

Company Registration No. 4959808

Abbey Protection Group Limited

Report and Financial Statements

31 December 2006

Abbey Protection Group Limited

Report and Financial Statements 2006

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Abbey Protection Group Limited

Report and Financial Statements 2006

Officers and Professional Advisers

Directors

O A Hemsley (Chairman)
R H Candy
C Davison
M S C Fairclough
E A Grace
A F Green (Appointed 31st December 2006)
C Ward

Secretary

A F Green (Appointed 31st December 2006)

Registered Office

Minories House
2-5 Minories
London
EC3N 1BJ

Regional Offices

17 Lansdowne Road
Croydon
CRO 2BX

1 Mitchell Court
Castle Mound Way
Rugby
CV23 OUY

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Abbey Protection Group Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006.

Review of the business

Trading as Abbey Legal Protection and Abbey Tax Protection, Abbey Protection Group Limited is a market leader in the UK in the provision of legal and taxation insurances and services. It also has a wholly owned Guernsey based risk carrying insurance subsidiary, Ibex Reinsurance Company Limited, which provides support to its insurer partners.

Its other wholly owned subsidiaries, Abbey Legal Holdings Limited, Abbey Legal Protection Limited and Abbey Tax Protection Limited, were dormant throughout the year.

The group's principal activities are the sale of legal expenses and tax protection insurance products and the underwriting of the same, together with the provision of legal services, legal representation and claims run-off services.

Abbey Protection Group Limited had another excellent year producing profits before taxation of £6.6m (2005 £6.4m) and after taxation of £4.8m (2005 £4.5m). The results for the year included £3.2m (2005 £2.9m) pre taxation profit from Ibex Reinsurance Company Limited which are listed in note 3 to the financial statements. The post tax profit has been carried to reserves.

During the year, the trading performance of the main operating divisions has been in line with expectations. The financial development of the business is shown on pages 7 to 23. The company uses a variety of key performance indicators to monitor and manage the business. The main performance measures are commission income margin as a percentage of premiums, income per full time equivalent member of staff, average staff costs per full time equivalent member of staff, claims incurred ratio to earned premiums and investment income yield.

Towards the end of the year, the Company formed a new division, Abbey HR services, specialising in HR consultancy and support services to business clients. The division commenced trading in January 2007 and the management is confident that the division will grow substantially over the short term.

The outlook for 2007 is positive with all divisions well placed to exploit the opportunities presented by their respective markets.

Accident Line, the company's personal injury service, continued to trade profitably throughout the year. This is now part of the company's After the Event Services Division, incorporating Claims Run-off work on behalf of underwriters which also reported good profit figures. During the year Accident Line launched a new product featuring deferred payment of premiums which has improved its competitive position and opened new opportunities.

Future developments

The Company does not anticipate any significant changes to its business in the coming year.

Dividends

Distributions to preference shareholders of £82,730 (2005 - £82,730) have been accrued, comprising £52,458 (2005 - £52,458) dividends payable to irredeemable preference shareholders and £30,272 (2005 - £30,272) interest payable to redeemable preference shareholders.

The directors propose to pay a dividend on ordinary shares of £29.69 per share amounting to £2,000,000 (2005 - £7.25 per share amounting to £500,000). Shares held by the Employee Benefit Trust are subject to a dividend waiver.

Abbey Protection Group Limited

Directors' Report

(Continued)

Directors and their interests

The directors set out on page 1 held office during the whole of the period from 1 January 2006 to the date of this report unless otherwise stated. Mr P Crick served as a director and company secretary throughout the year. He resigned as a director and company secretary on 31st December 2006.

The directors and their spouses' interests in the share capital of the Company at the end of the year are set out below:

	31 December 2006		31 December 2005	
	Ordinary 'A' shares	Irredeemable preference shares £1	1p Ordinary 'A' shares	Irredeemable preference shares £1
O A Hemsley	-	-	-	-
C Davison	11,643	251,300	11,643	251,300
C Ward	11,643	284,900	11,643	284,900
R H Candy	3,881	-	3,881	-
M S C Fairclough	5,821	26,250	5,821	26,250
E A Grace	7,762	54,600	7,762	54,600

Directors's Indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

General meetings

The company has elected, in pursuance of Section 252, Companies Act 1985, not to lay accounts before the members in general meeting.

Risk Management

A significant part of the Company's business involves the acceptance and management of risk. It is exposed to insurance, market, credit, liquidity and operational risks and therefore operates a formal risk management process to ensure that all significant risks are identified, managed and contained. These risks are constantly reviewed by the Company's senior management and then at Board level. The factors mentioned below are not a complete list of all potential risks and uncertainties.

Insurance risk: this is the risk arising from higher claims being experienced than anticipated. This risk is managed by the close monitoring of results and the adoption of an agreed reserving policy, an independent actuarial review and the purchase of stop loss re-insurance for Ibex Reinsurance Company Limited.

Credit risk: this is the risk of loss if another party fails to perform its financial obligations to the Company. The risk is managed by tight financial control, regular review of procedures, correct insurance, and careful selection and management of its customers.

Liquidity risk: this is the risk that the Company does not have sufficient financial resources available to meet its obligations as they fall due. The risk is managed by careful monitoring of the Company's cash flow and suitable short term investment of the Company's cash resources.

Operational risks: this is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. These risks are managed by a variety of actions such as a proper disaster recovery plan, adequate insurance cover, development of new products, review of Company procedures, staff appraisals and training reviews, key man insurance and succession planning.

Abbey Protection Group Limited

Directors' Report (Continued)

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



A F Green

Director

26th April 2007

Abbey Protection Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Abbey Protection Group Limited

We have audited the group and individual company financial statements (the "financial statements") of Abbey Protection Group Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the directors' report is not consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

26 April 2007

Abbey Protection Group Limited

Consolidated profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	3		
Intermediary, advisory and other income		13,615,214	12,940,426
Net earned premiums on insurance contracts	2	9,306,411	7,609,299
Interest receivable		1,047,665	740,648
		<u>23,969,290</u>	<u>21,290,373</u>
Claims paid, net of reinsurance	2	(6,030,826)	(4,302,904)
Change in the net provision for claims	2	(712,944)	(890,612)
Operating expenses and charges		(10,582,952)	(9,610,527)
Interest payable		(30,272)	(60,376)
		<u>6,612,296</u>	<u>6,425,954</u>
Profit on ordinary activities before taxation	4		
Taxation	7	(1,829,320)	(1,973,261)
		<u>4,782,976</u>	<u>4,452,693</u>
Profit on ordinary activities after taxation			
Retained profit for the year	18	<u>4,782,976</u>	<u>4,452,693</u>

There were no recognised gains or losses, either in the current or preceding year, other than those included in the consolidated profit and loss account and therefore no statement of total recognised gains and losses has been presented.

The profit for the year has been calculated on the historical cost basis.

The group's income and expenditure all relate to continuing operations.

Abbey Protection Group Limited

Consolidated balance sheet at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	10	740,433	844,965
Tangible assets	11	866,098	687,667
		<u>1,606,531</u>	<u>1,532,632</u>
Current assets			
Work in progress		120,092	102,672
Debtors and prepayments	12	14,551,635	13,054,322
Deferred tax asset	14	-	42,763
Investments	13	17,541,914	-
Cash at bank and in hand		11,435,311	22,383,498
		<u>43,648,952</u>	<u>35,583,255</u>
Creditors: amounts falling due within one year	15	<u>(31,439,205)</u>	<u>(29,539,263)</u>
Net current assets		<u>12,209,747</u>	<u>6,043,992</u>
Creditors: amounts falling due after more than one year	16	(670,566)	(594,250)
Provisions for liabilities & charges - Deferred tax	14	<u>(1,432,820)</u>	<u>-</u>
		<u>11,712,892</u>	<u>6,982,374</u>
Capital and reserves			
Called up share capital	17	875,004	875,004
Share premium account	18	104,038	104,038
Merger reserve	18	402,565	402,565
Profit and loss account	18	10,331,285	5,600,767
Total equity shareholders' funds		<u>11,712,892</u>	<u>6,982,374</u>

These financial statements were approved by the Board of Directors and authorised for issue on 26th April 2007.

Signed on behalf of the Board of Directors

C Davison
Director



C Ward
Director



Abbey Protection Group Limited

Company balance sheet at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Investments in subsidiary undertakings	9	4,172,182	4,372,535
Intangible assets	10	740,433	844,965
Tangible assets	11	866,098	687,667
		<u>5,778,713</u>	<u>5,905,167</u>
Current assets			
Work in progress		120,092	102,670
Debtors and prepayments	12	10,281,084	9,394,040
Deferred tax asset	14	12,337	42,763
Cash at bank and in hand		10,349,338	8,106,515
		<u>20,762,851</u>	<u>17,645,988</u>
Creditors: amounts falling due within one year	15	<u>(18,061,150)</u>	<u>(17,863,330)</u>
Net current assets/(liabilities)		<u>2,701,701</u>	<u>(217,342)</u>
Creditors: amounts falling due after more than one year	16	<u>(670,566)</u>	<u>(594,250)</u>
		<u>7,809,848</u>	<u>5,093,575</u>
Capital and reserves			
Called up share capital	17	875,004	875,004
Share premium account	18	104,038	104,038
Merger reserve	18	402,565	402,565
Profit and loss account	18	6,428,241	3,711,968
Total equity shareholders' funds		<u>7,809,848</u>	<u>5,093,575</u>

These financial statements were approved by the Board of Directors and authorised for issue on 26th April 2007.

Signed on behalf of the Board of Directors

C Davison
Director



C Ward
Director



Abbey Protection Group Limited

Consolidated cash flow statement Year ended 31 December 2006

		2006 £	2005 £
Net cash inflow from operating activities	19	7,587,055	8,977,468
Returns on investments and servicing of finance			
Interest received		1,047,665	740,648
Interest paid		(30,272)	(52,807)
Preference dividend paid		(52,458)	(39,344)
		<hr/>	<hr/>
Cash inflow from returns on investments and servicing of finance		964,935	648,497
		<hr/>	<hr/>
Tax paid		(1,509,728)	(1,331,476)
		<hr/>	<hr/>
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(442,693)	(482,542)
		<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment		(442,693)	(482,542)
		<hr/>	<hr/>
Financing			
Equity dividends		-	(500,000)
Issue of share capital		-	14
Repayment of loan notes		-	(475,000)
		<hr/>	<hr/>
Net cash outflow from financing		-	(974,986)
		<hr/>	<hr/>
Increase in net funds in the year	20	<u>6,599,569</u>	<u>6,836,961</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of preparation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up for the 12 months to 31 December. The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is accounted for as goodwill and amortised through the profit and loss account in equal instalments over its estimated useful life of 10 years. Provision is made for any impairment.

Intermediary, advisory and other income

The income, exclusive of VAT, represents:

- a) commission receivable (net of the direct costs of legal and technical advisory costs) from clients in respect of legal insurance, and "after the event" personal injury policies, which is recognised at the date of inception. An appropriate provision is made in respect of servicing claims in the future;
- b) fees for provision of non-insured helpline services;
- c) fees for legal and tax representation work;
- d) subscriptions receivable from members of Accident Line panel of solicitors for their participation in the Accident Line personal injury referral scheme;
- e) management and claims handling fees arising from claims run-off contracts; and
- f) 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.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off each asset evenly over its expected useful life as follows:

Short leasehold property	-	over the duration of the lease
Fixtures, fittings and other equipment	-	over 3 to 5 years
Goodwill	-	over 10 years
Motor Vehicles	-	over 4 years

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

1. Accounting policies (continued)

Leased assets

Rentals on operating leases are charged to the profit and loss account in the periods in which they fall due.

Work in progress

Work in progress represents direct costs incurred in respect of those claims being worked on but not fully complete at the balance sheet date.

Investments

Investments held as fixed assets are stated at cost less an appropriate provision for any diminution in value. Current asset investments are stated at market value.

Debtors

Trade debtors include sales invoices issued after the year end in respect of cover incepting before the year end.

Pension costs

Contributions payable to the personal money purchase pension schemes operated by group companies are charged to the profit and loss account in the period in which they relate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Claims outstanding

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred by the company up to but not paid at the balance sheet date together with the relevant claims settlement expenses. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company where more information about the claim event is generally available.

Premium income

Written premiums comprise the premiums due on contracts entered into during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes levied on premiums. Unearned premium represents the proportion of premiums written which is estimated to be earned in future financial years, computed separately for each insurance contract using the monthly pro rata method.

Abbey Protection Group Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies (continued)

Claims

Claims paid include all payments made in respect of the period with associated claims settlement expenses.

Underwriting account

The underwriting profit or loss is transferred annually to the profit and loss account after making adequate provisions for known outstanding claims and IBNRs.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Income and expense

Income and expense are accounted for on an accruals basis.

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

2. Contribution of Ibex Reinsurance Company Limited

The group operates primarily as a specialist insurance intermediary, however the profit on ordinary activities before taxation and net assets include the results and balance sheet of Ibex Reinsurance Company Limited. The Technical Profit and Loss Account of Ibex Reinsurance Company Limited, adjusted for elimination of intra-group trading, is shown below:

	2006 £	2005 £
Gross premiums written	10,982,212	9,844,162
Outwards reinsurance premiums	(1,008,864)	(672,712)
Net premiums written	<u>9,973,348</u>	<u>9,171,450</u>
Change in the provision for unearned premiums:		
- gross amount	(666,937)	(1,562,151)
- reinsurer's share	-	-
Earned premium, net of reinsurance	<u>9,306,411</u>	<u>7,609,299</u>
Claims paid:		
- gross amount	(6,030,826)	(4,302,904)
- reinsurer's share	-	-
Claims paid, net of reinsurance	(6,030,826)	(4,302,904)
Change in the provision for claims:		
- gross amount	(712,944)	(890,612)
- reinsurer's share	-	-
Claims incurred, net of reinsurance	<u>(6,743,770)</u>	<u>(5,193,516)</u>
Net operating expenses	<u>(83,126)</u>	<u>(73,285)</u>
Balance on the technical account for general business	2,479,515	2,342,498
Interest receivable	755,085	554,920
Operating profit for the period	<u>3,234,600</u>	<u>2,897,418</u>

3. Segmental reporting

The income and operating profit for the year derived from the group's principal activities carried out wholly in the UK and Guernsey, which are considered to represent one geographical market.

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

4. Profit on ordinary activities before taxation

	2006 £	2005 £
The profit on ordinary activities before taxation is stated after charging:		
Amortisation	104,532	104,532
Depreciation	262,260	253,411
Auditors' remuneration for:		
- audit services	46,500	46,000
- taxation services	8,000	11,000
- other services	23,000	-
Operating leases		
- land and buildings	360,422	331,331
- plant and machinery	101,664	116,141
Loss on sale of tangible fixed assets	2,002	60,664
	<u>1,164,870</u>	<u>1,003,942</u>

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit on ordinary activities after taxation for the year is £2,768,731 (31 December 2005 - £3,089,730).

5. Directors' remuneration

	2006 £	2005 £
Directors' emoluments	905,345	958,070
Company contributions to personal money purchase pension schemes	123,546	45,872
Compensation for loss of office	135,979	-
	<u>1,164,870</u>	<u>1,003,942</u>
Highest paid director	<u>183,796</u>	<u>181,553</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

6. Staff costs

	2006	2005
	£	£
Wages and salaries	6,248,549	5,706,750
Social security costs	742,772	646,594
Other pension costs	292,222	205,165
	<u>7,283,543</u>	<u>6,558,509</u>

Average number of employees in the group:

	2006	2005
	No.	No.
Central	14	13
Tax protection	47	43
Legal expenses insurance and after the event services	53	57
Legal services centre	71	67
	<u>185</u>	<u>180</u>

7. Taxation

(a) Analysis of charge in the year

	2006	2005
	£	£
Corporation tax charge at 30% (2005: 30%)	353,737	2,016,024
Deferred tax	1,475,583	(42,763)
	<u>1,829,320</u>	<u>1,973,261</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

7. Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities	6,612,296	6,425,954
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005: 30%)	1,983,689	1,927,786
Effects of:		
Non taxable income	(104,373)	-
Expenses not deductible for tax purposes (Accelerated capital allowances)/depreciation in excess of capital allowances	68,716	41,077
Income taxable on remittance to the UK	(8,907)	28,771
Other timing differences	(873,342)	-
Prior year adjustments	8,579	18,390
	(720,625)	-
Current tax charge for the year (see (a) above)	<u>353,737</u>	<u>2,016,024</u>

8. Dividends

	2006 £	2005 £
Preference dividend:		
Fixed cumulative dividend on 6% irredeemable preference shares	52,458	52,458
Ordinary dividend:		
Final dividend for the twelve month period ended 31 December 2006 of £nil per share (31 December 2005 of £7.25 per share)	-	500,000
	<u>52,458</u>	<u>552,458</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

9. Fixed asset investments

Company	Shares in group under- takings £
At 31 December 2005	4,372,535
Transfer	(200,353)
	<hr/>
At 31 December 2006	4,172,182
	<hr/> <hr/>

Subsidiaries held directly by the company:	Country of incorporation and operation	Nature of business	Ordinary shares held
Abbey Legal Holdings Limited	England	Holding company	100%
Abbey Legal Protection Limited	England	Insurance intermediary	100%
Abbey Tax Protection Limited	England	Sale of tax protection insurance products	100%
Ibex Reinsurance Company Limited	Guernsey	Reinsurance company	100%

In the directors' opinion, the aggregate value of these investments is not less than the amounts at which those assets are included in the balance sheet.

Abbey Legal Holdings Limited, Abbey Legal Protection Limited and Abbey Tax Protection Limited were dormant throughout the year.

10. Intangible fixed assets

Group & Company	Goodwill £
Cost	
At 31 December 2005 and 31 December 2006	1,045,318
	<hr/>
Amortisation	
At 31 December 2005	200,353
Charge for the year	104,532
	<hr/>
At 31 December 2006	304,885
	<hr/> <hr/>
Net book value	
At 31 December 2006	740,433
	<hr/> <hr/>
At 31 December 2005	844,965
	<hr/> <hr/>

The goodwill arising from the acquisition is being amortised over a period of 10 years, being the estimated useful life.

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

11. Tangible fixed assets

Group and Company	Leasehold Property	Motor Vehicles	Computer Equipment	Furniture & Equipment	Total
	£	£	£	£	£
Cost					
At 31 December 2005	86,473	119,526	605,600	562,400	1,373,999
Additions in the period	3,470	146,203	216,754	76,266	442,693
Disposals in the period	-	-	(77,966)	(9,400)	(87,366)
At 31 December 2006	<u>89,943</u>	<u>265,729</u>	<u>744,388</u>	<u>629,266</u>	<u>1,729,326</u>
Depreciation					
At 31 December 2005	18,842	20,418	404,568	242,504	686,332
Charge for the year	11,546	47,125	113,832	89,757	262,260
Written back on disposal	-	-	(77,795)	(7,569)	(85,364)
At 31 December 2006	<u>30,388</u>	<u>67,543</u>	<u>440,605</u>	<u>324,692</u>	<u>863,228</u>
Net book value					
At 31 December 2006	<u>59,555</u>	<u>198,186</u>	<u>303,783</u>	<u>304,574</u>	<u>866,098</u>
At 31 December 2005	<u>67,631</u>	<u>99,108</u>	<u>201,032</u>	<u>319,896</u>	<u>687,667</u>

12. Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
<i>Due within one year</i>				
Trade debtors	12,127,316	10,571,699	7,857,778	7,496,640
Other taxes and social security	-	1,440	-	1,440
Other debtors	2,187,302	1,636,637	2,186,289	1,619,918
Prepayments	237,017	844,546	237,017	276,042
	<u>14,551,635</u>	<u>13,054,322</u>	<u>10,281,084</u>	<u>9,394,040</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

13. Investments (Group)

	Market Value		Historical Cost	
	2006 £	2005 £	2006 £	2005 £
Sterling Bonds	995,336	-	995,348	-
Certificates of Deposit	16,546,578	-	16,565,889	-
	<u>17,541,914</u>	<u>-</u>	<u>17,561,237</u>	<u>-</u>

14. Deferred tax

	Group	Group	Company	Company
	2006 £	2005 £	2006 £	2005 £
Accelerated capital allowances	(5,821)	33,131	(5,821)	33,131
Non taxable income	(1,445,156)	-	-	-
Other timing differences	18,157	9,632	18,158	9,632
	<u>(1,432,820)</u>	<u>42,763</u>	<u>12,337</u>	<u>42,763</u>

15. Creditors: Amounts falling due within one year

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Bank overdraft	-	5,842	-	5,842
Trade creditors	22,900,622	22,027,387	8,948,234	9,454,880
Amounts owed to group undertakings	-	-	984,612	984,615
Corporation tax	330,231	1,486,222	330,231	1,486,222
Other taxes and social security	326,685	324,860	326,685	324,860
Accruals and deferred income	7,577,557	5,471,349	7,167,278	5,383,308
Hire purchase contracts	48,322	27,182	48,322	27,182
Other creditors	173,058	113,691	173,058	113,691
Dividends payable	52,458	52,458	52,458	52,458
Interest payable	30,272	30,272	30,272	30,272
	<u>31,439,205</u>	<u>29,539,263</u>	<u>18,061,150</u>	<u>17,863,330</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

16. Creditors: Amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Hire purchase contracts	166,041	89,725	166,041	89,725
Redeemable preference shares	504,525	504,525	504,525	504,525
	<u>670,566</u>	<u>594,250</u>	<u>670,566</u>	<u>594,250</u>

The Company 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. The redeemable preference shares were issued in 2004. The redeemable preference shares are presented as a liability and are accordingly excluded from called-up share capital in the balance sheet.

17. Share capital

	2006	2005
	£	£
Authorised		
<i>Equity shares:</i>		
49,676 (2005 - 49,676) "A" ordinary shares of 1p each	497	497
20,698 (2005 - 20,698) "B" ordinary shares of 1p each	207	207
862,047,126 (2005 - 862,047,126) undesignated ordinary shares of 1p each	8,620,471	8,620,471
<i>Preference shares (non voting)</i>		
874,300 (2005 - 874,300) 6% irredeemable preference shares of £1 each	874,300	874,300
	<u>9,495,475</u>	<u>9,495,475</u>
	2006	2005
	£	£
Issued, allocated and fully paid		
<i>Equity shares:</i>		
49,676 (2005 - 49,676) "A" ordinary shares of 1p each	497	497
20,698 (2005 - 20,698) "B" ordinary shares of 1p each	207	207
<i>Preference shares (non voting)</i>		
874,300 (2005 - 874,300) 6% irredeemable preference shares of £1 each	874,300	874,300
	<u>875,004</u>	<u>875,004</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

18. Reconciliation of movement in shareholders' funds

	Share capital £	Share premium £	Merger reserve £	Profit and loss account £	Share- holders' funds £
Group					
Balance at 31 December 2005	875,004	104,038	402,565	5,600,767	6,982,374
Profit for the year	-	-	-	4,782,976	4,782,976
Preference dividends paid	-	-	-	(52,458)	(52,458)
Balance at 31 December 2006	<u>875,004</u>	<u>104,038</u>	<u>402,565</u>	<u>10,331,285</u>	<u>11,712,892</u>
Company					
Balance at 31 December 2005	875,004	104,038	402,565	3,711,968	5,093,575
Profit for the year	-	-	-	3,073,616	3,073,616
Preference dividends paid	-	-	-	(52,458)	(52,458)
Balance at 31 December 2006	<u>875,004</u>	<u>104,038</u>	<u>402,565</u>	<u>6,733,126</u>	<u>8,114,733</u>

19. Reconciliation of operating profit to net cashflow from operating activities

	2006 £	2005 £
Reconciliation of operating profit to net cashflow from operating activities:		
Operating profit	6,612,296	6,425,954
Interest receivable	(1,047,665)	(740,648)
Interest payable	30,272	60,376
Loss on sale of assets	2,002	60,664
Depreciation and amortisation	366,792	357,943
(Increase)/decrease in work in progress	(17,420)	60,885
(Increase) in debtors	(1,497,313)	(1,648,901)
Increase in creditors	3,138,091	4,401,195
Net cash inflow from operating activities	<u>7,587,055</u>	<u>8,977,468</u>

20. Reconciliation of Net Funds

	2006 £	2005 £
Net funds at beginning of year	22,377,656	15,540,695
Increase in net funds	6,599,569	6,836,961
Net funds at end of year	<u>28,977,225</u>	<u>22,377,656</u>

Abbey Protection Group Limited

Notes to the accounts Year ended 31 December 2006

21. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 in respect of transactions with group companies included within the consolidated accounts of the ultimate holding company.

O A Hemsley is a director of Numis Corporation plc which is the holder of 20,698 (2005 - 20,698) Ordinary shares.

C Davison, C Ward and A F Green are also directors of Abbey Legal Holdings Limited. C Ward, A F Green, R H Candy and M S C Fairclough are also directors of Abbey Legal Protection Limited. C Davison, E A Grace and A F Green are also directors of Abbey Tax Protection Limited. C Davison and C Ward are also directors of Ibex Reinsurance Company Limited.

22. Operating lease commitments

At 31 December 2006 the group had the following annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Operating leases which expire:				
Within one year	373	-	7,936	1,026
Between two and five years	360,422	80,008	79,052	78,375
After more than five years	-	215,762	-	-
	<u>360,795</u>	<u>295,770</u>	<u>86,988</u>	<u>79,401</u>

23. Hire purchase commitments

At 31 December 2006 the company was committed to making the following payments under hire purchase contracts:

	Motor vehicles	
	2006	2005
	£	£
The group has hire purchase commitments as follows:		
Within one year	48,322	27,182
Between two and five years	166,041	89,725
After more than five years	-	-
	<u>214,363</u>	<u>116,907</u>

24. Contingent liabilities

Barclays Bank Plc has issued an irrevocable standby letter of credit in respect of Brit Insurance Limited for £1,000,000 (2005 - £1,000,000) in connection with the insurance activities of Ibex Reinsurance Company Limited. This is secured on its bank balances.