11.5 million sales business it is today and has been responsible for the introduction of its new products. He has also arranged several bespoke insurances for 'one off' tax solution arrangements which have generated fees in excess of £300,000 for the Group.

Prior to joining ATP, Colin worked for the Inland Revenue for six years, then spent a further six years working for IRPC (now Croner Consulting, a competitor fee protection provider).

Chris Ward (Group Managing Director)

Chris Ward (47) joined ALP in 1993 as Business Development Director. He became its Managing Director in 1996 and joined the Group board in 2002. Chris is responsible for all aspects of the Group's legal business divisions with sales in excess of £20 million and has overseen the development of the ALS and ATE divisions, as well as the establishment of the Group's captive reinsurer, Ibex.

Having worked in the insurance industry since 1979 Chris has had underwriting, sales and marketing responsibilities, largely with the Prudential, where, prior to leaving in 1992, he was Casualty Account

Manager for the London Market with responsibility for the professional indemnity and contingency accounts.

Adrian Green (Group Finance Director, Secretary)

Adrian Green (42) joined Abbey Protection Group at the end of 2006. He has experience in general insurance covering both underwriting and broking. Following seven years with Fortis Insurance in various positions, he joined Folgate Insurance Company Ltd in 1997 and was promoted to Finance Director in 2002. Following the sale of Folgate Insurance Company Ltd to Towergate Group, he managed the run-off of the Folgate business before being appointed Regional Finance Director for Towergate.

1.3 **Senior Management**

The following persons are not directors of the Company but are directors of one or more of the Company's subsidiaries and are considered by the Directors to be part of the Group's senior management team.

Liz Grace (Operations Director – Abbey Tax Protection)

Liz Grace (54) joined Colin Davison in setting up ATP in December 1996, as underwriting manager.

Liz became Operations Director of ATP in 2001 with responsibility for the day to day running of ATP. Liz became a director of Abbey Protection Group in January 2004.

Prior to joining ATP, Liz worked for 9 years for IRPC (now Croner Consulting), a competitor tax fee protection provider, and prior to that for 5 years at the Inland Revenue.

Liz's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

Richard Candy (Underwriting Director – Abbey Legal Protection)

Richard Candy (38), originally joined ALP in 1994. By 1997 he was the Underwriting Manager responsible for the Company's insurance market relationships. Richard left ALP in 2002 to join newly established Professional Risks Insurance where he was Legal Expenses Underwriter. He rejoined ALP in 2003 to undertake the creation and management of Ibex, and is responsible for the underwriting profitability of the Abbey Protection account and setting the ALP underwriting terms.

Richard's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

Murray Fairclough (Director – Abbey Legal Protection)

Murray Fairclough (43) joined ALP in 1998 to establish the Group's legal services centre. He is a graduate of Nottingham Law School and of the University of Leicester where he received a Masters degree in Employment Law and Industrial Relations. In 1998, he was awarded a Doctorate by the University of Leicester for his research into Civil Legal Aid and the Legal Expenses Insurance Industry.

Previously, he was head of employment law for the Legal Protection Group Limited before becoming senior Employment Law Associate with law firm Sonnenschein. He is a published author and has contributed many articles and commentary to the national press, radio and trade journals. Murray is a practising barrister and a member of the Employment Law Bar Association and the Employment Lawyers' Association.

Murray's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

David Hartley (Director – After The Event Services)

David Hartley (54) is a solicitor. He joined ALP in 2001 to run Accident Line, the only personal injury referral and insurance service endorsed by the Law Society. He also leads the management of the run-off of a number of after the event insurance schemes on behalf of various underwriters.

David has previously worked at the Law Society as a senior policy official with particular emphasis on the funding of legal services. Prior to that he was a solicitor in private practice, running his own firm for ten years. David was appointed in 2003 as a deputy district judge to sit in civil courts.

David's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

Simon Howes (Managing Director – Abbey HR)

Simon Howes (46) joined the Group in December 2006 to establish Abbey HR. He became involved in Regulatory Consulting in 1992, becoming Business Director (non-statutory) of IRPC Taxation Services (now Croner Consulting), a competitor tax fee protection provider.

In 2002 Simon assumed responsibility for the integration of LPMS Ltd an Employment Law and Health & Safety consultancy business which had been acquired by Walters Kluwer ("WK"). In 2003 Simon was appointed Business Director (non-statutory) of Professional Personnel Consultants Ltd, an employment consultancy also acquired by WK.

Simon's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

Toby Clarke (Group IT Director)

Toby Clarke (36), joined the Group in early 2002, having been the European IT Director (non-statutory) for an international internet research company, Jupiter MMXI (Europe). Prior to joining Jupiter he spent 6 years broking in the Lloyd's market with Aldgate Group Brokers before transitioning into IT and working for IBM Global Services.

At Abbey Protection Toby has been responsible for the IT infrastructure that supports business needs. Toby is also responsible for the in-house development of business applications that service the Group and respective clients.

Toby's contract of employment with Abbey Protection Group has no fixed term but is terminable on 12 month's notice.

1.4 Employee Numbers

Number of staff (including executive directors) as at 30 June 2007

Central	16
Abbey Tax Protection	47
Abbey HR	6
Abbey Legal Protection	26
ATE Service	23
Legal Services Centre	76
Total	<u>194</u>

2. CORPORATE GOVERNANCE

The Directors intend to comply with the provisions of the QCA Guidelines.

The Directors intend to comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

Ibex is controlled from Guernsey, with the day to day management and compliance responsibilities falling to Heritage Insurance Management, Ibex's managers. Overseeing this is the Ibex Board (comprising of two local non-executive directors and Colin Davison and Chris Ward).

2.1 *Audit Committee*

It is intended that an Audit Committee will be established prior to Admission. The Audit Committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

2.2 *Remuneration Committee*

It is intended that a Remuneration Committee will be established prior to Admission. It will review the performance of the executive Directors and will set their remuneration, determine the payment of bonuses to executive Directors and consider bonus and option schemes. Each of the executive Directors will take no part in discussions concerning their remuneration.

2.3 *Nomination Committee*

It is intended that a Nomination Committee will be established prior to Admission. This Committee will oversee the selection and appointment of executive and non-executive directors to the Board, as well as ensuring that each of the Committees are represented by suitable members.

3. **MONITORING**

The Group has a risk committee whose responsibility is to ensure that shareholders, customers and other stakeholders are protected from material financial loss or distress. The committee meets quarterly and comprises the Company's Chief Executive Officer, Group Managing Director, Finance Director, IT director, ALP's underwriting director and compliance manager. The committee seeks to achieve its objective by addressing the following:

- risk assessment;
- risk mitigation;
- regulatory compliance;
- internal control systems; and
- internal/external reports on the above.

The Group's underwriting disciplines are the responsibility of the underwriting director and are the subject of certain parameters set out in the binding authorities from Abbey Protection's insurance partner, Brit. Detailed underwriting and claims handling authorities are in place and for risks which fall outside these authorities, an underwriting committee (comprising ALP's underwriting director, the Group Managing Director and ATP's operations director) sits.

Abbey Protection's Business Continuity Plan provides a framework for an Emergency Management Team to provide services to support any given business unit in the event of a 'disaster'. The Business Continuity Plan details the recovery sites, provision of a contracted 3rd party call centre facility, where employees would be expected to relocate and how the necessary systems/data would be accessed. The detailed plans have been drawn up to assist Abbey Protection IT staff recover the various systems across the Group.

PART V(A)

ACCOUNTANT'S REPORT ON ABBEY PROTECTION GROUP LIMITED

The Board of Directors
Abbey Protection plc
Minorities House
2-5 Minorities
London EC3N 1BJ

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Dear Sirs

Abbey Protection Group Limited

We report on the audited financial information of Abbey Protection Group Limited set out in Part V(B) of the AIM admission document dated 22 November 2007 of Abbey Protection plc (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out on pages 41 to 47. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of Abbey Protection plc are responsible for preparing the financial information on the basis of preparation set out on page 41 and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of 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.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the audited financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Abbey Protection Group Limited as at the dates stated and of its consolidated profits, consolidated cash flows and consolidated changes in equity for the periods then ended in accordance with the basis of preparation set out on page 41.

This report does not cover, and we express no opinion on, the financial information for the six month period ended 30 June 2006 set out in the financial information which is marked as unaudited.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) as applied by paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Annex I item 1.2 of the Prospectus Directive Regulation as applied by Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

22 November 2007

Deloitte & Touche LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu (“DTT”), a Swiss verein whose member firms are separate and independent legal entities. Neither DTT nor any of US member firms has any liability for each other’s acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

**PART V(B) FINANCIAL INFORMATION ON ABBEY
PROTECTION GROUP LIMITED**

Consolidated income statement		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months ended</i>	<i>6 months ended</i>
<i>For the period</i>	<i>Note</i>	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>30 June 2006 (Unaudited)</i>	<i>30 June 2007</i>
		£	£	£	£	£
Revenue						
Intermediary, advisory and other income	5	8,673,566	12,940,426	13,615,214	4,993,862	7,195,714
Gross premiums written	4	6,819,721	9,844,162	10,982,212	4,993,862	5,902,106
Outward reinsurance premiums	4	(767,271)	(764,149)	(941,193)	(553,131)	(408,433)
Net change in provision for unearned premiums	4	(559,487)	(1,470,714)	(734,608)	(141,519)	(295,341)
Net earned premiums	4	<u>5,492,963</u>	<u>7,609,299</u>	<u>9,306,411</u>	<u>4,299,212</u>	<u>5,198,332</u>
Net investment return	6	363,666	740,648	1,028,342	478,208	682,558
Total revenue		<u>14,530,195</u>	<u>21,290,373</u>	<u>23,949,967</u>	<u>11,314,003</u>	<u>13,076,604</u>
Expenses						
Claims and change in insurance liabilities	7	(4,942,775)	(5,193,516)	(6,743,770)	(3,193,704)	(4,001,148)
Other operating and administrative expenses	8	(6,697,112)	(9,506,613)	(10,459,097)	(5,023,285)	(5,623,577)
Total operating expenses		<u>(11,639,887)</u>	<u>(14,700,129)</u>	<u>(17,202,867)</u>	<u>(8,216,989)</u>	<u>(9,624,725)</u>
Operating profit		2,890,308	6,590,244	6,747,100	3,097,014	3,451,879
Finance costs	11	(69,906)	(60,376)	(30,272)	(15,136)	(15,136)
Profit before income taxes		2,820,402	6,529,868	6,716,828	3,081,878	3,436,743
Income taxes	12	(875,250)	(1,973,261)	(1,829,320)	(839,032)	(1,022,395)
Profit attributable to equity holders of the parent		<u>1,945,152</u>	<u>4,556,607</u>	<u>4,887,508</u>	<u>2,242,846</u>	<u>2,414,348</u>
Earnings per share						
From continuing operations						
Basic and diluted	14	28.19	65.50	69.45	31.87	34.31

There were no discontinued operations.

Consolidated statement of changes in equity

For the period

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Opening shareholders' equity	1,111,952	3,057,104	7,165,305	7,165,305	12,000,355
Issue of new shares	–	14	–	–	–
Share premium	–	104,038	–	–	–
Preference dividend	–	(52,458)	(52,458)	(26,229)	(26,229)
Ordinary dividend paid	–	(500,000)	–	–	(2,000,000)
Purchase of own shares	–	–	–	–	(67,835)
Profit for the year	1,945,152	4,556,607	4,887,508	2,242,846	2,414,348
Closing shareholders' equity	<u>3,057,104</u>	<u>7,165,305</u>	<u>12,000,355</u>	<u>9,381,922</u>	<u>12,320,639</u>

Consolidated balance sheet

As at

		31 December 2004	31 December 2005	31 December 2006	30 June 2006 (Unaudited)	30 June 2007
	Note	£	£	£	£	£
Assets						
Goodwill	15	1,027,896	1,027,896	1,027,896	1,027,896	1,027,896
Other intangible assets	16	70,352	111,627	194,629	94,867	174,243
Property, plant and equipment	17	464,648	576,040	671,469	711,346	583,697
Financial investments	19	–	–	15,086,178	8,256,137	17,750,284
Trade and other receivables	22	11,568,978	13,156,994	14,671,727	12,877,509	15,994,999
Cash and cash equivalents	23	15,570,527	22,383,498	13,891,047	14,831,846	11,774,348
Total assets		<u>28,702,401</u>	<u>37,256,055</u>	<u>45,542,946</u>	<u>37,799,601</u>	<u>47,305,467</u>
Liabilities						
Insurance contract provisions	20	10,119,744	12,572,507	13,952,388	13,180,871	15,640,547
Financial liabilities	24	979,525	504,525	504,525	504,525	504,525
Finance lease obligations	32	33,923	116,907	214,363	155,594	178,117
Deferred tax liabilities	21	218,511	529,051	1,432,820	926,186	1,190,578
Current tax liabilities		610,267	914,408	330,231	196,574	1,259,866
Accruals and deferred income	25	5,182,955	5,471,349	7,577,557	5,355,932	5,725,097
Other liabilities	26	8,500,372	9,982,003	9,530,707	8,097,997	10,486,098
Total liabilities		<u>25,645,297</u>	<u>30,090,750</u>	<u>33,542,591</u>	<u>28,417,679</u>	<u>34,984,828</u>
Equity						
Share capital	27	874,990	875,004	875,004	875,004	875,004
Share premium	28	120,008	224,046	224,046	224,046	224,046
Retained earnings	29	1,779,549	5,783,698	10,618,748	8,000,315	10,939,032
Merger reserves	29	282,557	282,557	282,557	282,557	282,557
Total shareholders' equity		<u>3,057,104</u>	<u>7,165,305</u>	<u>12,000,355</u>	<u>9,381,922</u>	<u>12,320,639</u>

Consolidated statement of cash flows

For the period

	9 months ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	6 months ended 30 June 2006 <i>(Unaudited)</i>	6 months ended 30 June 2007
	£	£	£	£	£
Profit before income taxes	2,820,402	6,529,868	6,716,828	3,081,878	3,436,743
Interest receivable	(363,666)	(740,648)	(1,047,665)	(479,519)	(718,745)
Interest payable	69,906	60,376	30,272	15,136	15,136
Loss on sale of assets	6,389	60,664	2,002	–	8,366
Depreciation	122,983	204,591	201,482	44,309	120,259
Amortisation of intangibles	34,728	48,820	60,778	79,521	37,452
(Increase)/decrease in work in progress	(145,725)	60,885	(17,420)	(74,924)	(49,077)
Decrease/(increase) in debtors	1,642,859	(1,648,901)	(1,497,313)	354,409	(1,120,630)
(Decrease)/increase in creditors	5,799,993	4,401,195	3,138,091	(1,346,530)	781,089
Cash generated by operations	9,987,869	8,976,850	7,587,055	1,674,280	2,510,593
Interest received	363,666	741,266	1,047,665	479,519	565,180
Interest paid	(47,203)	(52,807)	(30,272)	(15,136)	(30,272)
Tax paid	(369,798)	(1,331,476)	(1,509,728)	(1,159,731)	(335,002)
Net cash from operating activities	9,934,534	8,333,833	7,094,720	978,932	2,710,499
Investing activities					
Purchases of financial investments	–	–	(15,086,178)	(8,256,137)	(2,664,106)
Purchases of property, plant and equipment	(238,008)	(482,542)	(442,693)	(242,376)	(57,919)
Net cash used in investing activities	(238,008)	(482,542)	(15,528,871)	(8,498,513)	(2,722,025)
Financing activities					
Preference dividend paid	(13,788)	(39,344)	(52,458)	(26,229)	(37,338)
Equity dividend paid	–	(500,000)	–	–	(2,000,000)
Repayments of loan note borrowings	(729,514)	(475,000)	–	–	–
Issue of share capital	–	14	–	–	–
Purchase of own shares	–	–	–	–	(67,835)
Net cash (used in)/from financing activities	(743,302)	(1,014,330)	(52,458)	(26,229)	(2,105,173)
Net increase/(decrease) in cash and cash equivalents	8,953,224	6,836,961	(8,486,609)	(7,545,810)	(2,116,699)
Cash and cash equivalents at beginning of the period	6,587,471	15,540,695	22,377,656	22,377,656	13,891,047
Cash and cash equivalents at the end of the period	15,540,695	22,377,656	13,891,047	14,831,846	11,774,348

Reconciliation of cash and cash equivalents to the balance sheet:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Cash and cash equivalents	15,570,527	22,383,498	13,891,047	14,831,846	11,774,348
Bank overdraft included within other creditors	(29,832)	(5,842)	–	–	–
Net cash and cash equivalents	<u>15,540,695</u>	<u>22,377,656</u>	<u>13,891,047</u>	<u>14,831,846</u>	<u>11,774,348</u>

Significant accounting policies

The principal accounting policies adopted in preparing the International Financial Reporting Standards (IFRS) consolidated financial information on the APG Group are set out below:

(a) Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU).

In accordance with IFRS 4, Insurance Contracts, the APG Group has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The APG Group has not applied IFRS 8, Operating Segments, which is effective for accounting periods from 1 January 2009. The standard refers to new disclosures about segment reporting and replaces the disclosures required by IAS 14, Segment Reporting, (see accounting policy (i)).

The APG Group presents its balance sheet in order of liquidity in accordance with IAS 1, Presentation of Financial Statements. For each asset and liability line item in the balance sheet that combines amounts expected to be recovered or settled within twelve months, or more than twelve months after the balance sheet date, a classification at the balance sheet date is included within the notes.

(b) Basis of preparation

The financial information is presented in Pounds Sterling. It is prepared on the historical cost basis except that financial investments (see accounting policy (m)) are classified as fair value through profit and loss account and stated at their fair value.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have a significant effect on the financial information, and estimates with a significant risk of material adjustment in the next year, are discussed in note 1.

Subsidiaries are those entities in which the group, directly or indirectly, has the power to govern the financial and operating policies in order to gain economic benefits. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated income statement and the consolidated cash flow statement from the date of acquisition or up to the date of disposal. All inter-Group transactions, balances and profits are eliminated.

The APG Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the APG Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The accounting policies set out below have been applied consistently to all periods presented.

(c) **Recognition and measurement of revenue**

Intermediary, advisory and other income

Intermediary, advisory and other income comprises:

- commission receivable (net of the direct costs of legal and technical advisory services) from clients in respect of the arrangement of legal professional fees insurance and “after the event” policies and is recognised at the date of inception of the contract;
- fees for the provision of non-insured helpline services which are recognised over the contract periods;
- fees for legal and tax representation work which are recognised on a proportional basis as the work is completed firstly through work in progress and in full when invoiced;
- subscriptions receivable from members of the Accident Line panel of solicitors for their participation in the Accident Line personal injury referral scheme which are recognised over the subscription year; and
- management and claims handling fees arising from claims run-off contracts which are recognised over the lives of the contracts having regard to the average periods required to settle claims.

Where contractual obligations exist for the performance of post placement activities, a relevant proportion of revenue recognised on placement is deferred and recognised over the period during which these activities are performed.

Insurance Premiums

Gross written premiums comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of acquisition costs and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods and estimates for “pipeline” premiums. An estimate is made at the balance sheet date to recognise retrospective adjustments to premiums. The earned portion of premiums received, is recognised as revenue. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums. Outward reinsurance premiums are recognised as a deduction from net insurance revenue in accordance with the contractual arrangements with reinsurers.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the monthly pro rata method.

Claims

Claims incurred consist of claims paid during the financial year, together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the APG Group’s estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, adjusted for the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Anticipated reinsurance recoveries are presented separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

(c) Recognition and measurement of revenue (continued)

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial information for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision

Provision is made for unexpired risks arising from business where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account the relevant investment return.

Claims liabilities

The provision represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the balance sheet date. Unpaid losses consist of estimates for reported losses and provisions for losses not reported.

Reinsurance

The Group purchases a stop loss reinsurance policy in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the income statement and balance sheet on a gross basis.

Deferred acquisition costs

Acquisition costs which are incurred for acquiring insurance business that is primarily related to the production of that business are deferred (see accounting policy (1)). Such deferred acquisition costs are finite and are amortised by reference to the basis on which the related premiums are earned which is generally one year or less.

(d) Investment income

Investment income comprises interest income and net gains/losses from financial assets designated as fair value through profit & loss earned in the period (see note 6).

(e) Expenses

(i) *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) *Finance lease payments*

Leases, under the terms of which the APG Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(e) Expenses (continued)

(iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and are expensed in the Income Statement in the period to which they relate. No finance costs are capitalised.

(f) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(g) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are not discounted.

(h) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the presentational currency (pounds sterling) at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to pounds sterling at foreign exchange rates ruling at the dates the fair value was determined.

(i) Segment reporting

A business segment is an operation that provides products or services that are subject to risks and returns that are different from other business segments. A geographical segment provides products or services within a particular economic environment that are subject to risks and returns that are different from other geographical segments.

(j) Other intangible assets

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of other intangible assets.

The estimated useful lives are as follows:

Computer software Over 4 years

(k) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (p)). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under the terms of which the APG Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at fair value as property plant and equipment and depreciated in accordance with the APG Group's accounting policy (k)(iii). Lease payments are accounted for as described in accounting policy (e)(ii). Other leases are classified as operating leases and are not recognised on the APG Group's balance sheet.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Leasehold improvements	Over the duration of the lease
Equipment and motor vehicles	Over 3 to 5 years
IT equipment	Over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in income. The residual value, if not insignificant, is reassessed annually.

(l) Deferred acquisition costs

Acquisition costs comprise all direct costs arising from entering into insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premiums provision. Acquisition costs are not deferred to the extent that available future margins are not expected to cover such deferred costs.

(m) Financial assets

The APG Group classifies its investments as financial assets designated at fair value through profit and loss.

Purchases and sales of investments are recognised on the trade date, which is the date that the APG Group commits to purchase or sell the assets, at their fair values less transaction costs. Investments classified at fair value through the income statement are subsequently carried at fair value, with changes in fair value included in the income statement in the period in which they arise.

The fair values of investments are based on quoted bid prices.

(n) Other receivables

Other receivables are stated at their cost less impairment losses (see accounting policy (p)).

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(p) Impairment

The carrying amounts of the APG Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(q) Financial liabilities

Financial liabilities comprise redeemable preference shares and also bank overdrafts and other payables. Financial liabilities are recognised on the balance sheet when the APG Group becomes a party to the contractual provisions of the financial instrument. Redeemable preference shares are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the year of the borrowings on an effective interest basis.

Management has determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are mostly short term in nature or are repriced frequently. Financial liabilities are derecognised if the APG Group's obligations specified in the contract expire or are discharged or cancelled.

(r) Provisions and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is more probable than not.

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if the future obligation is probable but the amount cannot be reliably estimated.

(s) Dividends

Dividends payable on ordinary shares are recognised when they are paid. Dividends payable on preference shares are recognised over the financial year.

(t) Accounting developments

The APG Group is reviewing IFRS 8 "Operating segments" to determine its effect on its financial reporting. The standard will be adopted with effect from 1 January 2009. In addition to the above standard the APG Group has considered other new international accounting interpretations (IFRIC 11, 12, and 13) issued during the year and has concluded that they will not apply to the APG Group.

Notes to the financial information

1 Critical accounting estimates, and judgements in applying accounting policies

The APG Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most critical judgements and estimates made by the APG Group are those regarding reported and unreported losses in respect of insurance contracts. The ultimate settlement cost of incurred general insurance claims is inherently uncertain. Such uncertainty includes:

- (i) whether a claim event has occurred or not and how much it will ultimately settle for;
- (ii) variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- (iii) changes in the portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- (iv) new types of claim, including latent claims, which arise from time to time; and
- (v) changes in legislation and court attitudes to compensation, which may apply retrospectively.

Outstanding claims and provisions

The APG Group establishes reserves in respect of the anticipated losses incurred in respect of business it has written. These reserves reflect the expected ultimate cost of settling claims occurring prior to the balance sheet date, but remaining unsettled at that time, and take into account any related reinsurance recoveries. Such reserves are established separately for each line of business written by the APG Group and fall into two categories – reserves for reported losses and reserves for losses incurred but not reported as of the balance sheet date.

Reserves for reported losses are established on a case-by-case basis and are based largely on past experience of settlements on similar claims. The reserves are set on an undiscounted basis and reflect the anticipated cost of final settlement, taking into account inflation and other factors which might influence the final outcome. Such reserves are reviewed on a regular basis to take account of changing circumstances, such as changes in the law and changes in costs relating to settlement.

Reserves for losses incurred but not reported as of the balance sheet date are also established on an undiscounted basis. They are estimated based on historical data using various actuarial techniques and statistical modelling methodologies. As with case reserves, reserves for losses incurred but not reported are calculated separately for each line of business written and take into account trends in settlement costs in arriving at the final estimates.

For further details on loss reserves see note 20.

2 Risk management

Objectives and policies for mitigating business risk

The APG Group provides advice, consultancy and management services and also arranges and underwrites insurance. The APG Group places its underwriting liabilities in the UK. Ibox Reinsurance Company Limited, the APG Group's captive reinsurer broadly writes an eighty percent quota share reinsurance of the business placed by the APG Group. As such it is itself exposed to a number of risks, including insurance risk, financial risk, market risk, credit risk and liquidity risk. The APG Group has various procedures in place to manage these exposures. These include an overall risk management framework, together with a set of clearly defined risk policies which articulate the APG Group's risk appetite. The APG Group also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The APG Group's Risk Committee meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflecting the risks currently facing the business, and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The findings of the Risk Committee are reported to the APG Group's Board.

Looking at the main areas of risk faced by the APG Group, and the strategies in place to manage these:

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty and timing of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty.

The principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are unpredictable and the actual level of claims and benefits may vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The group's insurance underwriting strategy aims to diversify the client base by managing the distribution of its products to reduce the aggregation of exposure to any particular type or client or industry. Factors that typically aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical spread and type of customer covered.

The APG Group's management of insurance risk is a critical aspect of the business. It manages this through various policies and procedures including underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, the purchase of reinsurance and the close monitoring of emerging issues.

The main types of policy reinsured by the APG Group are as follows:

- Commercial Legal Expenses which predominantly compensates the policyholder for legal fees incurred e.g. employment or contract disputes; and
- Professional Fee Protection which predominantly compensates the policyholder for costs incurred in respect of professional accountants' fees arising from an enquiry instigated by Her Majesty's Revenue & Customs.

The APG Group uses several methods to assess and monitor the risk exposures associated with each of these for the individual types of risks insured including internal risk measurement models.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risks are that the frequency and severity of the claims are greater than expected. Insurance events are, by their nature random and hence the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

2 Risk management (continued)

Objectives and policies for mitigating business risk (continued)

Insurance risk (continued)

The APG Group purchases an aggregate stop loss reinsurance policy in order to control its exposures to losses and protect capital resources. There have been no claims under this policy.

Concentrations of insurance risk

The APG Group has regard for potential concentration of insurance risk, which may exist where a particular event or series of events could impact significantly upon the APG Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. This risk is managed by ensuring the APG Group operates a robust underwriting approach through encouraging distributors, limiting the exposure to anyone type of distributor and maintaining policy exposure limits to acceptable levels, together with a proactive claims handling methodology.

Changes to legislation

The APG Group is exposed to changes in legislation which could result in claims arising which were not contemplated by underwriters' pricing models. The APG Group addresses this risk by ensuring that developments in the legislative arena are closely monitored and ensuring that policy wordings are regularly reviewed.

Economic downturns

The APG Group's insurance portfolio exposes it to correlations and interdependencies to different types of risks arising in the event of an economic recession. In particular an economic downturn may lead to an increased incidence of claims in respect of commercial legal expenses insurance. The APG Group's initial strategy in the event of a recession would be to address the above risks in order to reduce any excess losses. This would be performed by increasing premium rates in order to cover the unanticipated losses. Where an increase in the premium rates is not achievable then an alternative option would be to reduce the level of activity in the market.

Financial Risk

The APG Group is exposed to financial risk through its financial assets and financial liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk affecting the APG Group are interest rate risk and credit risk.

The APG Group actively manages its assets using an approach that balances quality, diversification, liquidity and investment return. The goal of the investment process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The APG Group's Board reviews the portfolios on a periodic basis, establishing investment guidelines and limits, and provides oversight of the asset/liability management process which is regularly reported.

2 Risk management (continued)

Objectives and policies for mitigating business risk (continued)

Interest rate risk

The APG Group's exposure to market risk for changes in interest rates is primarily concentrated in its investment portfolio. Changes in investment values attributable to interest rate changes are mitigated by investment parameters which mandate the average duration of the portfolio cannot exceed 18 months and no individual holding can exceed 2 years.

The APG Group is also exposed to the risk of changes in future cash flows from fixed income securities arising from changes in market interest rates.

The effective interest rate at the balance sheet dates on investments and cash equivalents was:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
Financial investments	N/A	N/A	5.18%	4.71%	5.59%
Cash and cash equivalents	3.65%	3.98%	4.44%	4.38%	5.00%

The investment policy of the APG Group requires that investments are predominantly rated AA by Standard and Poor's (or equivalent) with a minimum counterparty rating of A. Short-term deposits are placed with credit institutions that are rated P1 or equivalent.

Credit Risk

The APG Group's portfolios of fixed income securities and, to a lesser extent, short-term and other investments and debtors and receivables, are subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in a debtor's ability to repay. The risk is managed based on the APG Group's investment strategy which clearly articulates its risk appetite in terms of the debt ratings of securities held and maximum counterparty exposure. This is monitored on a quarterly basis by the Board. Debtor balances are age analysed and reviewed monthly with an active credit control process in place to ensure payments are received within agreed terms.

The APG Group is exposed to potential credit risks through its reinsurance underwriting, where amounts due may not be paid. The APG Group manages this risk through dealing with only A or better grade insurers, based on Standard and Poor's (or equivalent) ratings which are regularly monitored.

With respect to credit risk arising from the other financial assets of the APG Group, which comprise cash and cash equivalents, other receivables and investment securities, the APG Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the APG Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

There are no significant concentrations of credit risk within the APG Group which are not offset by liabilities.

Liquidity risk

The APG Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that funds may not be available to pay obligations when due. The APG Group has robust processes in place to manage liquidity risk and has adequate access to funding in case of need. Sources of funding include available cash balances and other readily marketable assets.

The maturity profile of finance lease obligations are set out in note 32 and the terms of redeemable preference shares are set out in note 24.

2 Risk management (continued)

Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the APG Group. The table compares the claims paid on an underwriting year basis with the provisions established for these claims. The table provides a review of current estimates of cumulative claims gross and net of reinsurance and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. As the APG Group uses underwriting year accounting, the premiums exposed to each year of account typically develop over a three year period and ultimate incurred claims have a similar initial development pattern. Under or over provision for ultimate losses becomes apparent from year three.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The APG Group believes that the estimate of total claims outstanding as of the end of the period are adequate. However, due to the inherent uncertainties in the provisioning process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of gross earned premiums and claims development

In thousands of pounds

Gross earned premiums

	2003	2004	<i>Underwriting year</i>		2007	Total
			2005	2006	(6 mths)	
At end of underwriting year	2,956	3,236	3,101	3,539	664	13,496
– one year later	4,689	4,922	5,969	4,152	–	19,732
– two years later	259	815	787	–	–	1,861
– three years later	(6)	2	–	–	–	(4)
– four years later	–	–	–	–	–	–
	<u>7,898</u>	<u>8,975</u>	<u>9,857</u>	<u>7,691</u>	<u>664</u>	<u>35,085</u>

Estimate of cumulative claims

	2003	2004	<i>Underwriting year</i>		2007	Total
			2005	2006	(6 mths)	
At end of underwriting year	2,582	2,823	2,636	3,014	565	11,620
– one year later	3,534	3,418	3,947	3,053	–	13,952
– two years later	(860)	(94)	388	–	–	(566)
– three years later	(123)	114	–	–	–	(9)
– four years later	(118)	–	–	–	–	(118)
Estimate of cumulative claims	<u>5,015</u>	<u>6,261</u>	<u>6,971</u>	<u>6,067</u>	<u>565</u>	<u>24,879</u>
Cumulative payments to date	<u>(4,633)</u>	<u>(5,083)</u>	<u>(4,175)</u>	<u>(1,599)</u>	<u>(14)</u>	<u>(15,504)</u>
Gross & net outstanding claims liabilities	<u>382</u>	<u>1,178</u>	<u>2,796</u>	<u>4,468</u>	<u>551</u>	<u>9,375</u>

There were no reinsurance recoverables during the periods presented within this financial information.

2 Risk management (continued)

Gross earned premiums less claims costs

	2003	2004	<i>Underwriting year</i>		2007	<i>Total</i>
			2005	2006	(6 mths)	
At end of underwriting year	374	413	465	525	99	1,876
– one year later	1,155	1,504	2,022	1,099	–	5,780
– two years later	1,119	909	399	–	–	2,427
– three years later	117	(112)	–	–	–	5
– four years later	118	–	–	–	–	118
	<u>2,883</u>	<u>2,714</u>	<u>2,886</u>	<u>1,624</u>	<u>99</u>	<u>10,206</u>

3 Segment information

(a) Primary reporting format – business segments

The APG Group has two primary business segments namely (i) insurance underwriting and (ii) intermediary, advisory and other. The analysis of the results, assets and liabilities by segment are shown below:

9 Months ended December 2004

	<i>Insurance Underwriting</i> £	<i>Intermediary, Advisory and Other</i> £	<i>Total</i> £
Revenue			
Intermediary, advisory and other income	–	8,673,566	8,673,566
Gross premiums written	6,819,721	–	6,819,721
Outward reinsurance premiums	(767,271)	–	(767,271)
Net change in provisions for unearned premiums	(559,487)	–	(559,487)
Net earned premiums	5,492,963	–	5,492,963
Net investment return	317,719	45,947	363,666
Total revenue	<u>5,810,682</u>	<u>8,719,513</u>	<u>14,530,195</u>
Expenses			
Claims and change in insurance liabilities	(4,942,775)	–	(4,942,775)
Other operating and administrative expenses	(58,608)	(6,638,504)	(6,697,112)
Total operating expenses	<u>(5,001,383)</u>	<u>(6,638,504)</u>	<u>(11,639,887)</u>
Operating profit	809,299	2,081,009	2,890,308
Finance costs	–	(69,906)	(69,906)
Profit before income taxes	<u>809,299</u>	<u>2,011,103</u>	<u>2,820,402</u>
Income taxes	–	(875,250)	(875,250)
Profit attributable to equity holders of the parent	<u>809,299</u>	<u>1,135,853</u>	<u>1,945,152</u>
Segments assets			
Goodwill	–	1,027,896	1,027,896
Other intangible assets	–	70,352	70,352
Property, plant and equipment	–	464,648	464,648
Other assets	3,268,061	8,300,917	11,568,978
Cash and cash equivalents	10,082,854	5,487,673	15,570,527
Total assets	<u>13,350,915</u>	<u>15,351,486</u>	<u>28,702,401</u>
Segments liabilities			
Insurance contract provisions	10,119,744	–	10,119,744
Financial liabilities	–	979,525	979,525
Financial lease obligations	–	33,923	33,923
Deferred tax liabilities	–	218,511	218,511
Current tax liabilities	–	610,267	610,267
Accruals and deferred income	–	5,182,955	5,182,955
Other liabilities	421,872	8,078,500	8,500,372
Total liabilities	<u>10,541,616</u>	<u>15,103,681</u>	<u>25,645,297</u>

3 Segment information (continued)

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

Year ended 31 December 2005

	<i>Insurance Underwriting</i> £	<i>Intermediary, Advisory and Other</i> £	<i>Total</i> £
Revenue			
Intermediary, advisory and other income	–	12,940,426	12,940,426
Gross premiums written	9,844,162	–	9,844,162
Outward reinsurance premiums	(764,149)	–	(764,149)
Net change in provisions for unearned premiums	(1,470,714)	–	(1,470,714)
Net earned premiums	<u>7,609,299</u>	–	<u>7,609,299</u>
Net investment return	554,920	185,728	740,648
Total revenue	<u>8,164,219</u>	<u>13,126,154</u>	<u>21,290,373</u>
Expenses			
Claims and change in insurance liabilities	(5,193,516)	–	(5,193,516)
Other operating and administrative expenses	(73,285)	(9,433,328)	(9,506,613)
Total operating expenses	(5,266,801)	(9,433,328)	(14,700,129)
Operating profit	<u>2,897,418</u>	<u>3,692,826</u>	<u>6,590,244</u>
Finance costs	–	(60,376)	(60,376)
Profit before income taxes	<u>2,897,418</u>	<u>3,632,450</u>	<u>6,529,868</u>
Income taxes	–	(1,973,261)	(1,973,261)
Profit attributable to equity holders of the parent	<u>2,897,418</u>	<u>1,659,189</u>	<u>4,556,607</u>
Segments assets			
Goodwill	–	1,027,896	1,027,896
Other intangible assets	–	111,627	111,627
Property, plant and equipment	–	576,040	576,040
Other assets	4,058,341	9,098,653	13,156,994
Cash and cash equivalents	14,276,983	8,106,515	22,383,498
Total assets	<u>18,335,324</u>	<u>18,920,731</u>	<u>37,256,055</u>
Segments liabilities			
Insurance contract provisions	12,572,507	–	12,572,507
Financial liabilities	–	504,525	504,525
Financial lease obligations	–	116,907	116,907
Deferred tax liabilities	–	529,051	529,051
Current tax liabilities	–	914,408	914,408
Accruals and deferred income	–	5,471,349	5,471,349
Other liabilities	486,100	9,495,903	9,982,003
Total liabilities	<u>13,058,607</u>	<u>17,032,143</u>	<u>30,090,750</u>

3 Segment information (continued)

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

Year ended 31 December 2006

	<i>Insurance Underwriting</i> £	<i>Intermediary, Advisory and Other</i> £	<i>Total</i> £
Revenue			
Intermediary, advisory and other income	–	13,615,214	13,615,214
Gross premiums written	10,982,212	–	10,982,212
Outward reinsurance premiums	(941,193)	–	(941,193)
Net change in provisions for unearned premiums	(734,608)	–	(734,608)
Net earned premiums	9,306,411	–	9,306,411
Net investment return	755,085	273,257	1,028,342
Total revenue	10,061,496	13,888,471	23,949,967
Expenses			
Claims and change in insurance liabilities	(6,743,770)	–	(6,743,770)
Other operating and administrative expenses	(83,126)	(10,375,971)	(10,459,097)
Total operating expenses	(6,826,896)	(10,375,971)	(17,202,867)
Operating profit	3,234,600	3,512,500	6,747,100
Finance costs	–	(30,272)	(30,272)
Profit before income taxes	3,234,600	3,482,228	6,716,828
Income taxes	–	(1,829,320)	(1,829,320)
Profit attributable to equity holders of the parent	3,234,600	1,652,908	4,887,508
Segments assets			
Goodwill	–	1,027,896	1,027,896
Other intangible assets	–	194,629	194,629
Property, plant and equipment	–	671,469	671,469
Financial investments	15,086,178	–	15,086,178
Other assets	4,269,538	10,402,189	14,671,727
Cash and cash equivalents	1,062,532	12,828,515	13,891,047
Total assets	20,418,248	25,124,698	45,542,946
Segments liabilities			
Insurance contract provisions	13,952,388	–	13,952,388
Financial liabilities	–	504,525	504,525
Financial lease obligations	–	214,363	214,363
Deferred tax liabilities	–	1,432,820	1,432,820
Current tax liabilities	–	330,231	330,231
Accruals and deferred income	–	7,577,557	7,577,557
Other liabilities	410,279	9,120,428	9,530,707
Total liabilities	14,362,667	19,179,924	33,542,591

3 Segment information (continued)

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

6 months ended 30 June 2006 (Unaudited)

	<i>Insurance Underwriting</i>	<i>Intermediary, Advisory and Other</i>	<i>Total</i>
	£	£	£
Revenue			
Intermediary, advisory and other income	–	6,536,583	6,536,583
Gross premiums written	4,993,862	–	4,993,862
Outward reinsurance premiums	(553,131)	–	(553,131)
Net change in provisions for unearned premiums	(141,519)	–	(141,519)
Net earned premiums	4,299,212	–	4,299,212
Net investment return	334,083	144,125	478,208
Total revenue	4,633,295	6,680,708	11,314,003
Expenses			
Claims and change in insurance liabilities	(3,193,704)	–	(3,193,704)
Other operating and administrative expenses	(35,382)	(4,987,903)	(5,023,285)
Total operating expenses	(3,229,086)	(4,987,903)	(8,216,989)
Operating profit	1,404,209	1,692,805	3,097,014
Finance costs	–	(15,136)	(15,136)
Profit before income taxes	1,404,209	1,677,669	3,081,878
Income taxes	–	(839,032)	(839,032)
Profit attributable to equity holders of the parent	1,404,209	838,637	2,242,846
Segments assets			
Goodwill	–	1,027,896	1,027,896
Other intangible assets	–	94,867	94,867
Property, plant and equipment	–	711,346	711,346
Financial investments	8,256,137	–	8,256,137
Other assets	3,955,220	8,922,289	12,877,509
Cash and cash equivalents	1,021,990	13,809,856	14,831,846
Total assets	13,233,347	24,566,254	37,799,601
Segments liabilities			
Insurance contract provisions	13,180,871	–	13,180,871
Financial liabilities	–	504,525	504,525
Financial lease obligations	–	155,594	155,594
Deferred tax liabilities	–	926,186	926,186
Current tax liabilities	–	196,574	196,574
Accruals and deferred income	–	5,355,932	5,355,932
Other liabilities	492,218	7,605,779	8,097,997
Total liabilities	13,673,089	14,744,590	28,417,679

3 Segment information (continued)

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

6 Months ended 30 June 2007

	<i>Insurance Underwriting</i>	<i>Intermediary, Advisory and Other</i>	<i>Total</i>
	£	£	£
Revenue			
Intermediary, advisory and other income	–	7,195,714	7,195,714
Gross premiums written	5,902,106	–	5,902,106
Outward reinsurance premiums	(408,433)	–	(408,433)
Net change in provisions for unearned premiums	(295,341)	–	(295,341)
Net earned premiums	<u>5,198,332</u>	–	<u>5,198,332</u>
Net investment return	477,583	204,975	682,558
Total revenue	<u>5,675,915</u>	<u>7,400,689</u>	<u>13,076,604</u>
Expenses			
Claims and change in insurance liabilities	(4,001,148)	–	(4,001,148)
Other operating and administrative expenses	(53,890)	(5,569,687)	(5,623,577)
Total operating expenses	<u>(4,055,038)</u>	<u>(5,569,687)</u>	<u>(9,624,725)</u>
Operating profit	1,620,877	1,831,002	3,451,879
Finance costs	–	(15,136)	(15,136)
Profit before income taxes	<u>1,620,877</u>	<u>1,815,866</u>	<u>3,436,743</u>
Income taxes	–	(1,022,395)	(1,022,395)
Profit attributable to equity holders of the parent	<u>1,620,877</u>	<u>793,471</u>	<u>2,414,348</u>
Segments assets			
Goodwill	–	1,027,896	1,027,896
Other intangible assets	–	174,243	174,243
Property, plant and equipment	–	583,697	583,697
Financial investments	17,750,284	–	17,750,284
Other assets	4,977,849	11,017,150	15,994,999
Cash and cash equivalents	1,052,188	10,722,160	11,774,348
Total assets	<u>23,780,321</u>	<u>23,525,146</u>	<u>47,305,467</u>
Segments liabilities			
Insurance contract provisions	15,640,547	–	15,640,547
Financial liabilities	–	504,525	504,525
Financial lease obligations	–	178,117	178,117
Deferred tax liabilities	–	1,190,578	1,190,578
Current tax liabilities	–	1,259,866	1,259,866
Accruals and deferred income	–	5,725,097	5,725,097
Other liabilities	452,210	10,033,888	10,486,098
Total liabilities	<u>16,092,757</u>	<u>18,892,071</u>	<u>34,984,828</u>

(b) Secondary segment information – geographical analysis

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

4 Net insurance premium

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007 (Unaudited)</i>
	£	£	£	£	£
Gross premiums written	6,819,721	9,844,162	10,982,212	4,993,862	5,902,106
Outward reinsurance premiums	<u>(767,271)</u>	<u>(764,149)</u>	<u>(941,193)</u>	<u>(553,131)</u>	<u>(408,433)</u>
Net premiums written	<u>6,052,450</u>	<u>9,080,013</u>	<u>10,041,019</u>	<u>4,440,731</u>	<u>5,493,673</u>
Change in the gross provision for unearned premiums	(641,245)	(1,562,151)	(666,937)	(38,902)	(295,844)
Change in the provision for unearned premiums, reinsurers' share	<u>81,758</u>	<u>91,437</u>	<u>(67,671)</u>	<u>(102,617)</u>	<u>503</u>
Change in the net provision for unearned premiums	<u>(559,487)</u>	<u>(1,470,714)</u>	<u>(734,608)</u>	<u>(141,519)</u>	<u>(295,341)</u>
Earned premiums, net of reinsurance	<u>5,492,963</u>	<u>7,609,299</u>	<u>9,306,411</u>	<u>4,299,212</u>	<u>5,198,332</u>

5 Intermediary, advisory and other income

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007 (Unaudited)</i>
	£	£	£	£	£
Income from intermediation	4,407,286	6,198,830	6,629,664	3,182,291	3,419,549
Advisory fees	1,881,290	2,848,640	3,073,408	1,449,261	1,894,102
Other income	<u>2,384,990</u>	<u>3,892,956</u>	<u>3,912,142</u>	<u>1,905,031</u>	<u>1,882,063</u>
Total intermediary, advisory and other income	<u>8,673,566</u>	<u>12,940,426</u>	<u>13,615,214</u>	<u>6,536,583</u>	<u>7,195,714</u>

Other income comprises consultancy, claims handling and management services.

6 Net investment return

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Investment at fair value through Income statement:					
– sterling bond	–	–	–	–	5,105
– certificates of deposit	–	–	471,336	13,184	493,137
Other investments:					
– cash and cash equivalents income	363,666	740,648	576,330	466,335	220,503
Investment income	<u>363,666</u>	<u>740,648</u>	<u>1,047,666</u>	<u>479,519</u>	<u>718,745</u>
Gains/(losses) on investments at fair value through the income statement	–	–	(19,324)	(1,311)	(36,187)
Net investment return	<u>363,666</u>	<u>740,648</u>	<u>1,028,342</u>	<u>478,208</u>	<u>682,558</u>

7 Claims and change in insurance liabilities

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Gross claims paid	(1,806,896)	(4,302,904)	(6,030,826)	(2,624,242)	(2,608,833)
Gross change in the provision for claims	<u>(3,135,879)</u>	<u>(890,612)</u>	<u>(712,944)</u>	<u>(569,462)</u>	<u>(1,392,315)</u>
Claims and change in insurance liabilities	<u>(4,942,775)</u>	<u>(5,193,516)</u>	<u>(6,743,770)</u>	<u>(3,193,704)</u>	<u>(4,001,148)</u>

A whole account stop loss reinsurance policy has been in force throughout all periods. No claims have been made.

8 Operating profit

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Other operating and administrative expenses and operating profit have been arrived at after charging/(crediting):					
Depreciation of property, plant and equipment	122,983	204,591	201,482	44,309	120,259
Amortisation of intangible assets	34,728	48,820	60,778	79,521	37,451
Personnel expenses					
– wages and salaries	4,150,124	5,706,750	6,248,549	3,044,806	3,354,183
– social security costs	451,837	646,594	742,772	361,779	376,508
– pension costs	139,230	205,165	292,222	119,907	123,649
Operating lease rentals	287,989	447,472	462,086	224,364	200,342
Auditors' remuneration:					
– fees for statutory audit services	19,000	38,000	38,500	19,250	58,698
– fees for auditing accounts of subsidiaries pursuant to legislation	8,000	8,000	8,000	4,000	4,000
– other services pursuant to legislation	–	–	–	–	25,000
– tax services	–	11,000	8,000	4,000	8,000
– recruitment and remuneration services	–	–	23,000	11,500	–
(Profit)/Loss on sale of property, plant and equipment	6,389	60,664	2,002	–	(8,366)

9 Staff costs

The average monthly number of employees employed by APG Group (including executive directors) during the period, analysed by category was:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Central	12	13	14	13	16
Abbey tax protection	40	43	47	45	47
Abbey HR	–	–	–	–	6
Abbey legal protection	24	25	27	27	26
ATE services	28	32	26	28	23
Legal services centre	62	67	71	69	76
	<u>166</u>	<u>180</u>	<u>185</u>	<u>182</u>	<u>194</u>
	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Their aggregate remuneration comprised:					
Wages and salaries	4,150,124	5,706,750	6,248,549	3,044,806	3,354,183
Social security costs	451,837	646,594	742,772	361,779	376,508
Pension costs – defined contribution plans	139,230	205,165	292,222	119,907	123,649
	<u>4,741,191</u>	<u>6,558,509</u>	<u>7,283,543</u>	<u>3,526,492</u>	<u>3,854,340</u>

10 Directors' remuneration

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Directors' emoluments	709,565	958,070	905,345	484,390	499,250
Post-employment benefits					
– defined contribution plans	32,906	45,872	123,546	23,241	24,021
Compensation for loss of office	–	–	135,979	–	–
	<u>742,471</u>	<u>1,003,942</u>	<u>1,164,870</u>	<u>507,631</u>	<u>523,271</u>
The number of directors who are members of defined contribution plans	6	6	6	6	6
Highest paid director					
– emoluments	142,589	173,117	175,107	87,061	89,742
– post employment benefit					
– defined contribution plans	6,188	8,436	8,689	4,313	4,464
	<u>148,777</u>	<u>181,553</u>	<u>183,796</u>	<u>91,374</u>	<u>94,206</u>

11 Finance costs

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Interest expense:					
– other interest paid	69,906	60,376	30,272	15,136	15,136
Total finance costs	<u>69,906</u>	<u>60,376</u>	<u>30,272</u>	<u>15,136</u>	<u>15,136</u>

12 Income taxes

Recognised in the income statement

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Current tax expense					
Current year – operations	628,809	1,662,721	1,074,362	501,253	1,213,480
Adjustments for prior years	9,903	–	(148,811)	(59,356)	51,157
	<u>638,712</u>	<u>1,662,721</u>	<u>925,551</u>	<u>441,897</u>	<u>1,264,637</u>
Deferred tax expense					
Origination and reversal of temporary differences	236,538	310,540	903,769	397,135	(242,242)
Total income tax expense	<u>875,250</u>	<u>1,973,261</u>	<u>1,829,320</u>	<u>839,032</u>	<u>1,022,395</u>

Reconciliation of effective tax rate

Tax on the APG Group's profit before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Profit before tax	<u>2,820,402</u>	<u>6,529,868</u>	<u>6,716,828</u>	<u>3,081,878</u>	<u>3,436,743</u>
Income tax calculated at the UK standard rate of tax of 30%	846,121	1,958,960	2,015,048	924,563	1,031,023
Factors affecting charge for the year:					
Non deductible expenses and provisions	28,731	14,301	67,456	23,286	74,969
Rate differences	(9,505)	–	–	–	–
Income taxable on remittance to the UK	–	–	(104,373)	(49,461)	(49,713)
Adjustments to tax in respect of prior periods	9,903	–	(148,811)	(59,356)	51,157
Changes in the rate of corporation tax	–	–	–	–	(85,041)
Income tax expense	<u>875,250</u>	<u>1,973,261</u>	<u>1,829,320</u>	<u>839,032</u>	<u>1,022,395</u>

13 Appropriations

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Dividend on ordinary shares	–	500,000	–	–	2,000,000
Fixed cumulative 6% irredeemable preference share dividend	39,344	52,458	52,458	26,229	26,229
Net appropriation for the year	<u>39,344</u>	<u>552,458</u>	<u>52,458</u>	<u>26,229</u>	<u>2,026,229</u>

In 2005 the Group paid a dividend of £7.25 on ordinary shares. In 2007 the APG Group paid a dividend of £29.69 on ordinary shares.

14 Earnings per share

The APG Group's capital structure consists of redeemable preference shares, irredeemable preference shares and "A" and "B" ordinary shares. For the purpose of calculating earnings per share only the "A" and "B" class of ordinary shares are to be treated as equity and the weighted average of both class of shares used in the calculation of the APG Group's earnings per share. In 2005 1,380 ordinary shares were issued. There was no other dilution of the APG Group's earnings per share and the APG Group had no discontinued operations.

15 Goodwill

The cost of goodwill at transition to IFRS was deemed to be the amortised value as at that date. The APG Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. There has been no impairment throughout the periods presented.

16 Other intangibles – computer software

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Cost:					
At the beginning of the period	199,164	222,120	312,215	312,215	454,361
Additions during the period	22,956	90,095	144,683	65,654	17,065
Disposals during the period	–	–	(2,537)	(3,293)	–
At the end of the period	<u>222,120</u>	<u>312,215</u>	<u>454,361</u>	<u>374,576</u>	<u>471,426</u>
Amortisation:					
At the beginning of the period	117,040	151,768	200,588	200,588	259,732
Additions during the period	34,728	48,820	60,778	79,521	37,451
Disposals during the period	–	–	(1,634)	(400)	–
At the end of the period	<u>151,768</u>	<u>200,588</u>	<u>259,732</u>	<u>279,709</u>	<u>297,183</u>
Net book value at the end of the period	<u>70,352</u>	<u>111,627</u>	<u>194,629</u>	<u>94,867</u>	<u>174,243</u>

17 Property, plant and equipment

9 months ended 31 December 2004

	<i>Leasehold property</i> £	<i>Equipment and motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
Balance at the beginning of the reporting period	50,180	673,729	139,937	863,846
Acquisitions	38,988	148,061	28,003	215,052
Disposals	(777)	(108,783)	–	(109,560)
Balance at the end of the reporting period	<u>88,391</u>	<u>713,007</u>	<u>167,940</u>	<u>969,338</u>
Depreciation and impairment losses				
Balance at the beginning of the reporting period	11,529	414,640	58,711	484,880
Depreciation charge for the year	7,255	92,654	23,074	122,983
Disposals	(700)	(102,473)	–	(103,173)
Balance at the end of the reporting period	<u>18,084</u>	<u>404,821</u>	<u>81,785</u>	<u>504,690</u>
Carrying amounts				
At the beginning of the reporting period	<u>38,651</u>	<u>259,089</u>	<u>81,226</u>	<u>378,966</u>
At the end of the reporting period	<u>70,307</u>	<u>308,186</u>	<u>86,155</u>	<u>464,648</u>

Year ended 31 December 2005

	<i>Leasehold property</i> £	<i>Equipment and motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
Balance at the beginning of the reporting period	88,391	713,007	167,940	969,338
Acquisitions	14,951	324,921	52,575	392,447
Disposals	(16,869)	(283,132)	–	(300,001)
Balance at the end of the reporting period	<u>86,473</u>	<u>754,796</u>	<u>220,515</u>	<u>1,061,784</u>
Depreciation and impairment losses				
Balance at the beginning of the reporting period	18,084	404,821	81,785	504,690
Depreciation charge for the year	12,544	146,093	45,954	204,591
Disposals	(11,786)	(211,751)	–	(223,537)
Balance at the end of the reporting period	<u>18,842</u>	<u>339,163</u>	<u>127,739</u>	<u>485,744</u>
Carrying amounts				
At the beginning of the reporting period	<u>70,307</u>	<u>308,186</u>	<u>86,155</u>	<u>464,648</u>
At the end of the reporting period	<u>67,631</u>	<u>415,633</u>	<u>92,776</u>	<u>576,040</u>

17 Property, plant and equipment (continued)

Year ended 31 December 2006

	<i>Leasehold property</i> £	<i>Equipment and motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
Balance at the beginning of the reporting period	86,473	754,796	220,515	1,061,784
Acquisitions	3,470	222,469	72,071	298,010
Disposals	–	(9,400)	(75,429)	(84,829)
Balance at the end of the reporting period	<u>89,943</u>	<u>967,865</u>	<u>217,157</u>	<u>1,274,965</u>
Depreciation and impairment losses				
Balance at the beginning of the reporting period	18,842	339,163	127,739	485,744
Depreciation charge for the year	11,546	136,882	53,054	201,482
Disposals	–	(7,569)	(76,161)	(83,730)
Balance at the end of the reporting period	<u>30,388</u>	<u>468,476</u>	<u>104,632</u>	<u>603,496</u>
Carrying amounts				
At the beginning of the reporting period	<u>67,631</u>	<u>415,633</u>	<u>92,776</u>	<u>576,040</u>
At the end of the reporting period	<u>59,555</u>	<u>499,389</u>	<u>112,525</u>	<u>671,469</u>

6 months ended 30 June 2006 (Unaudited)

	<i>Leasehold property</i> £	<i>Equipment and motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
Balance at the beginning of the reporting period	86,473	754,796	220,515	1,061,784
Acquisitions	–	112,191	64,531	176,722
Disposals	–	(84,075)	–	(84,075)
Balance at the end of the reporting period	<u>86,473</u>	<u>782,912</u>	<u>285,046</u>	<u>1,154,431</u>
Depreciation and impairment losses				
Balance at the beginning of the reporting period	18,842	339,163	127,739	485,744
Depreciation charge for the year	5,436	(13,789)	52,662	44,309
Disposals	–	(86,968)	–	(86,968)
Balance at the end of the reporting period	<u>24,278</u>	<u>238,406</u>	<u>180,401</u>	<u>443,085</u>
Carrying amounts				
At the beginning of the reporting period	<u>67,631</u>	<u>415,633</u>	<u>92,776</u>	<u>576,040</u>
At the end of the reporting period	<u>62,195</u>	<u>544,506</u>	<u>104,645</u>	<u>711,346</u>

17 Property, plant and equipment (continued)

6 months ended 30 June 2007

	<i>Leasehold property</i> £	<i>Equipment and motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
Balance at the beginning of the reporting period	89,943	967,865	217,157	1,274,965
Acquisitions	5,050	7,585	28,218	40,853
Disposals	–	(33,464)	–	(33,464)
Balance at the end of the reporting period	<u>94,993</u>	<u>941,986</u>	<u>245,375</u>	<u>1,282,354</u>
Depreciation and impairment losses				
Balance at the beginning of the reporting period	30,388	468,476	104,632	603,496
Depreciation charge for the year	6,563	81,446	32,250	120,259
Disposals	–	(25,098)	–	(25,098)
Balance at the end of the reporting period	<u>36,951</u>	<u>524,824</u>	<u>136,882</u>	<u>698,657</u>
Carrying amounts				
At the beginning of the reporting period	<u>59,555</u>	<u>499,389</u>	<u>112,525</u>	<u>671,469</u>
At the end of the reporting period	<u>58,042</u>	<u>417,162</u>	<u>108,494</u>	<u>583,697</u>

18 APG Group companies

The consolidated financial information presents the financial records of the APG Group for the years ended 31 December 2006, 31 December 2005, nine months to 31 December 2004 and for the half years 30 June 2007 and 30 June 2006. A list of all investments in APG Group subsidiaries, including the name and country of incorporation is given below:

<i>Company</i>	<i>Country of incorporation</i>	<i>Activity</i>	<i>Portion of ownership interests</i>	<i>Portion of Method used voting power to account for held investment</i>
Abbey Protection Group Ltd	Great Britain	Insurance intermediary	100%	100% Consolidation
Ibex Reinsurance Company Limited	Guernsey	Reinsurance company	100%	100% Consolidation
Abbey Legal Holdings Limited	Great Britain	Dormant	100%	100% Consolidation
Abbey Legal Protection Limited	Great Britain	Dormant	100%	100% Consolidation
Abbey Tax Protection Limited	Great Britain	Dormant	100%	100% Consolidation

The APG Group has not suffered any impairment in the value of its investments in its subsidiaries. Following a group restructuring exercise on the 31 December 2004, Abbey Legal Holdings Limited, Abbey Legal Protection Limited and Abbey Tax Protection Limited have remained dormant.

19 Financial investments

Financial investments at fair value through profit or loss

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Debt securities – fixed rate					
Sterling bonds	–	–	–	–	492,965
	–	–	–	–	492,965
Loans and other receivables					
Certificates of deposit	–	–	15,086,178	8,256,137	17,257,319
	–	–	15,086,178	8,256,137	17,257,319
Total financial assets	–	–	15,086,178	8,256,137	17,750,284

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

20 Insurance contract provisions and reinsurance assets

(i) Insurance contract provisions

	9 months ended 31 December 2004		Year ended 31 December 2005		Year ended 31 December 2006		
	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £	
Unearned premiums	3,741,710	(477,067)	3,264,643	5,303,861	5,970,798	(500,833)	5,469,965
Claims reported by policyholders	3,908,897	-	3,908,897	4,525,883	5,451,505	-	5,451,505
Claims incurred but not reported	2,469,137	-	2,469,137	2,742,763	2,530,085	-	2,530,085
Total insurance contract provisions	10,119,744	(477,067)	9,642,677	12,572,507	13,952,388	(500,833)	13,451,555
Expected to be settled within 12 months	8,684,686	(477,067)	8,207,619	11,001,384	12,156,530	(500,833)	11,655,697
Expected to be settled after 12 months	1,435,058	-	1,435,058	1,571,123	1,795,858	-	1,795,858
	10,119,744	(477,067)	9,642,677	12,572,507	13,952,388	(500,833)	13,451,555
	6 months ended 30 June 2006 (Unaudited)		6 months ended 30 June 2007				
	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £			
Unearned premiums	5,342,763	(465,887)	4,876,876	6,266,642	(501,336)	5,765,306	
Claims reported by policyholders	4,826,714	-	4,826,714	6,177,190	-	6,177,190	
Claims incurred but not reported	3,011,394	-	3,011,394	3,196,715	-	3,196,715	
Total insurance contract provisions	13,180,871	(465,887)	12,714,984	15,640,547	(501,336)	15,139,211	
Expected to be settled within 12 months	11,344,588	(465,887)	10,878,701	13,531,418	(501,336)	13,030,082	
Expected to be settled after 12 months	1,836,283	-	1,836,283	2,109,129	-	2,109,129	
	13,180,871	(465,887)	12,714,984	15,640,547	(501,336)	15,139,211	

20 Insurance contract provisions and reinsurance assets (continued)

(ii) Analysis of movements in insurance provisions

	9 months ended 31 December 2004		Year ended 31 December 2005		Year ended 31 December 2006	
	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £
Balance at the beginning of the period	6,342,620	5,947,311	10,119,744	9,642,677	12,572,507	12,004,003
Claims paid	(1,806,896)	(1,806,896)	(4,302,904)	(4,302,904)	(6,030,826)	(6,030,826)
Movement in claims incurred but not reported	1,719,137	1,719,137	273,626	273,626	(212,678)	(212,678)
Claims reported in the period	3,223,638	3,223,638	4,919,890	4,919,890	6,956,448	6,956,448
Change in provision for unearned premiums	641,245	(81,758)	1,562,151	(91,437)	666,937	734,608
Balance at the end of the period	10,119,744	9,642,677	12,572,507	12,004,003	13,952,388	13,451,555

	6 months ended 30 June 2006 (Unaudited)		6 months ended 30 June 2007	
	Gross £	Reinsurance Net £	Gross £	Reinsurance Net £
Balance at the beginning of the period	12,572,507	12,004,003	13,952,388	13,451,555
Claims paid	(2,624,243)	(2,624,243)	(2,608,833)	(2,608,833)
Movement in claims incurred but not reported	268,631	268,631	666,630	666,630
Claims reported in the period	2,925,074	2,925,074	3,334,518	3,334,518
Change in provision for unearned premiums	38,902	102,617	295,844	(503)
Balance at the end of the period	13,180,871	12,714,984	15,640,547	15,139,211

20 Insurance contract provisions and reinsurance assets (continued)

(iii) Analysis of movements in provision for gross unearned premium

	9 months ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	6 months ended 30 June 2006 (Unaudited)	6 months ended 30 June 2007
	£	£	£	£	£
Balance at the beginning of the period	3,100,465	3,741,710	5,303,861	5,303,861	5,970,798
Premiums written during the period	6,819,721	9,844,162	10,982,212	4,993,862	5,902,106
Less: premiums earned during the year	<u>(6,178,476)</u>	<u>(8,282,011)</u>	<u>(10,315,275)</u>	<u>(4,954,960)</u>	<u>(5,606,262)</u>
Balance at the end of the period	<u>3,741,710</u>	<u>5,303,861</u>	<u>5,970,798</u>	<u>5,342,763</u>	<u>6,266,642</u>

(iv) Analysis of movements in outstanding claims (gross & net)

	9 months ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006	6 months ended 30 June 2006 (Unaudited)	6 months ended 30 June 2007
	£	£	£	£	£
Gross outstanding claims					
Balance at the beginning of the period	3,242,155	6,378,034	7,268,646	7,268,646	7,981,590
Cash paid for claims settled in the year	(1,806,896)	(4,302,904)	(6,030,826)	(2,624,242)	(2,608,833)
Change in liabilities:					
– arising from current year claims	2,117,412	2,635,508	3,014,020	711,018	564,573
– arising from prior year claims	<u>2,825,363</u>	<u>2,558,008</u>	<u>3,729,750</u>	<u>2,482,686</u>	<u>3,436,575</u>
Balance at the end of the period	<u>6,378,034</u>	<u>7,268,646</u>	<u>7,981,590</u>	<u>7,838,108</u>	<u>9,373,905</u>

(v) Assumptions and sensitivities

Process used to determine the assumptions

The sources of data used as inputs for the assumptions behind insurance provisions are internal, using detailed studies that are carried out annually by external advisors. The assumptions are checked to ensure that they are consistent with observable market trends or other published information with more emphasis placed on current trends.

The nature of insurance business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The degree of complexity involved will also differ by book of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

20 Insurance contract provisions and reinsurance assets (continued)

(v) Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)

The value of outstanding claims and the IBNR provisions are estimated using various statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each underwriting year based upon observed development of earlier years and expected loss ratios.

The key methods, which remain unchanged from prior years, are:

- chain ladder methods, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost;
- expected loss ratio methods, which use the APG Group's expectation of the loss ratio for a class of business;
- benchmarking methods, which use the experience of comparable, more mature, classes to estimate the cost of claims.

The actual method or blend of methods used varies by underwriting year being considered and for observed historical claims development.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, in so far as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- changes in mix of business;
- random fluctuations, including the impact of large losses.

IBNR provisions are estimated at a gross level and a separate calculation is carried out to estimate the size of any reinsurance recoveries. The APG Group is covered by a whole account stop loss reinsurance policy. The retention limits under this policy are sufficiently high retentions so as to leave the policy claims free.

Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent underwriting years excluding the current underwriting year which will be significantly underdeveloped. The expected loss ratio assumed for the underwriting years 2005 and 2006 is 70.5 per cent. and 78.75 per cent. respectively.

Changes in assumptions and sensitivities to changes in key variables

The Group believes that the liability for claims reported in the balance sheet is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions, which could differ when claims arise.

The impact of a 1 per cent. change in the loss ratio across all underwriting years would equate to a £350,000 pre-tax change in the reported income.

21 Deferred tax

Recognised deferred tax

Deferred tax balances are attributable to the following:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Property, plant and equipment	–	33,131	(5,821)	(2,507)	7,308
Non taxable income	(218,511)	(571,814)	(1,445,156)	(950,949)	(1,211,992)
Other timing differences	–	9,632	18,157	27,270	14,106
Total deferred tax	<u>(218,511)</u>	<u>(529,051)</u>	<u>(1,432,820)</u>	<u>(926,186)</u>	<u>(1,190,578)</u>

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Deferred tax liabilities	(218,511)	(571,814)	(1,450,977)	(953,456)	(1,211,992)
Deferred tax assets	–	42,763	18,157	27,270	21,414
	<u>(218,511)</u>	<u>(529,051)</u>	<u>(1,432,820)</u>	<u>(926,186)</u>	<u>(1,190,578)</u>

There are no unrecognised deferred tax assets or liabilities.

22 Trade and other receivables

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Receivables arising from insurance and reinsurance contracts:					
– premiums due from insurers	3,268,061	4,058,341	4,269,538	3,476,833	4,118,745
– trade debtors	6,778,356	6,513,358	7,857,778	6,830,641	8,411,608
Other receivables:					
– other prepayments and accrued income	663,384	844,546	237,017	764,601	1,267,989
– amounts due from related parties	–	104,038	104,038	104,038	1,104,040
– other debtors	859,177	1,636,711	2,203,356	1,701,396	1,092,617
Total insurance and other receivables	<u>11,568,978</u>	<u>13,156,994</u>	<u>14,671,727</u>	<u>12,877,509</u>	<u>15,994,999</u>

23 Cash and cash equivalents

	<i>31 December</i> 2004	<i>31 December</i> 2005	<i>31 December</i> 2006	<i>30 June</i> 2006 <i>(Unaudited)</i>	<i>30 June</i> 2007
	£	£	£	£	£
Cash at bank and in hand	15,570,527	22,383,498	13,891,047	14,831,846	11,774,348
Cash and cash equivalents	15,570,527	22,383,498	13,891,047	14,831,846	11,774,348

The effective interest rate on short term bank deposits was: 3.65% 3.98% 4.44% 4.38% 5.00%

Included in cash and cash equivalents held by the APG Group as at each period end are balances totalling £1 million not available for use by the APG Group because they are held in trust to guarantee claims liabilities.

24 Financial liabilities

This note provides information about the contractual terms of the APG Group's loans and borrowings.

	<i>9 months</i> <i>ended</i> <i>31 December</i> 2004	<i>Year ended</i> <i>31 December</i> 2005	<i>Year ended</i> <i>31 December</i> 2006	<i>6 months</i> <i>ended</i> <i>30 June</i> 2006 <i>(Unaudited)</i>	<i>6 months</i> <i>ended</i> <i>30 June</i> 2007
	£	£	£	£	£
Expected to be settled more than 12 months after the balance sheet date					
Redeemable 6% cumulative preference shares	504,525	504,525	504,525	504,525	504,525
	<u>504,525</u>	<u>504,525</u>	<u>504,525</u>	<u>504,525</u>	<u>504,525</u>
Expected to be settled within 12 months of the balance sheet date					
Loan notes	475,000	–	–	–	–
	<u>475,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total financial liabilities	979,525	504,525	504,525	504,525	504,525

Abbey Protection Group Limited is entitled to redeem the redeemable preference shares at its option at their nominal value at any time following the date three years from the date of their issue in 2004.

25 Accruals and deferred income

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007 (Unaudited)</i>
	£	£	£	£	£
Accruals	1,020,956	1,138,819	1,560,573	1,199,402	1,285,581
Deferred income	4,161,999	4,332,530	6,016,984	4,156,530	4,439,516
Total accruals and deferred income	5,182,955	5,471,349	7,577,557	5,355,932	5,725,097

26 Other liabilities

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007 (Unaudited)</i>
	£	£	£	£	£
Other trade creditors	8,033,151	9,454,880	8,948,234	7,651,105	9,921,161
Other taxes and social security	255,425	324,860	326,685	330,467	351,470
Other creditors	211,796	202,263	255,788	116,425	213,467
Total other liabilities	8,500,372	9,982,003	9,530,707	8,097,997	10,486,098

Other liabilities are all expected to be settled within twelve months of the balance sheet date.

27 Share capital

	<i>9 months ended 31 December 2004</i>		<i>Year ended 31 December 2005</i>		<i>Year ended 31 December 2006</i>	
	<i>Authorised</i>	<i>Issued, allotted and fully paid</i>	<i>Authorised</i>	<i>Issued, allotted and fully paid</i>	<i>Authorised</i>	<i>Issued, allotted and fully paid</i>
	£	£	£	£	£	£
48,296/49,676 "A" ordinary shares of 1p each	483	483	497	497	497	497
20,698 "B" ordinary shares of 1p each	207	207	207	207	207	207
862,047,126 undesignated ordinary shares of 1p each	8,620,485	–	8,620,471	–	8,620,471	–
874,300 6% Cumulative irredeemable preference shares of £1 each	874,300	874,300	874,300	874,300	874,300	874,300
	<u>9,495,475</u>	<u>874,990</u>	<u>9,495,475</u>	<u>875,004</u>	<u>9,495,475</u>	<u>875,004</u>

27 Share capital (continued)

	<i>6 months ended</i>		<i>6 months ended</i>	
	<i>30 June 2006 (Unaudited)</i>		<i>30 June 2007</i>	
	<i>Authorised</i>	<i>Issued, allotted and fully paid</i>	<i>Authorised</i>	<i>Issued, allotted and fully paid</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
48296/49,676 "A" ordinary shares of 1p each	497	497	497	497
20,698 "B" ordinary shares of 1p each	207	207	207	207
862,047,126 undesignated ordinary shares of 1p each	8,620,471	–	8,620,471	–
874,300 6% cumulative irredeemable preference shares of £1 each	874,300	874,300	874,300	874,300
	<u>9,495,475</u>	<u>875,004</u>	<u>9,495,475</u>	<u>875,004</u>

On 2 August 2005 the authorised share capital was increased by 1,380 ordinary A shares of 1p each which were issued for a consideration of £75.39 per share.

The holders of "A" and "B" ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Abbey Protection Group Limited. Ordinary shares rank equally with regard to the Abbey Protection Group Limited's residual assets. Preference shares do not carry the right to vote and are not entitled to participate in profits of Abbey Protection Group Limited other than in respect of coupon dividends. All ordinary shares rank *pari passu* in the event of the winding up of the Abbey Protection Group Limited. The coupon dividends on the preference shares are payable if and in so far as, in the opinion of the Directors, the profits of the Abbey Protection Group Limited justify such a payment.

28 Share premium

	<i>9 months ended</i>			<i>6 months ended</i>	<i>6 months ended</i>
	<i>31 December 2004</i>	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>30 June 2006</i>	<i>30 June 2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At the beginning of the period	120,008	120,008	224,046	224,046	224,046
Premium on shares issued	–	104,038	–	–	–
At the end of the period	<u>120,008</u>	<u>224,046</u>	<u>224,046</u>	<u>224,046</u>	<u>224,046</u>

29 Retained earnings and other reserves

	<i>9 months ended 31 December 2004</i>		
	<i>Other</i>	<i>Retained</i>	
	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
	£	£	£
Balance at the beginning of the period	282,557	(165,603)	116,954
Profit for the year	–	1,945,152	1,945,152
Preference dividends paid	–	–	–
Dividends to equity shareholders	–	–	–
Purchase of own shares	–	–	–
Balance at the end of the period	<u>282,557</u>	<u>1,779,549</u>	<u>2,062,106</u>
	<i>Year ended 31 December 2005</i>		
	<i>Other</i>	<i>Retained</i>	
	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
	£	£	£
Balance at the beginning of the period	282,557	1,779,549	2,062,106
Profit for the year	–	4,556,607	4,556,607
Preference dividends paid	–	(52,458)	(52,458)
Dividends to equity shareholders	–	(500,000)	(500,000)
Purchase of own shares	–	–	–
Balance at the end of the period	<u>282,557</u>	<u>5,783,698</u>	<u>6,066,255</u>
	<i>Year ended 31 December 2006</i>		
	<i>Other</i>	<i>Retained</i>	
	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
	£	£	£
Balance at the beginning of the period	282,557	5,783,698	6,066,255
Profit for the year	–	4,887,508	4,887,508
Preference dividends paid	–	(52,458)	(52,458)
Dividends to equity shareholders	–	–	–
Purchase of own shares	–	–	–
Balance at the end of the period	<u>282,557</u>	<u>10,618,748</u>	<u>10,901,305</u>
	<i>6 months ended 30 June 2006 (Unaudited)</i>		
	<i>Other</i>	<i>Retained</i>	
	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
	£	£	£
Balance at the beginning of the period	282,557	5,783,698	6,066,255
Profit for the year	–	2,242,846	2,242,846
Preference dividends paid	–	(26,229)	(26,229)
Dividends to equity shareholders	–	–	–
Purchase of own shares	–	–	–
Balance at the end of the period	<u>282,557</u>	<u>8,000,315</u>	<u>8,282,872</u>

29 Retained earnings and other reserves (continued)

	6 months ended 30 June 2007		
	Other	Retained	Total
	reserve	earnings	
	£	£	£
Balance at the beginning of the period	282,557	10,618,748	10,901,305
Profit for the year	–	2,414,348	2,414,348
Preference dividends paid	–	(26,229)	(26,229)
Dividends to equity shareholders	–	(2,000,000)	(2,000,000)
Purchase of own shares	–	(67,835)	(67,835)
Balance at the end of the period	<u>282,557</u>	<u>10,939,032</u>	<u>11,221,589</u>

30 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	9 months			6 months	6 months
	ended	Year ended	Year ended	ended	ended
	31 December	31 December	31 December	30 June	30 June
	2004	2005	2006	2006	2007
	£	£	£	(Unaudited)	£
Less than one year	21,770	1,026	8,309	17,157	12,739
Between one and five years	81,512	158,383	439,474	75,384	441,442
More than five years	278,179	215,762	–	360,422	–
Total	<u>381,461</u>	<u>375,171</u>	<u>447,783</u>	<u>452,963</u>	<u>454,181</u>

The APG Group's property leases are short leases and typically run for a period of less than ten years without the transfer of substantially all risks and rewards incidental to ownership of the properties. As a result these property leases are treated as operating leases and there is no need to split out the land component.

31 Related party transactions

The APG Group has a related party relationship with its key management personnel who are also shareholders of the APG Group.

Remuneration of Directors

The remuneration of the Directors, who are key management personnel of the Group is set out in note 10 of these financial statements.

Share and loan transactions with members of key management

On 30 April 2007, the Group made equity shares available to Adrian Green, Group Finance Director, on a deferred payment basis via the ESOP trust. An amount of £500,178 was deferred under the purchase agreement and this amount remains outstanding and is disclosed within other assets in the accounts of the ESOP and the consolidated accounts. The deferred purchase loan is due for repayment ten years from the date the loan was granted.

Transactions with post-employment benefit plans

The Group leases a property owned by the pension funds of two of the Group's directors, Colin Davison and Liz Grace. The lease has been entered into on arm's length commercial terms. The annual lease and service charges fees paid by the Group for the property are £75,700 and £2,278 respectively.

31 Related party transactions (continued)

Other related parties

An annual management fee of £29,375 inclusive of VAT is paid to Numis Securities Limited for the services of the APG Group Chairman, Oliver A Hemsley, who is a director of Numis Corporation plc which is the holder of 20,698 Ordinary shares.

32 Finance lease obligations

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006 (Unaudited)</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Minimum lease obligations payable:					
Within 1 year	7,698	27,182	48,322	22,438	41,207
Within 2 to 5 years	26,225	89,725	166,041	133,156	136,910
	<u>33,923</u>	<u>116,907</u>	<u>214,363</u>	<u>155,594</u>	<u>178,117</u>
Less future finance charges	–	(12,130)	(25,320)	(18,986)	(18,368)
Present value of finance lease obligations	<u>33,923</u>	<u>104,777</u>	<u>189,043</u>	<u>136,608</u>	<u>159,749</u>
The present value of minimum lease obligations payable:					
Within 1 year	7,655	25,782	45,449	21,368	38,830
Within 2 to 5 years	26,268	78,995	143,594	115,240	120,919
	<u>33,923</u>	<u>104,777</u>	<u>189,043</u>	<u>136,608</u>	<u>159,749</u>

Finance lease obligations are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying value of finance obligations equates to fair value.

33 Capital commitments

The APG Group had no capital expenditure contracted for at the balance sheet date.

34 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.

35 Transition to International Financial Reporting Standards

This is the first time that the APG Group has presented IFRS financial information. The date of transition to IFRS is 1 April 2004.

	<i>9 months ended 31 December 2004 £</i>	<i>Year ended 31 December 2005 £</i>	<i>Year ended 31 December 2006 £</i>
Profit After Taxation			
UK GAAP as originally stated	1,866,753	4,452,075	4,782,976
Effect of adjustment relating to reversal of amortisation of goodwill	78,399	104,532	104,532
IFRS as restated	<u>1,945,152</u>	<u>4,556,607</u>	<u>4,887,508</u>
Net Assets			
UK GAAP as originally stated	2,978,705	6,982,374	11,712,892
Effect of adjustment relating to reversal of amortisation of goodwill	78,399	182,931	287,463
IFRS as restated	<u>3,057,104</u>	<u>7,165,305</u>	<u>12,000,355</u>
Cash and Cash Equivalents			
UK GAAP as originally stated	15,540,695	22,377,656	11,435,311
Effect of adjustment relating to reclassification of investments with less than three months to maturity from date of acquisition	–	–	2,455,736
IFRS as restated	<u>15,540,695</u>	<u>22,377,656</u>	<u>13,891,047</u>

Profit After Taxation

Under UK GAAP, goodwill in the balance sheet is amortised over its estimated economic life. International Financial Reporting Standards do not require the amortisation of goodwill. Instead, an impairment review of goodwill is required at the end of each reporting period. The APG Group's impairment review does not show any impairment in the value of the goodwill carried in the APG Group's balance sheet. The APG Group has chosen not to reinstate goodwill amortised prior to the date of transition to IFRS.

Net Assets

Under UK GAAP, goodwill in the balance sheet is amortised over its estimated economic life. International Financial Reporting Standards do not require the amortisation of goodwill. Instead, an impairment review of goodwill is required at the end of each reporting period. The APG Group's impairment review does not show any impairment in the value of the goodwill carried in the APG Group's balance sheet.

Cash and Cash Equivalents

Under UK GAAP, cash and cash equivalents comprise cash in hand and deposits repayable on demand (with a maturity period of less than 1 day). International Financial Reporting Standards adopt a broader approach regarding the classification of items as cash and cash equivalents. IAS 39 requires that short-term (with a maturity period of less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value be classified as cash and cash equivalents.

36 Capital management

Abbey Protection Group Limited

The APG Group manages its capital to ensure that entities in the APG Group will be able to continue as a going concern whilst having regard to the implications of potential changes to the legislative arena and economic conditions generally.

The capital structure of the APG Group consists of ordinary shares, share premium account, merger reserve and profit and loss reserves together with irredeemable preference shares.

The APG Group Board reviews the capital structure on an annual basis. As part of this review the APG Group Board considers the cost of capital and the risks associated with each class of capital. Based on decisions made by the APG Group Board, the APG Group will balance its overall capital structure through the payment of dividends. The APG Group's overall strategy remains unchanged.

In January 2005 the Financial Services Authority assumed responsibility for the regulation of the insurance intermediation industry. The Financial Services Authority requires Abbey Protection Group Limited to maintain a minimum level of capital and reserves to enable Abbey Protection Group Limited to carry out its insurance intermediation activities. The amount of capital and reserves held by Abbey Protection Group Limited in respect of the Financial Services Authority requirement is set out below:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	£	£
Minimum capital and reserve requirement	N/A	145,629	170,197	151,718	182,850
Available assets held by the group	N/A	<u>2,537,626</u>	<u>4,199,054</u>	<u>4,705,683</u>	<u>5,809,849</u>
Available assets held by the group in excess of the minimum capital and reserves requirement	N/A	<u>2,391,997</u>	<u>4,028,857</u>	<u>4,553,965</u>	<u>5,626,999</u>

Ibex Reinsurance Company Limited

Ibex Reinsurance Company Limited ("Ibex"), the APG Group's Guernsey based reinsurance subsidiary manages its capital to ensure that it will be able to continue as a going concern whilst having regard to the implications of potential changes to the legislative arena and economic conditions generally.

The capital structure of Ibex consists of ordinary shares, share premium account and profit and loss reserves.

The Ibex Board reviews the capital structure on an annual basis. As part of this review the Ibex Board considers the cost of capital and the risks associated with its class of capital. It also takes into account the requirements for controlled foreign companies to remit profits to the United Kingdom under an approved distribution policy. Based on the recommendations of the Ibex Board, Ibex will seek to balance its overall capital structure through the payment of dividends. The Ibex's overall strategy remains unchanged.

36 Capital management (continued)

Ibex Reinsurance Company Limited is required to maintain a minimum level of capital and reserves by the Guernsey Financial Services Commission. The amount of capital and reserves held by Ibex in respect of the GFSC requirements is set out below:

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006</i>	<i>6 months ended 30 June 2007</i>
	£	£	£	(Unaudited) £	£
Minimum capital and reserves requirement	1,555,360	1,317,488	1,589,026	1,485,920	1,485,920
Available assets held by the company	<u>2,809,299</u>	<u>5,276,717</u>	<u>8,511,317</u>	<u>5,558,196</u>	<u>8,188,381</u>
Available assets held by the company in excess of the minimum capital and reserves requirement	<u>1,253,939</u>	<u>3,959,229</u>	<u>6,922,291</u>	<u>4,072,276</u>	<u>6,702,461</u>

37 Additional dividends per share and earnings per share information

Ordinary dividends per share and earnings per share have been restated below to reflect the capital structure of Abbey Protection plc, the new parent of Abbey Protection Group Limited.

	<i>9 months ended 31 December 2004</i>	<i>Year ended 31 December 2005</i>	<i>Year ended 31 December 2006</i>	<i>6 months ended 30 June 2006</i>	<i>6 months ended 30 June 2007</i>
				(Unaudited)	
Ordinary dividends	£–	£500,000	£–	£–	£2,000,000
No. of shares	99,994,773	99,994,773	99,994,773	99,994,773	99,994,773
Dividends per share	<u>£–</u>	<u>£0.005</u>	<u>£–</u>	<u>£–</u>	<u>£0.020</u>
Earnings	£1,945,152	£4,556,607	£4,887,508	£2,242,846	£2,414,348
No. of shares	99,994,773	99,994,773	99,994,773	99,994,773	99,994,773
Basic and diluted earnings per share	<u>£0.019</u>	<u>£0.046</u>	<u>£0.049</u>	<u>£0.022</u>	<u>£0.024</u>

38 Events after the balance sheet date

On 19 October 2007, the APG Group redeemed 504,525 cumulative 6 per cent. preference shares at par.

On 19 November 2007, the APG Group paid a £4.25 million dividend to ordinary shareholders of APG Group.

On 19 November 2007 Abbey Protection acquired the entire share capital of the APG Group in a share-for-share exchange.

PART V(C)

HISTORICAL FINANCIAL INFORMATION ON ABBEY PROTECTION PLC

The unaudited balance sheet of the Company at 24 August 2007 was as follows:

	<i>Note</i>	<i>£</i>
Current assets		
Cash and cash equivalents	2	1
Total assets		<u>1</u>
Capital and reserves attributable to equity holders of the Company		
Share capital	2	1
Total shareholders' equity		<u>1</u>

Notes to the special purpose financial information

1. Accounting Policies

The balance sheet has been prepared in accordance with the historical cost convention and in accordance with UK GAAP.

2. Share Capital

The Company was incorporated on 24 August 2007 with an authorised share capital of £1,000, comprising 1,000 ordinary shares of £1 each. One ordinary share was issued on 24 August 2007, fully paid for cash.

PART VI

ADDITIONAL INFORMATION

1 Incorporation and general

- (a) The Company was incorporated in England on 24 August 2007 under the name of Abbey Protection Limited with registered number 06352358 as a private company with limited liability under the 1985 Act. The Company was re-registered as a public company on 14 November 2007 and changed its name to Abbey Protection plc on 14 November 2007. Its registered office and its head office is at Minorities House, 2-5 Minorities, London, EC3N 1BJ. It is domiciled in England. Its telephone number is 0845 2178293.
- (b) The Company is the ultimate holding company of the Group, and has the following significant subsidiary undertakings (all of which are wholly owned), being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group.

<i>Name</i>	<i>Country of Incorporation</i>	<i>Registered Office</i>	<i>Principal Activity</i>	<i>Issued share capital (fully paid)</i>	<i>Proportion of voting power (%)</i>
Abbey Protection Group	England and Wales	Minorities House, 2 - 5 Minorities, London, EC3N 1BJ	Insurance intermediary and consultant	£873,004	100
Abbey Legal Holdings	England and Wales	Minorities House, 2 - 5 Minorities, London, EC3N 1BJ	Dormant	£6,025	100
Abbey Tax Protection	England and Wales	Minorities House, 2 - 5 Minorities, London, EC3N 1BJ	Dormant	£2	100
Abbey Legal Protection	England and Wales	Minorities House, 2 - 5 Minorities, London, EC3N 1BJ	Dormant	£159,000	100
Ibex	England and Wales	Polygon Hall Le Marchant Street, St Peter Port, Guernsey	Reinsurer	£3,000,000	100

- (c) The entire issued share capital of Abbey Protection Group was acquired by the Company pursuant to a share exchange agreement dated 19 November 2007 described in paragraph 9 below, in consideration for the issue, fully paid, of 90,903,864 Ordinary Shares. Application will be made to HMRC for relief from stamp duty on the stock transfer forms relating to the transfer of shares in Abbey Protection Group which are beneficially owned by the Company. Pending adjudication of such application for relief, the transfers of shares in Abbey Protection Group cannot be registered in its register of members.

2 Share capital

- (a) The following table shows the authorised and issued share capital of the Company (i) as at 21 November 2007 (the latest practicable date prior to the date of this document); and (ii) following the Placing:

		<i>Authorised</i>	<i>Number</i>	<i>Issued and fully paid</i>	<i>Number</i>
(i)	As at 21 November 2007	£1,500,000	150,000,000	£909,039	90,903,864
(ii)	Immediately following Admission	£1,500,000	150,000,000	£999,948	99,994,773

(b) The following alterations in the share capital of the Company have taken place from its incorporation:

- (i) on 14 November 2007, the share capital of the Company was increased from £1,000 to £50,999 by the creation of 49.999 redeemable shares of £1 each (“Redeemable Shares”);
- (ii) on 14 November 2007 the Redeemable Shares were issued at par to Colin Davison;
- (iii) on 19 November 2007, the authorised share capital of the Company was increased from £50,999 to £1,500,000 by the creation of a further 1,449,001 ordinary shares of £1 each;
- (iv) on 19 November 2007, each of the issued and un-issued Ordinary Shares of £1 each in the Company were each sub-divided into 100 Ordinary Shares of 1p each;
- (v) on 19 November 2007, 90,903,764 Ordinary Shares were allotted pursuant to the share exchange agreement described in paragraph 9 below; and
- (vi) on 19 November 2007, the Redeemable Shares were redeemed by the Company at par and were immediately sub-divided and re-designated as Ordinary Shares in the authorised but unissued share capital of the Company.

(c) Save for the issue of the New Ordinary Shares and the grant of the options and awards under the Share Incentive Plans, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(d) Pursuant to:

- (i) an ordinary resolution passed on 19 November 2007 the Directors were generally and unconditionally authorised in accordance with section 80 of the 1985 Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £90,909.09 in respect of the Placing of the New Ordinary Shares and £300,000 (representing approximately 30 per cent. of the issued share capital) such authority to expire on the date of the next annual general meeting or 30 June 2008 whichever is the earlier; and
- (ii) a special resolution passed on 19 November 2007 the Directors were empowered (pursuant to section 95(1) of the 1985 Act) to allot equity securities (as defined in section 94(2) of the 1985 Act) for cash pursuant to the authority described in paragraph 2(d)(i) above as if section 89(1) of the 1985 Act did not apply to such allotment, such power being limited to (aa) the allotment of equity securities by way of rights in proportion to the respective number of shares held by or deemed to be held by the holders of equity securities or other persons entitled to participate in the issue on the relevant record date, (bb) the allotment of 9,090,909 Ordinary Shares in connection with the Placing, and (cc) in respect of any other issue up to an aggregate nominal amount of £50,000, such power being expressed to expire on the date of the next annual general meeting of the Company or on 30 June 2008 whichever is the earlier.

(e) The authorised but unissued share capital of the Company following the Placing which the Directors will be authorised to allot wholly for cash pursuant to the authorities referred to in paragraph 2(d) above will be £50,000, representing approximately 5 per cent. of the Company’s issued share capital.

(f) Save for the allotments referred to in paragraph 2(b) above, since incorporation no capital of the Company has been allotted for cash or for a consideration other than cash.

- (g) The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Ordinary Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- (h) The Ordinary Shares are in registered form and capable of being held in uncertificated form. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Placing. The New Ordinary Shares to be issued pursuant to the Placing are being issued at the Placing Price of 55p per share, representing a premium of 54p over the nominal value of 1p each. The expected issue date is 29 November 2007.
- (i) In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrars (details of whom are set out on page 4).
- (j) The currency of the issue is pounds sterling.
- (k) The legislation under which the Ordinary Shares have been created is the 2005 and the 2006 Act and regulations made thereunder.

3 Memorandum and Articles of Association

The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to act as a general commercial company and to purchase, acquire and take options over any property whatever and any rights or privileges over or in respect of any property.

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) Voting rights

Subject to paragraph 3(f) below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

(b) Variation of rights

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(c) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Companies Acts, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Companies Acts, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares

unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(d) ***Transfer of shares***

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. Subject to paragraph 3(f) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

(e) ***Dividends***

- (i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.
- (ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 3(f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (iii) All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.

(f) ***Suspension of rights***

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arms length sale.

(g) ***Return of capital***

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their Ordinary Shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Acts, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(h) ***Pre-emption rights***

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 1985 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(i) ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to section 80 of the 1985 Act, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the shareholders in general meeting exceed the higher of £30,000,000 or a sum equivalent to three times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the share premium account, capital redemption reserve and profit and loss account of the Company and each of its subsidiary companies.

(j) ***Shareholder Meetings***

An annual general meeting is to be held once every year at such time and place as may be determined by the Directors. Annual general meetings should be held within the time periods specified by the Companies Acts. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the 2006 Act. Two qualifying persons present at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings or a meeting at which it is proposed to pass a resolution requiring special notice are called on at least 21 days notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other extraordinary general meetings are to be called on 14 days notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote thereat agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

(k) ***Directors***

Save as provided in the Articles, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
- (ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (iii) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
- (iv) any other company in which he or any person connected with him is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings of or beneficially interested in one per cent, or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances); or
- (v) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £400,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or 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 additional remuneration as the Directors or any committee authorised by the Directors may determine.

The Directors (including alternate Directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A Director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine, and no Director or intending Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, but his interest shall be disclosed by him in accordance with the 1985 Act.

The remuneration and other terms and conditions of appointment of a Director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without

prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors or by any committee appointed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

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

(l) ***Mandatory bids, squeeze-out and sell-out rules relating to Ordinary Shares:***

(i) *Mandatory bid*

The Code applies to the Company. Under the Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting votes.

(ii) *Squeeze-out*

Under the 2006 Act, if a person who has made a general offer (an "offer") to acquire Ordinary Shares (the "offeror") were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares to which the offer relates, within the time period specified in the 2006 Act, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to all Shareholders who have not accepted the offer (the "Outstanding Shareholders") telling them that the offeror will compulsorily acquire their Ordinary Shares in the offeror's favour and (if not paid to the Shareholders) paying the consideration to the Company, which would hold the consideration on trust for the Outstanding Shareholders. The consideration offered to the Outstanding Shareholders must, in general, be the same as the consideration which was available under the offer.

(iii) *Sell-out*

The 2006 Act gives minority Shareholders a right to be bought out in certain circumstances by the offeror. If, at any time before the end of the period within which the offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer relates who has not accepted the offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares.

The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled to and bound to acquire those Ordinary Shares on the terms of the offer or on such other times as may be agreed.

4 Share option schemes

The Company proposes to adopt prior to Admission three share option schemes and EBT, the principal provisions of which are summarised below. Details of the existing ESOP are also provided below.

(a) *The Abbey Protection plc Savings Related Share Option Scheme (2007)* (“SAYE Scheme”)

(i) Status of the SAYE Scheme

The SAYE Scheme is designed to be capable of approval by HMRC under Schedule 3 to ITEPA.

(ii) Eligibility

Participation in the SAYE Scheme will be offered to all employees, (including full-time executive directors) of the Company and participating subsidiaries who have been employed for a continuous period to be determined by the Board (not exceeding five years ending on the date of grant of the relevant option) and who are liable to pay UK income tax. In addition, certain other employees of any member of the Group nominated by the Board may be permitted to participate in the SAYE Scheme.

Eligible employees may however only participate if they are not prohibited under the relevant legislation relating to HMRC approved SAYE schemes from being granted an option by virtue of having (or having had) a material interest in the Company.

(iii) Issue of Invitations

Prior to the Admission Date, invitations to participate in the SAYE Scheme (“Invitations”) may be issued at the discretion of the Board to all eligible employees provided that the SAYE Scheme has been formally approved by HMRC.

On or following the Admission Date, Invitations may be issued to eligible employees during the period of 42 days commencing on: (a) the Admission Date; (b) the day on which the SAYE Scheme is formally approved by HMRC; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year; (d) any day on which a change to the legislation affecting savings related share option schemes approved by HMRC is proposed or takes effect; or (e) any day on which a new savings contract prospectus is announced or takes effect.

If the issue of an Invitation on any of the above days would be prohibited by virtue of the AIM Rules or any statute or regulation or order made pursuant to such statute, then such Invitation may be issued during the period of 40 days commencing immediately after the second Dealing Day following the time that such prohibition shall cease to have effect.

Each eligible employee who receives an Invitation may, within 21 days from the date of Invitation, (or such shorter period selected by the Board not being less than 14 days) apply for an option.

(iv) “Save-As-You-Earn” Contract and Grant of Options

An eligible employee who wishes to be granted an option must enter into a save-as-you-earn (“SAYE”) contract with an approved savings body selected by the Board. Under the SAYE contract, the eligible employee will save a regular sum each month for three or five years (such period to be selected at the discretion of the Board on or prior to issuing the Invitations) of not less than £5 nor more than £250 per month (or such other amount as may from time to time be permitted by ITEPA). Employees who complete an SAYE contract will be entitled to a bonus from the building society or bank. The bonus is fixed at the inception of the SAYE contract.

An option to acquire Ordinary Shares will be granted to each eligible employee who enters into an SAYE contract. The number of Ordinary Shares subject to such an option will be that number of Ordinary Shares which have an aggregate option price not exceeding the projected proceeds of the SAYE contract concerned (including the bonus subject to any scaling back – see below).

No consideration is payable for the grant of an option.

(v) Scaling Back

If there are insufficient Ordinary Shares available to fully satisfy all applications received for an option from eligible employees, the Board may scale down the applications by taking one or more prescribed steps approved by HMRC and set out in the rules of the SAYE Scheme to reduce the amount of savings made under each SAYE contract or otherwise reduce the proceeds derived from each SAYE contract so as to ensure that the options are granted over such number of Ordinary Shares as does not exceed the number of Ordinary Shares available to satisfy those options.

(vi) Exercise Price

The option price per Ordinary Share subject to an option will be selected by the Board but will not be less than the greater of eighty per cent. (or such other percentage as may from time to time be permitted by ITEPA) of the market value of an Ordinary Share on the day on which Invitations to apply for options are issued and, in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share. Whilst the Ordinary Shares are traded on AIM, the market value of an Ordinary Share will be agreed with HMRC prior to the date of Invitation concerned.

The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Board in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustment will require the prior approval of HMRC.

(vii) Scheme Limits

On any date, no option may be granted under the SAYE Scheme if as a result the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the SAYE Scheme or any other employee's share scheme or profit sharing scheme or employee share ownership plan adopted by the Company would exceed ten per cent. of the nominal value of the share capital of the Company in issue at that date.

For the avoidance of doubt, any Ordinary Shares issued or then capable of being issued pursuant to options granted in respect of Invitations issued on or prior to the Admission Date or pursuant to any other options granted on or prior to the Admission Date (whether under the SAYE Scheme or any other employees' share scheme adopted by the Company) shall not count towards the limit set out above and any Ordinary Shares already in issue when placed under option or subject to an option which has lapsed shall be disregarded for the purpose of the above limits.

(viii) Exercise and Lapse of Options

Options are not transferable and (except in the circumstances described below) an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

Where an option holder dies before the maturity of his SAYE contract, his personal representatives may exercise his option within a period of twelve months from the date of his death. Where an option holder dies within a period of six months following the expiry of his SAYE contract without having exercised his option, his personal representatives may exercise his option within a period of twelve months from the date of expiry of the SAYE contract.

An option holder may exercise his option within a period of six months of ceasing to be an employee of the Group where the cessation occurs as a result of:

- death, injury, disability, redundancy (within the meaning of the Employment Rights Act 1996) or retirement on reaching the age of 65 or at any other age at which the option holder is bound to retire in accordance with his contract of employment; or
- his employing company or business being disposed of outside the Group.

Where an option holder reaches the age of 65, but remains in employment he may exercise his option within a period of six months after reaching such age.

Options will lapse upon cessation of employment of the option holder in any other circumstances not referred to above.

An option holder may exercise his option within a limited period following a take-over of the Company, the Court sanctioning a scheme under section 425 Companies Act in connection with the reconstruction or amalgamation of the Company or the passing of a resolution for the voluntary winding up of the Company.

In certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in an acquiring company which gains control of the Company.

The number of Ordinary Shares acquired on exercise will in any event be limited by reference to the proceeds accrued under the relevant SAYE contract up to the date of exercise.

(ix) Other Option Terms and Issues of Ordinary Shares

The SAYE Scheme provides the facility for the exercise of options to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by trustees of an employee benefit trust established for the purpose of facilitating the holding of Ordinary Shares by Group employees or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Ordinary Shares are traded on AIM, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of any options are admitted to trading on AIM as soon as practicable after allotment.

Benefits obtained under the SAYE Scheme are not pensionable.

(x) Amendments

The SAYE Scheme is administered by the Board. The Board may amend the provisions of the SAYE Scheme. However, no amendment to a key feature of the SAYE Scheme shall have effect until HMRC has approved such amendment. Furthermore, the rules of the SAYE Scheme which relate to:

- the persons to whom options may be granted;
- the limits on the number of Ordinary Shares which may be issued under the SAYE Scheme;
- the maximum entitlement of any option holder;

- the basis for determining an option holder’s entitlement to Ordinary Shares or options; and
- the basis for determining the adjustment of any option granted under the SAYE Scheme following any increase or variation in the share capital of the Company

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any Group company.

(xi) Termination

The SAYE Scheme may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the SAYE Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

(b) *The Abbey Protection plc Long Term Incentive Plan (2007) (“LTIP”)*

(i) Status of the LTIP

The LTIP will not be approved by HMRC and the exercise of awards granted under the LTIP will not afford any tax advantages to award holders. The LTIP will be operated in conjunction with the Abbey Protection plc Employee Benefit Trust.

(ii) Eligibility

All employees (including full time executive Directors) of the Company and any of its subsidiaries may be granted awards over Ordinary Shares under the LTIP.

(iii) Grant

The Remuneration Committee has absolute discretion to select the persons to whom awards are to be granted and (subject to the limits set out below) in determining the number of Ordinary Shares subject to each award.

Each award shall take the form of a nil cost option with an exercise price set at zero which shall be granted by the trustee of the Abbey Protection plc Employee Benefit Trust (“Trustee”) upon recommendation to do so by the Remuneration Committee. Awards may also be granted by the trustee of any other trust established for the benefit of all or most employees of the Company or its subsidiaries.

Prior to the Admission Date, awards may be granted at any time by the Trustee on recommendation to do so by the Remuneration Committee.

On or following the Admission Date, awards may be granted during the period of 42 days commencing on: (a) the Admission Date; (b) the day on which the LTIP is adopted by the Board; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year; or (d) any other time fixed by the Remuneration Committee where in its discretion circumstances are considered to be exceptional so as to justify the grant of awards.

If the grant of an award on any of the above days would be prohibited by virtue of the AIM Rules or any statute or regulation or order made pursuant to such statute, then such award may be granted during the period of 40 days commencing immediately after the second Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an award.

(iv) Scheme Limits

The aggregate number of Ordinary Shares which the Company may on any day issue for the purpose of the LTIP shall be limited so that in any ten year period, the number of Ordinary Shares issued for the purpose of satisfying awards granted under the LTIP or issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other discretionary employees' share scheme, (which shall exclude the SAYE Scheme, a share incentive plan approved by HMRC under Schedule 2 ITEPA or any other share option scheme of the Company which is linked to a contractual savings scheme), shall not exceed five per cent. of the share capital of the Company in issue on that date.

The aggregate number of Ordinary Shares which the Company may on any day issue for the purpose of the LTIP shall be limited so that in any ten year period, the number of Ordinary Shares issued for the purpose of satisfying awards granted under the LTIP or issued or then capable of being issued pursuant to options granted or rights obtained in such ten year period under any other employees' share scheme, profit sharing scheme or employee share ownership plan adopted by the Company, shall not exceed ten per cent. of the share capital of the Company in issue on that date.

For the avoidance of doubt, any Ordinary Shares issued or then capable of being issued pursuant to options granted in respect of Invitations issued on or prior to the Admission Date under the SAYE Scheme or pursuant to any other awards or options granted on or prior to the Admission Date (whether under the LTIP or any other employees' share scheme adopted by the Company) shall not count towards the limits set out above and any Ordinary Shares purchased by the Trustee in the market to satisfy awards under the LTIP or subject to an option or award that has lapsed shall be disregarded for the purpose of the above limits.

(v) Individual Limit

In normal circumstances, no eligible employee is entitled to receive an award under the LTIP in any financial year of the Company if the market value of the Ordinary Shares subject to that award, when aggregated with the market value of the Ordinary Shares subject to all or any other awards made under the LTIP to that person in the same financial year, would exceed 100 per cent. of his annual salary.

For the purpose of calculating this limit, the market value of an Ordinary Share subject to an award shall be taken to be their market value as at the date of grant of the award concerned.

In exceptional circumstances, the Remuneration Committee has the discretion to make an award to any eligible employee which exceeds the 100 per cent. of annual salary limit described above. However, in no circumstances shall an eligible employee be entitled to receive an award under this LTIP in any financial year if the market value of the Ordinary Shares subject to that award when aggregated with the market value of the Ordinary Shares subject to all or any other awards made under the LTIP to that person in the same year would exceed 200 per cent. of his annual salary.

(vi) Performance Conditions

The exercise of awards granted under the LTIP will in normal circumstances be conditional upon the achievement of an objective performance target set at the time of grant. Such performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("the Performance Period"). The award will become capable of exercise following a date ("Vesting Date") specified at the time of grant which occurs after the expiry of the relevant Performance Period.

In relation to the initial grant of awards under the LTIP, it is intended that the Performance Period will be three years long, running from the first day of the financial year of the Company

in which the award is granted, that the Vesting Date shall be the third anniversary of the date of grant of the awards concerned and that the performance target will be as described below.

In normal circumstances the award will not be capable of exercise unless the average annual percentage growth in earnings per Ordinary Share over the Performance Period is equal to or greater than the annual average percentage growth in the retail price index plus 3 per cent. over the Performance Period.

If the average annual percentage growth in earnings per Ordinary Share over the Performance Period is equal to the average annual percentage growth in the retail price index plus 3 per cent. over the Performance Period (“Lower EPS Target”) the award may be exercised over 25 per cent. of the Ordinary Shares subject to the award (rounded down to the nearest whole number of Ordinary Shares).

If the average annual percentage growth in earnings per Ordinary Share over the Performance Period is equal to the average annual percentage growth in the retail price index plus 6 per cent. over the Performance Period (“Upper EPS Target”) the award may be exercised over 100 per cent. of the Ordinary Shares subject to the award.

Where the average annual percentage growth in earnings per Ordinary Share falls between the Lower EPS Target and the Upper EPS Target, the number of Ordinary Shares in respect of which the award may be exercised shall be determined on a straight line basis between 25 per cent. and 100 per cent. of the Ordinary Shares subject to the award.

Earnings per share for the purpose of the EPS Target will be the earnings per share as shown in the consolidated audited accounts of the Company subject to any adjustments as the Remuneration Committee, in its absolute discretion, considers to be reasonable, including but not limited to any adjustments to take account of a change in the financial year end of the Company.

If events occur which cause the Remuneration Committee to reasonably consider that a different or amended target would be a fairer measure of performance, the Remuneration Committee may recommend that the Trustee waives or amends the original performance target, provided that any such amended target is not materially more difficult to achieve than the original performance target.

It should also be noted that a performance target, applying to an award, may be measured over an abbreviated period less than the Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee think fit so as to be applied over such abbreviated period.

(vii) Exercise of awards

Normally an award may only be exercised following the occurrence of the Vesting Date to the extent that the performance target has been satisfied and the award holder is still an employee of the Company or any subsidiary of the Company.

At the point of grant of an award, the Remuneration Committee shall specify a period of time (which may not expire later than the tenth anniversary of the date of grant of the award concerned) during which the award may be exercised following its Vesting Date (“Award Period”). No award is capable of exercise after the expiry the Award Period relating to it and the award shall lapse on the expiry of such Award Period.

Awards may not be exercised during any close or prohibited period specified by the AIM Rules.

In certain circumstances awards may be exercised earlier than the Vesting Date, if the award holder ceases to be an employee of the Group. In particular, awards may be exercised for a period of six months after the award holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement of the award holder on or after reaching his contractual retirement age or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the award holder by reason of his death, his personal representatives will be entitled to exercise the award within twelve months following the date of his death. Where an award holder ceases to be employed within the Group for any other reason, awards may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of awards is also possible earlier than the Vesting Date in the event of a takeover of the Company, a scheme of arrangement under section 425 Companies Act 1985 being sanctioned by the court or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the award holder concerned, the Remuneration Committee may allow the award to be exercised immediately before, but conditional upon, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an award prior to the Vesting Date, the award may not be exercised unless, (subject to any modification or waiver of the performance target under the rules), the performance condition, if any, to which it is subject has been satisfied. Where an award is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any award is capable of exercise shall, subject to the discretion of the Remuneration Committee, be reduced proportionately on a time pro-rated basis.

The Remuneration Committee may however exercise its discretion, having full regard to all the circumstances surrounding the early exercise of an award, either to reduce the number of Ordinary Shares over which the award may be exercised on some other basis or to make no such reduction.

Awards in relation to which the Vesting Date has occurred at the time of a takeover or cessation of employment shall be capable of exercise over the number of Ordinary Shares that have vested in accordance with the performance target.

(viii) Other award terms & Issues of Ordinary Awards

Awards are not capable of transfer or assignment.

Until awards are exercised, award holders have no voting or other rights in relation to the Ordinary Shares subject to those awards.

Ordinary Shares transferred pursuant to the exercise of an award will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such exercise.

Benefits obtained under the LTIP are not pensionable.

(ix) Adjustment of Awards

In the event of any increase or variation in the share capital of the Company, the Trustee (after consultation with the Remuneration Committee) may make such adjustment as it considers fair and reasonable to the outstanding awards.

(x) Administration & amendment

The rules of the LTIP which relate to:

- the persons to whom awards may be granted;

- the limits on the number of Ordinary Shares which may be issued under the LTIP;
- the maximum entitlement of any award holder;
- the basis for determining an award holder's entitlement to Ordinary Shares or awards; and
- the basis for determining the adjustment of any award granted under the LTIP following any increase or variation in the share capital of the Company

cannot be amended to the advantage of any award holder or potential award holder without the prior approval of the Company in general meeting (except for minor amendments to benefit the administration of the LTIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for award holders or any Group company).

(xi) Termination

The LTIP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further awards can be granted under the LTIP after such termination. Termination shall not affect the outstanding rights of existing award holders.

(c) *The EBT*

The EBT will be constituted by a trust deed entered into between the Company and the Trustee. The Company will have the power to appoint and remove the Trustee. The first Trustee will be Rathbone Trustees Jersey Limited, an offshore corporate trustee.

The EBT will be a discretionary settlement set up for the benefit of employees and former employees (and their immediate dependants) of the Company and its subsidiaries. The settlement will be created by the vesting of trust property in the Trustee.

The Trustee may either purchase existing Ordinary Shares in the Company in the market or subscribe for new Ordinary Shares in the Company. Whilst it is proposed that such Ordinary Shares will predominately be used for the purposes of the LTIP, they may be used in conjunction with any other employees' share scheme established by the Company.

The maximum number of Ordinary Shares in the Company which may be held by the Trustee at any time may not exceed 5 per cent. of the Company's issued share capital at that time.

(d) *The Abbey Protection plc Company Share Option Plan (2007)*

(i) Status of the CSOP

The CSOP is designed to be capable of approval by HMRC under Schedule 4 of ITEPA.

(ii) Eligibility

All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to HMRC approved company share option plans from being granted an option by virtue of having (or having had) a material interest in the Company.

(iii) Grant

The Remuneration Committee has absolute discretion to select the persons to whom options are to be granted and (subject to the limits set out below) in determining the number of Ordinary Shares subject to each option.

Prior to the Admission Date, options may be granted at the discretion of the Remuneration Committee provided that the CSOP has been formally approved by HMRC.

On or following the Admission Date, options may be granted during the period of 42 days commencing on: (a) the Admission Date; (b) the day on which the CSOP is formally approved by HMRC; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (d) any other time fixed by the Remuneration Committee where in its discretion circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the AIM Rules or any statute or regulation or order made pursuant to such statute, then such option may be granted during the period of 40 days commencing immediately after the second dealing day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

(iv) Scheme Limits

On any date, no option may be granted under the CSOP, if as a result the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the CSOP or any other discretionary employees' share scheme, (which excludes the SAYE Scheme, a share incentive plan approved by HMRC under Schedule 2 to ITEPA or any other share option scheme of the Company which is linked to a contractual savings scheme) adopted by the Company would exceed five per cent. of the nominal value of the share capital of the Company in issue on that date.

On any date, no option may be granted under the CSOP, if as a result the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted during the previous ten years under the CSOP or any other employees' share scheme, profit sharing scheme or employee share ownership plan adopted by the Company would exceed ten per cent. of the nominal value of the share capital of the Company in issue on that date.

For the avoidance of doubt, any Ordinary Shares issued or then capable of being issued pursuant to options granted in respect of invitations issued on or prior to the Admission Date under the SAYE Scheme or pursuant to any other awards or options granted on or prior to the Admission Date (whether under the CSOP or any other employees' share scheme adopted by the Company) shall not count towards the limits set out above and any Ordinary Shares already in issue when placed under option or subject to an option which has lapsed shall be disregarded for the purpose of the above limits.

(v) Individual Limit

Each individual's participation is limited so that the aggregate market value of Ordinary Shares subject to all options, (calculated as at the date of grant of each option), held by that individual and granted under the CSOP and any other HMRC approved company share option plan operated by the Company or any associated company shall not exceed £30,000 or such other amount as may be permitted by HMRC.

(vi) Exercise Price

The exercise price per Ordinary Share under an option is determined by the Remuneration Committee at the time of grant but may not be less than the greater of (i) the market value of an Ordinary Share as at the date of grant and (ii) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share. Whilst the Ordinary Shares are traded on AIM, the market value of an Ordinary Share will be agreed with HMRC prior to the date of grant concerned.

The exercise price (as well as the number of Ordinary Shares under option and their nominal value) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or rights offer or any other variation in the share capital of the Company including (without limitation) any

consolidation, subdivision or reduction of capital. Any such adjustment will require the prior approval of HMRC.

(vii) Performance Conditions

The exercise of options granted under the CSOP after Admission will in normal circumstances be conditional upon the achievement of an objective performance target set at the time of grant. Such performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) (“the Performance Period”). The option will become capable of exercise following a date (“Vesting Date”) specified at the time of grant which occurs after the expiry of the relevant Performance Period.

If events occur which cause the Remuneration Committee to reasonably consider that a different or amended target would be a fairer measure of performance, the Remuneration Committee may waive or amend the original performance target provided that any such amended target is not materially more difficult to achieve than the original performance target.

It should also be noted that a performance target, applying to an option, may be measured over an abbreviated period less than the Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee think fit so as to be applied over such abbreviated period.

(viii) Exercise of options

Normally an option may only be exercised following the occurrence of the Vesting Date to the extent that the performance target has been satisfied and the participant is still an employee of the Company or any subsidiary of the Company.

No option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Options may not be exercised during any prohibited period specified by the AIM Rules.

In certain circumstances options may be exercised earlier than the Vesting Date, if the option holder ceases to be an employee of the Group. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy and retirement of the option holder on or after reaching the age of 65 or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the option holder by reason of his death, his personal representatives will be entitled to exercise the option within twelve months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover, a scheme of arrangement under section 425 Companies Act 1985 being sanctioned by the court or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless, (subject to any modification or waiver of the performance target under the rules), the performance condition, if any, to which it is subject has

been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any option is capable of exercise shall, subject to the discretion of the Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option, to ignore the prescribed pro-rating of the Ordinary Shares over which such option may be exercised.

In the event of a takeover or an amalgamation or a reconstruction of the Company sanctioned by the court, an option holder may be allowed to exchange his option for new options over shares in the acquiring company, provided that the acquiring company agrees to such exchange and the rights under the new option are equivalent to those under the old option.

(ix) Other option terms & issues of Ordinary Shares

The CSOP provides the facility for the exercise of options to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by trustees of an employee benefit trust established for the purpose of facilitating the holding of Ordinary Shares by Group employees or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Company's Ordinary Shares are traded on AIM, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of any options are admitted to trading on AIM as soon as practicable after allotment.

Benefits obtained under the CSOP are not pensionable.

(x) Administration & amendment

The CSOP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the CSOP. However, no amendment to a key feature of the CSOP shall have effect until HMRC has approved such amendment. Furthermore, the rules of the CSOP which relate to:

- the persons to whom options may be granted;
- the limits on the number of Ordinary Shares which may be issued under the CSOP;
- the maximum entitlement of any option holder;
- the basis for determining an option holder's entitlement to Ordinary Shares or options; and
- the basis for determining the adjustment of any option granted under the CSOP following any increase or variation in the share capital of the Company

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or any Group company.

(xi) Termination

The CSOP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the CSOP after such termination. Termination shall not affect the outstanding rights of existing option holders.

(e) *Abbey Legal Holdings Employee Share Ownership Plan (“ESOP”)*

The ESOP was constituted by a trust deed entered into between Abbey Legal Holdings Limited (a subsidiary of the Company) and Rathbone Jersey Limited on 16 October 2000. The ESOP has been established in Jersey and the trust fund is also situated in Jersey.

The ESOP is a discretionary settlement set up for the benefit of employees and former employees of Abbey Legal Holdings Limited and any of its subsidiaries or any company resulting from the amalgamation or reconstruction of Abbey Legal Holdings Limited or any such subsidiary.

On Admission the ESOP will hold Ordinary Shares together with cash which can be used to benefit employees within the class of beneficiaries under the ESOP. It is proposed that the Ordinary Shares held by the ESOP will be used to satisfy the initial options granted pursuant to the CSOP on Admission and to satisfy the initial award granted pursuant to the LTIP on Admission.

5 Directors’, senior managers’ and other interests

(a) The names and job titles of the Directors of the Company are set out under “Directors, Secretary and Advisers” on page 4 of this document. The names and job titles of the Senior Managers of the Group are set out in paragraph 1.3 of Part IV of this document.

(b) The interests of each Director and Senior Manager and those of any person connected with them within the meaning of section 252 of the 2006 Act (“Connected Person”), all of which are beneficial (except as noted below), in the share capital of the Company and the existence of which is known or could with reasonable diligence be ascertained by the Director or Senior Manager are as follows:

	<i>At the date of this document</i>		<i>Following the Placing</i>	
	<i>Number of Ordinary Shares</i>	<i>% of the issued Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Share Capital</i>
Tony Shearer	–	–	90,909	0.1
John Acornley	–	–	18,182	0.0
Colin Davison	16,247,844*	17.3	15,727,518	15.7
Chris Ward	16,318,740	18.0	16,318,740	16.3
Adrian Green**	1,782,528	2.0	1,782,528	1.8
Elizabeth Grace	10,598,952	11.7	10,598,952	10.6
Richard Candy	5,242,506	3.9	3,512,479	3.5
Murray Fairclough	7,917,564	7.4	6,729,929	6.7
David Hartley	593,754	0.7	593,754	0.6
Simon Howes	593,754	0.7	593,754	0.6
Toby Clarke	1,863,552	2.1	1,863,552	1.9

* This includes 520,326 Ordinary Shares at the date of this document, which will all be sold in the Placing, held by Michelle Davison, who is Colin Davison’s wife.

** It is proposed that in addition to his holdings of Ordinary Shares, on Admission Adrian Green will also be granted one award pursuant to the LTIP over Ordinary Shares with an aggregate market value of £200,000 (further details of which are set out in paragraph 4 of Part VI of this document).

(c) Save as disclosed above, no Director or Senior Manager has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor any Connected Person of the Directors or Senior Managers have any such interests, whether beneficial or non-beneficial.

- (d) The Directors and Senior Managers have held the following directorships (other than those held in the Company) and/or been a partner in the following partnerships within the five years prior to the date of this document:

Tony Shearer

Current Directorships/partnerships:

Caxton FX Limited, Jerrold Holdings Limited, Wogen Plc, and Uruguay Mineral Exploration Inc.

Previous directorships/partnerships over the last five years:

Packwood Haugh School Limited, 69 Holland Road Limited, Tony Shearer Enterprises Limited, Finlaw 310 Limited, Planetrecruit Limited, Udata Plc, Rugby School Enterprises Limited, PC&W Properties Limited, Hillgrove Developments Limited, The Rugby Portobello Trust, Singer & Friedlander Quest Limited, Ancomass Limited, Clarke London Limited, Singer & Friedlander Finance Limited, Kaupthing Singer & Friedlander Group Plc, Singer & Friedlander Holdings Limited, Singer & Friedlander Securities Limited, Kaupthing Singer & Friedlander Limited, Singer & Friedlander Investment Management Limited, Singer & Friedlander Investment Management Holdings Limited, Singer & Friedlander Capital Management Limited

John Acornley

Current Directorships/partnerships:

Rainford EMC Holdings Limited, NWF Group plc.

Previous directorships/partnerships over the last five years:

Innospec Widnes Limited, NWF Agriculture Limited, Baxi Guarantees Limited

Colin Davison

Current Directorships/partnerships:

Abbey Protection Group, Abbey Legal Holdings, Abbey Tax Protection, Ibex

Previous directorships/partnerships over the last five years:

Abbey Specialised Solutions Limited

Chris Ward

Current Directorships/partnerships:

Abbey Protection Group, Abbey Legal Holdings, Abbey Legal Protection, Ibex

Previous directorships/partnerships over the last five years:

None

Adrian Green

Current Directorships/partnerships:

Abbey Protection Group, Abbey Legal Holdings, Abbey Legal Protection, Abbey Tax Protection

Previous directorships/partnerships over the last five years:

Folgate Underwriting Agency Limited, Folgate Masterplan Limited, Folgate Underwriting Services Limited, Folgate Insurance Company Limited, Broadstone Insurance Services (General) Limited

Elizabeth Grace

Current Directorships/partnerships:

Abbey Tax Protection, Abbey Protection Group

Previous directorships/partnerships over the last five years:

Elizabeth was a partner in Chris Grace Plumbing, a business providing plumbing services.

Richard Candy

Current Directorships/partnerships:

Abbey Legal Protection, Abbey Protection Group

Previous directorships/partnerships over the last five years:

None

Murray Fairclough

Current Directorships/partnerships:

Leaside Court Management Limited, Blythwood Court Limited, 19 Egmont Road, Sutton Residents Association Limited, Abbey Protection Group, Abbey Legal Protection

Previous directorships/partnerships over the last five years:

None

David Hartley

Current Directorships/partnerships:

None

Previous directorships/partnerships over the last five years:

None

Simon Howes

Current Directorships/partnerships:

None

Previous directorships/partnerships over the last five years:

None

Toby Clarke

Current Directorships/partnerships:

None

Previous directorships/partnerships over the last five years:

None

- (e) Save as disclosed above, no Director or Senior Manager:
- (i) has any unspent convictions in relation to indictable offences; or
 - (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
 - (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
 - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
 - (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or

- (vi) has 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.
- (f) Following Admission Tony Shearer, John Acornley, Colin Davison, Chris Ward, Adrian Green and the ESOP taking into account their interests and the interests of their respective Connected Persons (shown in paragraphs 5(b) above and 5(i) below, could be capable of exercising control of the Company if they acted in concert. That control would consist of the ability to pass ordinary resolutions of the Company (resolutions requiring more than the holders of 50 per cent. of the Issued Ordinary Shares at general meetings of the Company).
- (g) Save as set out in paragraph 5(f) the Company is not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control of the Company.
- (h) So far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- (i) Save as disclosed in paragraph 5(b) above, and as set out below, the Company is not aware of any person who is directly or indirectly interested in 3 per cent. or more of the issued share capital or voting rights of the Company:

	<i>At the date of this document</i>	<i>% of the issued Share Capital</i>	<i>Following the Placing</i>	<i>% of issued Share Capital</i>
	<i>Number of Ordinary Shares</i>		<i>Number of Ordinary Shares</i>	
Numis Corporation plc	26,203,668	14.4	13,101,834	13.1
Invesco Asset Management Limited	–	–	4,818,182	4.8
Rensburg Fund Management Limited	–	–	4,545,454	4.5
F&C Asset Management plc	–	–	3,181,818	3.2

- (j) None of the Company's major holders of shares listed either above or in paragraph 5(b) above has voting rights which are different from other holders of Ordinary Shares.
- (k) Save as set out in paragraph 5(l)(iv) below, there are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director or Senior Manager.
- (l) Save as set out below, no Director or Senior Manager is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- (i) Lease of premises, One Mitchell Court, Castle Mound Way, Rugby CV 23 0UY
Colin Davison and Elizabeth Grace are trustees and beneficiaries of the Minerva SIPP which has entered into a lease as landlord with Abbey Protection Group dated 23 December 2004 for a term of 10 years from 23 December 2004 at an annual rental (subject to review) of £75,700 per annum.
- (ii) Share for share exchange agreement
Colin Davison, Chris Ward, Adrian Green, Oliver Hemsley and each of the Senior Managers were interested in the share for share exchange agreement described in paragraph 9 below.
- (iii) Deferred share purchase arrangements
Adrian Green, Toby Clarke, David Hartley, Kenneth Charles Waterlow and Simon Howes each entered into agreements with Abbey Protection Group and the trustee of the ESOP in the case

of Adrian Green, David Hartley, Kenneth Charles Waterlow, and Simon Howes (“Deferred Share Purchase Agreements”) where they acquired A ordinary shares of £0.01 each in the share capital of Abbey Protection Group on deferred payment terms. The date of acquisition, the numbers of shares purchased, the amount paid on acquisition and the amount outstanding on the date of acquisition are shown in the table below:

<i>Name of Employee</i>	<i>Date of acquisition of shares</i>	<i>Number of shares acquired</i>	<i>Aggregate price paid for the shares on acquisition</i>	<i>Amount outstanding on acquisition</i>
Toby Clarke	2 August 2005	1,380	£13.80	£104,038.20
Adrian Green	30 April 2007	1,408	£14.08	£500,163.84
Kenneth Charles Waterlow	9 May 2007	469	£4.69	£166,602.87
David Hartley	9 May 2007	469	£4.69	£166,602.87
Simon Howes	9 May 2007	469	£4.69	£166,602.87

- (iv) Loans used to discharge sums payable pursuant to the Deferred Share Purchase Agreements (“Deferred Share Purchase Loan Agreements”)

On 14 November 2007 Abbey Protection Group and the trustee of the ESOP entered into loan agreements in the following principal amounts with each of Adrian Green, Toby Clarke, David Hartley, Kenneth Charles Waterlow and Simon Howes to repay the following principal amounts outstanding under the Deferred Share Purchase Agreements.

<i>Name of Employee</i>	<i>Date of loan</i>	<i>Principal sum drawn down</i>
Toby Clarke	14 November 2007	£104,038.20
Adrian Green	14 November 2007	£500,163.84
Kenneth Charles Waterlow	14 November 2007	£166,602.87
David Hartley	14 November 2007	£166,602.87
Simon Howes	14 November 2007	£166,602.87

On 14 November 2007 Abbey Protection Group entered into an on demand loan facility agreement with Rathbone Jersey Limited (as trustee of the ESOP) (“Rathbone”) whereby Abbey Protection Group agreed to lend the sum of £999,972.45 to Rathbone. Due to the fact that one of the parties to the loan agreement is a trustee, the loan bears no interest on the basis that the trustee could only pay interest if it received funds from Abbey Protection Group. The loan is unsecured and the agreement contains no events of default.

On 14 November each of Adrian Green, David Hartley, Kenneth Charles Waterlow and Simon Howes entered into an unsecured loan facility agreement with Rathbone in the amount set out opposite their name in the above table (“Rathbone Loans”). The loans are interest free, although default interest will be applicable in the event of non-payment. Repayments are to be paid out of net dividend receipts from the Company after accounting for tax on (a) any dividend and (b) tax due on beneficial loan interest (if any) chargeable by HMRC, with a long-stop final repayment date of ten years from the date of repayment. Events of default include, *inter alia*, the relevant borrower ceasing to be an employee of the Group or selling any of his Ordinary Shares without the consent of the lender. Upon the occurrence of an event of default the loan will become repayable on demand.

On 14 November Toby Clarke entered into a loan agreement with Abbey Protection Group whereby Abbey Protection Group agreed to lend the sum of £104,038.20 to Toby Clarke on the same terms as those applicable to the Rathbone Loans described above.

- (m) No remuneration has been paid (including benefits in kind) to the Directors by the Company up to the date of this document. It is estimated that the aggregate remuneration and benefits in kind payable to

the Directors by members of the Group will be £54,000 for the current financial period ending 31 December 2007 and £655,000 for the financial year ending 31 December 2008, under the arrangements in force at the date of this document.

6 Directors' service contracts

- (a) Colin Davison has entered into a Service Agreement with the Company dated 22 November 2007 subject to termination upon 12 months' notice by either party. The Agreement provides for an annual salary of £121,368, the use of a company car, membership of a private medical scheme for Colin and his wife and all dependent children under the age of 18 or in full time education, life assurance cover and pension contributions of 7.5 per cent. of his salary. Colin is also entitled to participate in the bonus scheme referred to in paragraph 12 of Part I of this document.
- (b) Chris Ward has entered into a Service Agreement with the Company dated 22 November 2007 subject to termination upon 12 months' notice by either party. The Agreement provides for an annual salary of £121,368, the use of a company car, membership of a private medical scheme for Chris and his wife and all dependent children under the age of 18 or in full time education, life assurance cover and pension contributions of 7.5 per cent. of his salary. Chris is also entitled to participate in the bonus scheme referred to in paragraph 12 of Part I of this document.
- (c) Adrian Green has entered into a Service Agreement with the Company dated 22 November 2007 subject to termination upon 12 months' notice by either party. The Agreement provides for an annual salary of £104,000, the use of a company car, membership of a private medical scheme for Adrian and his wife and all dependent children under the age of 18 or in full time education, life assurance cover and pension contributions of 7.5 per cent. of his salary. Adrian is also entitled to participate in the bonus scheme referred to in paragraph 12 of Part I of this document.
- (d) Tony Shearer has entered into a non-executive letter of appointment for the Company dated 22 November 2007. The appointment is for an initial period of 3 years, subject to earlier termination upon 3 months' written notice by either party. The Agreement provides for an annual fee of £50,000 per annum.
- (e) John Acornley has entered into a non-executive letter of appointment for the Company dated 22 November 2007. The appointment is for an initial period of 3 years, subject to termination upon 3 months' written notice by either party. The annual fee payable to John is £35,000 per annum.
- (f) Save as set out in paragraphs (a), (b), (c) (d) and (e) above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

7 The Board and corporate governance

(a) Directors details

At each Annual General Meeting the following Directors will retire from office and be eligible for re-election:

- (i) any Director who was not elected or re-elected at either of the two preceding Annual General Meetings; and
- (ii) such number of Directors as would, when added to the number of Directors retiring in accordance with paragraph (i) above represent one third of the capital Directors (excluding any Directors who have been appointed by the Board since the date of the last Annual General Meeting).

The Directors to retire by rotation shall include any Director who wishes to retire, those Directors who have been longest in office since their re-election or appointment and in the case of persons who were

last re-elected on the same day, those to retire shall (unless they agree otherwise) be determined by lot.

(b) ***Corporate Governance***

The Directors support high standards of corporate governance and, following Admission, the Board intends to comply with the provisions of the QCA Guidelines so far as is reasonably practicable and appropriate taking into account the Company's size.

It is intended that an audit committee, comprising of Tony Shearer and John Acornley, will operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. It is intended that the audit committee will be chaired by John Acornley and will meet at least three times a year.

It is intended that a remuneration committee, comprising Tony Shearer and John Acornley, will operate with effect from Admission. It will review the performance of the executive directors and will set their remuneration, determine the payment of bonuses to executive directors and consider bonus and option grants. No member of the Board will be permitted to participate in discussions or decisions concerning his own remuneration. It is intended that the remuneration committee will be chaired by Tony Shearer and will meet at least three times a year.

It is intended that a nomination committee comprising Tony Shearer and John Acornley will operate with effect from Admission. It will review the size and composition of the Board and review the leadership needs of the Company. It is intended that the nomination committee will be chaired by Tony Shearer and will meet at least twice a year.

The Company has adopted a share dealing code, relating to dealings in Ordinary Shares by Directors and relevant employees in accordance with the AIM Rules and will take proper steps to ensure compliance by the Directors and those employees.

(c) ***Related party transactions***

Save for the agreements referred to in paragraph 5(1) above, the arrangements referred to in note 31 of the Accountant's report in Part V(B) of this document and the agreements referred to below, neither the Company nor any of its subsidiaries has entered into any related party transactions during the period from 1 January 2005 to the date of this document.

- (i) Since 1 January 2005, Abbey Protection Group has paid Numis Securities Limited the sum of £25,000 (plus VAT) per annum in respect of the provision of Oliver Hemsley's services as non-executive chairman.

This arrangement will be terminated on Admission.

- (ii) On 18 October 2007, Abbey Protection Group redeemed 504,525 redeemable preference shares of £1 each held by James Innes (a Selling Shareholder) at nominal value.
- (iii) On 31 October 2007, Abbey Protection Group bought back an aggregate of 2,000 of its own irredeemable preference shares of £1 each at a price of £1.06 per share from Michelle Davison (Colin Davison's wife), Colin Davison, Chris Ward, Elizabeth Grace, Murray Fairclough, Toby Clarke and Rathbone Jersey Limited (the trustee of ESOP).
- (iv) On 14 November the Company issued 49,999 Redeemable Shares to Colin Davison at par value. These Redeemable Shares were redeemed by the Company at par value on 19 November 2007.

8 Placing arrangements

- (a) Pursuant to a placing agreement dated 22 November 2007 and made between the Company (1) the Directors (2) the Selling Shareholders (3) Numis (4) and PwC (5) the Company appointed Numis as its broker and PwC as its nominated adviser. Pursuant to the Placing Agreement Numis has agreed to use its reasonable endeavours to procure subscribers or buyers for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement the Company, the Directors and the Selling Shareholders have given warranties to Numis and PwC regarding, *inter alia*, the content of the Admission Document and the business. The Placing is underwritten by Numis. The Placing Agreement is conditional, *inter alia*, on Admission taking place by no later than 8 a.m. on 29 November 2007, the Company, the Directors and the Selling Shareholders having complied with their obligations under the Placing Agreement in all material respects. Under the Placing Agreement the Company has agreed to pay Numis a commission equal to 3.0 per cent. of the Placing Price multiplied by the number of New Ordinary Shares allotted by the Company. Each of the Selling Shareholders have agreed to pay Numis a commission of 3.0 per cent. of the Placing Price multiplied by the number of Sale Shares sold by that Selling Shareholder in the Placing. Numis and PwC are entitled to terminate the Placing Agreement in certain circumstances including where there has been a material adverse change or if either the Company, the Directors or the Selling Shareholders are in material breach of the Placing Agreement.
- (b) Pursuant to a nominated adviser agreement dated 4 September (to which the Company became a party pursuant to a joining agreement dated 22 November 2007), the Company appointed PwC to act as its financial adviser in connection with Admission and its nominated adviser following Admission. The agreement contains certain undertakings given by the Company, Abbey Protection Group and the Directors. The agreement is subject to termination, *inter alia*, on 2 months' written notice. Under the agreement PwC are entitled to a fee of £40,000 per annum (plus any applicable VAT).
- (c) Pursuant to a broker agreement dated 22 November 2007 the Company has appointed Numis as its broker. Numis is entitled to a fee of £30,000 per annum for the first year increasing to £50,000 per annum thereafter (plus any applicable VAT). The appointment is terminable, *inter alia*, by Numis on giving notice to the Company and by the Company giving not less than 14 days' notice to Numis. The broker agreement contains certain undertakings and indemnities given by the Company.

Numis Corporation plc (which is the holding company of Numis Securities Limited) is the holder of 26,203,668 Ordinary Shares of which 13,101,834 are being sold in the Placing.

9 Material contracts

- (a) The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries during the two years preceding the date of this document and are or may be material:
- (i) A binding authority agreement made between Abbey Protection Group and Brit dated 1 July 2003. The agreement provides authority to Abbey Protection Group to bind Brit to certain contracts of Insurance relating to tax related professional fees insurance and legal expenses insurance. The agreement is for a rolling period of three years (renewed on 31 December each year). The agreement may be terminated by, *inter alia*, either party serving notice on the other that it does not intend to renew the agreement. The agreement may also be terminated by Brit, *inter alia*, in the event of a material breach of the agreement by Abbey Protection Group or in the event of the termination of the quota share reinsurance agreement summarised at paragraph 9(a)(ii) below.
- (ii) A quota share reinsurance agreement made between Ibex and Brit dated 8 July 2003 which relates to the underwriting risk of the business written by Brit under the binding authority agreement summarised at paragraph 9(a)(i) above ("Binding Authority Agreement"). Pursuant to the quota share reinsurance agreement Ibex receives 80 per cent. (less brokerage and taxes and commission of 6 per cent.) of the net premium due to Brit as Insurer in exchange for Ibex reinsuring 80 per cent. of the risk under policies written by Brit pursuant to the Binding

Authority Agreement. The agreement terminates automatically upon the termination of the Binding Authority Agreement and is terminable, *inter alia*, in the event of material breach by either party.

- (iii) An agreement with the National Federation of Self Employed and Small Businesses Limited (trading as the Federation of Small Businesses) (“FSB”) effective from 1 October 2005 (the “FSB Agreement”). The FSB Agreement allows the FSB to provide as a benefit to its membership, Legal Protection Insurance and an Advisory Service. Pursuant to the FSB Agreement Abbey Protection Group Limited *inter alia* arrange for Legal Protection Insurance for the benefit of the FSB membership to be underwritten by Underwriters or Insurers and provide advisory and support services to the FSB and its membership. The FSB Agreement is for a term of 5 years (until 30 September 2010) with a premium payable by the FSB (calculated on a per member basis) each year in 12 instalments. The FSB Agreement is terminable *inter alia* in the event of a material breach by either party where such breach cannot be remedied within 3 months.
- (iv) Pursuant to lock-in agreements dated 22 November 2007 each of the Directors, Selling Shareholders (other than Numis) and certain other management shareholders have agreed with Numis, PwC and the Company not to dispose of any interest in any Ordinary Shares, save in certain specified circumstances, until the announcement of the Company’s results for the year ended 31 December 2008 and have agreed for the one year period thereafter only to make any such disposal through Numis. For tax reasons, an exception from these arrangements has been granted to Chris Ward to sell up to £500,000 of shares between 7 April 2008 and 30 June 2008, which he would otherwise have sold as part of the Placing.
- (v) Pursuant to a lock-in agreement dated 22 November 2007 Numis has agreed with PwC and the Company not to dispose of any interest in any Ordinary Shares, save in certain specified circumstances, until the expiry of the six month period commencing on Admission (“Restricted Period”). Following the Restricted Period and until the announcement of the Company’s results for the year ended 31 December 2008, Numis has agreed to consult with the Company prior to making any such disposal and will not undertake any such disposal where Numis (acting reasonably) considers there to be insufficient demand for such sale to be effected.
- (vi) A share exchange agreement dated 19 November 2007 between each of the Directors and Senior Managers, Numis Corporation plc, the trustee of the ESOP and others (1) and the Company (2), whereby the Company agreed to purchase the entire issued share capital of Abbey Protection Group Limited in consideration for the issue by the Company of an aggregate of 90,903,764 Ordinary Shares credited as fully paid.
- (vii) The Placing Agreement, Nomad Agreement and Broker Agreement referred to in paragraph 8 above.
- (viii) The Deferred Share Purchase Agreements referred to in paragraph 5(1)(iii) above.
- (ix) The loan agreements referred to in paragraph 5(1)(iv) above.

10 Taxation

A summary of the UK Tax position is set out in paragraph 7 of Part III.

11 Investments

Other than its investment in Abbey Protection Group Limited, the Company has made no principle investment since incorporation. The Company has not made any firm commitment in respect of future investments. Neither are there any investments currently being made.

12 Property, plant and equipment/Environmental issues

The Group's principal establishments (all of which are leasehold and are used as offices) are as follows:

<i>Property</i>	<i>Tenure</i>	<i>Lease expiry date</i>	<i>Current annual rent</i>
2nd and 3rd floors, 17 Landsdowne Road, Croydon CR20 CBX	leasehold	9 August 2013	£163,975
One Mitchell Court, Castle Mound Way, Rugby CV23 0UY	leasehold	23 December 2014	£75,700
4th floor, Minorities House, 2-5 Minorities, London EC3N 1BJ	leasehold	25 September 2012	£78,804 (plus any applicable VAT)

So far as the Directors are aware, there are no environmental issues affecting the use of the Group's tangible fixed assets.

13 Working capital

In the opinion of the Directors, having made due and careful enquiry, and in the opinion of the Company, the working capital available to the Group is sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

14 Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of this document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

15 General

- (a) Save as disclosed in note 38 set out in Part V(B) of this document, there has been no significant change in the financial or trading position of the Group since 30 June 2007, the date to which the last accounts have been drawn up.
- (b) Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its report and references thereto and to its name in the form and context in which it appears.
- (c) PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears.
- (d) Numis Securities Limited of The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears. Numis Securities Limited is a wholly owned subsidiary of Numis Corporation plc which is a Shareholder.
- (e) The expenses of and incidental to the Placing, are estimated to amount to approximately £1.2 million (excluding VAT), which includes approximately £0.4 million payable to financial intermediaries, and will be payable by the Company.
- (f) So far as the Directors are aware, there are no patents, licences or industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business.
- (g) There are no arrangements under which future dividends are waived or agreed to be waived.

- (h) The Ordinary Shares will only be traded on AIM.
- (i) The Company's registrar and paying agent for the payment of dividends is Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 7NH.
- (j) Except for fees payable to the professional advisers whose names are set out on page 4 of this document, payments to trade suppliers, and the payment referred to in paragraph 7(c) of this Part VI, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- (k) The Placing will result in 9,090,909 New Ordinary Shares being issued by the Company representing dilution of 9.1 per cent.

16 Documents available for inspection

- (a) Copies of this document will be available free of charge at the offices of Eversheds LLP, 115 Colmore Row, Birmingham, B3 3AL during usual business hours on any weekday (excluding Saturdays and public holidays) up to and including the date which is one month following Admission.
- (b) Copies of this document will be available free of charge to the public on the Company's website www.abbeyprotectionplc.com.

Dated: 22 November 2007

PART VII

DEFINITIONS AND GLOSSARY OF TERMS

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

“1985 Act”	the Companies Act 1985, as amended
“2006 Act”	the Companies Act 2006, as amended
“Abbey Protection” or “Group”	the Company and its subsidiary undertakings from time to time
“Abbey Legal Holdings”	Abbey Legal Holdings Limited
“Abbey Legal Protection” or “ALP”	Abbey Legal Protection Limited or Abbey Legal Protection division of Abbey Protection Group Limited
“Abbey Protection Group”	Abbey Protection Group Limited
“Abbey Tax Protection” or “ATP”	Abbey Tax Protection Limited or Abbey Tax Protection division of Abbey Protection Group Limited
“Abbey HR” or “AHR”	Abbey HR division of Abbey Protection Group Limited
“ACCA”	Association of Chartered Certified Accountants
“Accident Line”	Accident Line, a Law Society service, managed by Abbey Legal Protection, a trading division of Abbey Protection Group Limited
“Admission”	the admission of the entire ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with AIM Rules for Companies
“Admission Date”	the date of Admission
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules for Companies” or “AIM Rules”	the AIM Rules for companies published by the London Stock Exchange, as amended
“AIM Rules for Nominated Adviser”	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended
“APG Group”	Abbey Protection Group Limited and its subsidiaries
“ARK”	A.R.K Business Analysis Limited
“Articles of Association” or “Articles”	the articles of association of the Company
“ATE”	After The Event
“Board” or “Directors”	the board of directors for the time being of the Company including a duly appointed committee thereof at which a quorum is present
“Brit” or “Brit Insurance”	Brit Insurance Limited
“Claims Direct”	trading brand of Claims Incorporated Plc (now in receivership)
“CLEI”	Commercial Legal Expenses Insurance
“Clementi Report”	Review of the Regulatory Framework for Legal Services in England and Wales – Sir David Clementi, December 2004

“Code”	the City Code on Takeovers and Mergers
“Combined Code”	the revised combined code on the principles of good governance and code of best practice published in June 2003 by the Financial Reporting Council
“Company”	Abbey Protection plc
“Companies Acts”	as defined in section 2 of the 2006 Act
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	EuroClear UK & Ireland Limited (formerly trading as CrestCo Limited)
“CSOP”	the Abbey Protection plc Company Share Option Plan (2007)
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“Disclosure Rules”	the Disclosure Rules of the UKLA
“EBIT”	Earnings Before Interest and Tax
“Enlarged Issued Share Capital”	the issued Ordinary Share Capital of the Company following the Placing
“EBT”	the Abbey Protection plc Employee Benefit Trust described in Part VI of this document to be introduced shortly before Admission
“ESOP”	Abbey Legal Holdings Employee Share Ownership Plan
“Executive Directors”	Colin Davison, Chris Ward and Adrian Green
“Fastrack”	Fastrack Indemnity Ltd
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“GFSC”	Guernsey Financial Services Commission
“HMRC”	Her Majesty’s Revenue and Customs
“HR”	human resources
“Ibex”	Ibex Reinsurance Company Limited
“Ibex Board”	the board of directors for the time being of Ibex including a duly appointed committee thereof at which a quorum is present
“ICAS”	Institute of Chartered Accountants in Scotland
“ICAEW”	Institute of Chartered Accountants in England and Wales
“IFRS”	International Financial Reporting Standards
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003

“IT”	information technology
“Law Society”	the Law Society of England and Wales
“Lawyers”	barristers and solicitors who are members of a recognised professional body, including the Law Society or the General Council of the Bar for England and Wales
“Legal Services Act”	the Legal Services Act 2007
“Listing Rules”	the listing rules made by the UK Listing Authority for the purpose of Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	the Abbey Protection plc Long Term Incentive Plan (2007)
“New Ordinary Shares”	the 9,090,909 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Nominated Adviser”	is as defined in the AIM Rules
“Numis”	Numis Securities Limited regulated by the Financial Services Authority
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company which on Admission will have ISIN no. GB00B293ZK84
“Placing Price”	55p per Placing share
“Placing Shares”	the 27,814,581 Ordinary Shares which are the subject of the Placing
“Placing”	the proposed placing by Numis Securities plc as agent for the Company of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Prospectus Rules”	the Prospectus Rules of the UKLA
“PwC”	PricewaterhouseCoopers LLP
“QCA Guidelines”	the corporate governance guidelines for AIM companies, published by the Quoted Companies Alliance
“Remuneration Committee”	the remuneration committee of the Board
“Sale Shares”	the 18,723,672 Ordinary Shares to be sold by the Selling Shareholders in the Placing
“SAYE Scheme”	the Abbey Protection plc Savings Related Share Option Scheme (2007)
“Selling Shareholders”	Numis Corporation plc, Michelle Davison, Richard Candy, Murray Fairclough and James Innes
“Senior Managers” or “Senior Management”	Liz Grace, Richard Candy, Murray Fairclough, David Hartley, Simon Howes and Toby Clarke (details of whom are set out at paragraph 1.3 of Part IV of this document)
“Shareholders”	holders of Ordinary Shares
“Share Incentive Plans”	the LTIP, the SAYE Scheme, and the CSOP

“SME”	small and medium sized enterprises
“Subsidiary”	has the meaning given in section 736 and 736A of the 1985 Act
“Terms and Conditions”	the terms and conditions of the Placing as set out at the end of this document
“The Accident Group”	The Accident Group Limited (now dissolved)
“Trustee”	the trustee of the EBT
“UK GAAP”	United Kingdom Generally Accepted Accounting Principles
“UK Listing Authority” or “UKLA”	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland



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