



***A leading provider of support services for the insurance industry***

**Year end results to 31 December 2007**

**April 2008**

# Presentation Team

Rupert Robson

Chairman

John Rowe

Chief Executive

Damian Ely

Chief Operating Officer

George Fitzsimons

Finance Director

# Background

# Principal Activities

## **Management Division**

Mutual management and development, Investment management, captive management, risk consultancy

## **Adjusting Division**

Energy, Aviation, Non-marine and Marine (including Average) adjusting

## **Run Off Division**

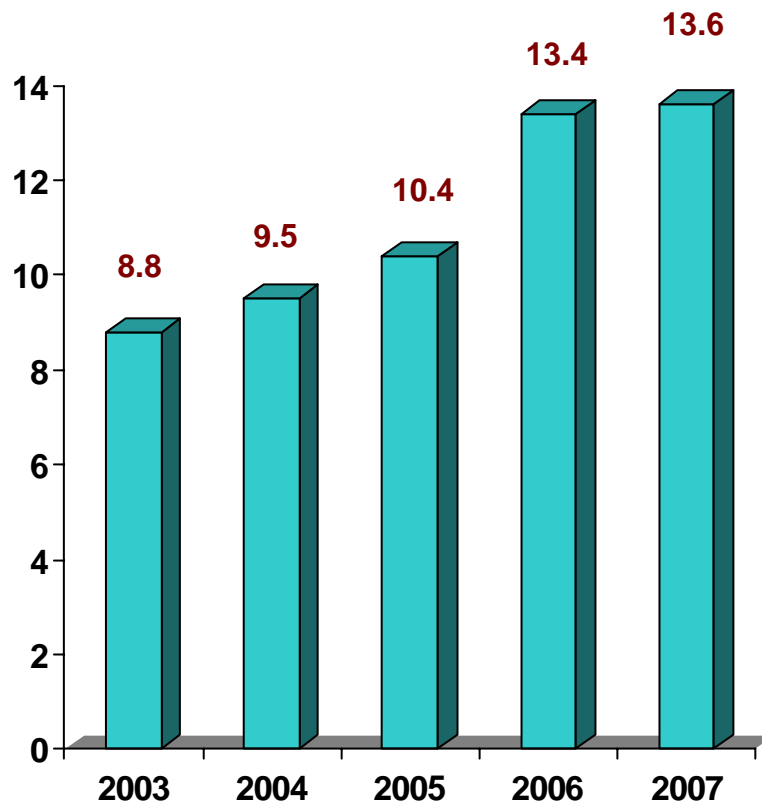
Acquisition and management of insurance companies in run-off and life consolidation

# Financial Highlights

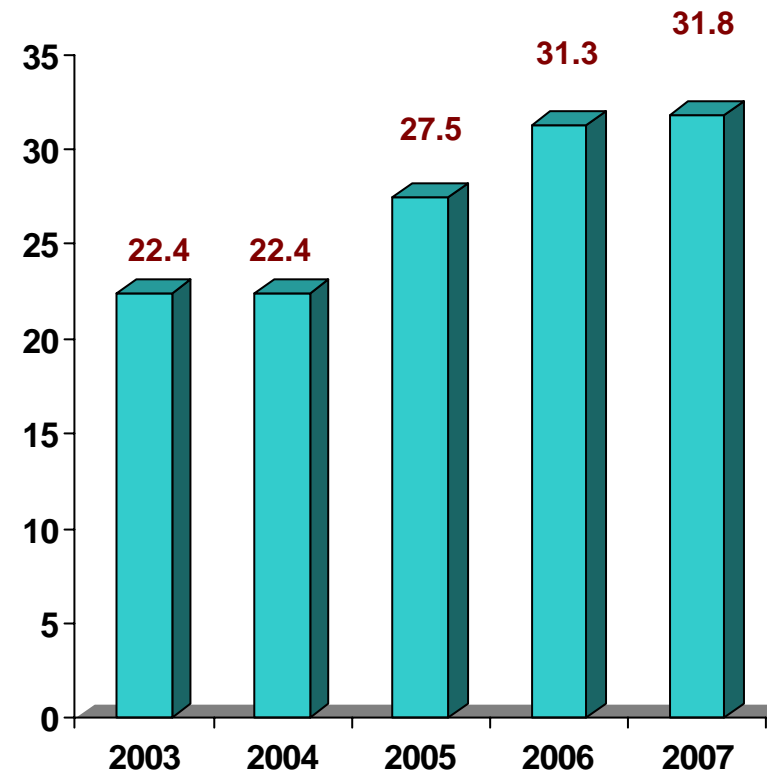
	<b>2007</b>	<b>2006</b>
Revenue up 3%	£81.5m	£79.1m
Profit before tax up 1% (note 1)	£13.6m	£13.4m
Profit after tax up 4% (note 1)	£12.9m	£12.4m
EPS up 1% (note 1)	31.8p	31.3p
EPS (unadjusted) down 34%	18.5p	28.1p
Net debt down 14%	£30.7m	£35.5m
Full year dividend up 10%	13.20p	12.00p

*Note 1: PBT, PAT and EPS are adjusted for goodwill and acquired customer relationship intangible amortisation.*

# Track Record – PBT and EPS



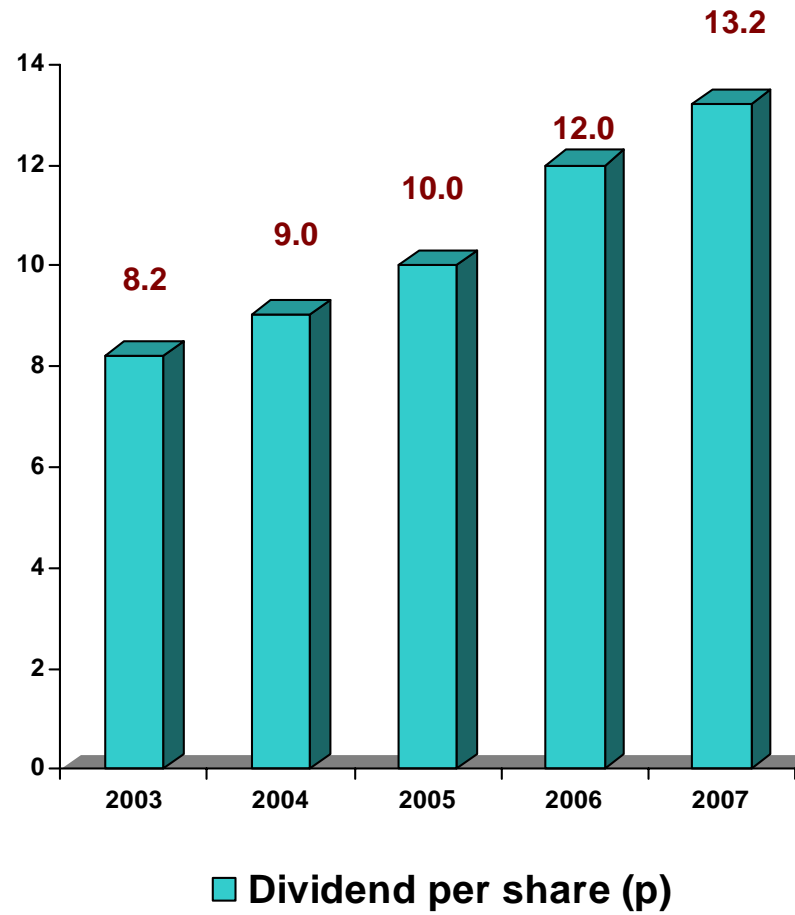
■ Profit before tax (£m)



■ Earnings per share (p)

*\*2003-2004 restated due to UITF38 and IFRS; PBT and EPS stated before goodwill and acquired customer intangible amortisation*

# Track Record – Dividend



# **Operational Review**

- Standard Club 10% tonnage growth at renewal;  
increase in Standard Asia and offshore book
- Signal Payrolls - Shipyards/offshore growth offset stevedores
  - New business (West Coast)
  - TRIA renewal (2014)
- Non-marine Mutuals LAML/FRAML – new member growth  
CARML – on track for early 09  
Cover holder development
- Captive Management CTC Allegro Bermuda integration  
Develop US client network

# Adjusting Division

- Consolidation under Charles Taylor adjusting brand
  - Aviation: Revenue slower growth  
US light aviation claims down  
Management transition
  - Energy: Increased revenues  
US tornado loss/Mexico rig damage  
Australia mining losses
  - Marine: Performed well overall  
Build on Asian success
  - Non-marine: Very good results  
Financial institution/IT related losses

## Isle of Man

- Good performance from LCLI, 2006 consolidation benefits not repeated, strong cash flow
- New contract for major Japanese Life insurer
- Investment in IT infrastructure (policy administration)

## Property & Casualty

- Bestpark favourable premium adjustments and outsource expense reductions
- £1.1m dividend from Associated International Insurance (Bermuda)
- Pricing constraint on new deals
- Utilization of tax losses

# Financial Review

£m	2007	2006
<b>Revenue</b>	<b>81.5</b>	<b>79.1</b>
Expenses (note 1)	(66.6)	(64.0)
Associates and JVs	0.2	0.3
<b>Profit from operations (note 1)</b>	<b>15.1</b>	<b>15.4</b>
Finance income	1.5	1.1
Finance costs	(3.0)	(3.1)
<b>Profit before tax (note 1)</b>	<b>13.6</b>	<b>13.4</b>
Tax	(0.7)	(1.0)
<b>Profit after tax (note 1)</b>	<b>12.9</b>	<b>12.4</b>

*Note 1: adjusted for goodwill and acquired customer relationship intangible amortisation of £5.27m (2006: £1.24m)*

*Note 2: revenue £83.2m at 06 exchange rates and PBT £14.2m*

# Divisional Results

£m	Revenue		Result	
	07	06	07	06
Management	36.1	35.4	6.8	8.0
Adjusting	37.5	35.4	5.0	5.0
Run-off services	6.2	8.4	0.8	1.0
Insurance	5.6	5.5	1.7	1.0
Intercompany eliminations	(3.9)	(5.6)	-	-
<b>Total</b>	<b>81.5</b>	<b>79.1</b>	<b>14.3</b>	<b>15.0</b>

# Management Division Profitability

	<u>Var vs 06</u>
• Signal USD impact	(£0.3m)
• One off investment income from IoM life operations in 2006, not replaced by new contracts in 2007	(£0.6m)
• Divisional overheads	(£0.3m)

# Cash Flow

£m	2007 FY	2007 H1	2006 FY
<b>Operating cash flow (note 1)</b>	11.5	4.6	18.9
<b>Net capex (tangible/ intangible)</b>	(0.8)	(0.4)	(1.8)
<b>Interest receivable</b>	0.7	0.3	0.7
<b>Total</b>	11.4	4.5	17.8

*Note 1: Excluding movement in client monies*

# Cash Flow

£m	2007 FY	2007 H1	2006 FY
Operating cash flow (note 1)	11.5	4.6	18.9
Interest received	0.7	0.3	0.7
Dividends	(5.0)	(3.0)	(4.1)
Acquisitions & disposals	(1.6)	0.4	(5.3)
Financing	(6.4)	(2.2)	(5.5)
Capex	(0.8)	(0.4)	(1.8)
FX	(0.1)	-	(1.0)
Other	0.2	(0.1)	1.5
Net increase/(decrease) in cash	<b>(1.5)</b>	<b>(0.4)</b>	<b>3.4</b>
Cash and equivalents b/f (note 1)	10.1	10.1	6.7
Cash and equivalents c/f (note 1)	<b>8.6</b>	<b>9.7</b>	<b>10.1</b>

*Note 1: Excluding movement in client monies*

# Balance Sheet

£m	2007	2006
Goodwill	34.7	38.7
Intangibles	11.3	10.6
Deferred tax	3.2	6.3
Other fixed assets	5.6	5.7
	<hr/>	<hr/>
	<b>54.8</b>	<b>61.3</b>
Insurance assets	284.3	325.0
Other current assets	83.2	75.8
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<b>Total assets</b>	<b>422.3</b>	<b>462.1</b>
Insurance liabilities	(275.1)	(312.0)
Other current liabilities	(64.1)	(59.3)
	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	<b>83.1</b>	<b>90.8</b>
Non-current loans	(20.5)	(26.3)
Pension liabilities	(9.6)	(19.6)
Other non-current liabilities	(7.5)	(9.5)
	<hr/>	<hr/>
<b>Net assets</b>	<b>45.5</b>	<b>35.4</b>

# Other Financial Highlights

- Net debt £30.7m, £4.8m lower than 31/12/06
- Pensions deficit reduced by £10.0m since 31/12/06:
  - Bond yield 6.1% at 31/12/07 vs 5.3% at 31/12/06
  - Investment returns increased scheme assets by £5.6m
  - Employer contributions £650k higher than 2006
  - Statutory funding objective agreement with Richards Hogg trustees

- Expected continued US\$ weakness (average rate 2008 to date \$1.98)
- Pre-tax figures will be influenced by ability to complete run-off or other acquisitions
- Environment for run-off acquisitions improving, but timing still uncertain
- Interest: lower debt principal offset by higher average interest rate (NB approximately 50% capped)
- Tax:
  - Estimated 15% charge on current year profits
  - More tax credit to come 2008

# Strategy & Outlook

## **Organic growth**

### Management division

- Expand presence in the UK public sector
- Develop cover holder

### Adjusting division

- Continued growth in specific market sectors

### Run-off division

- IoM service for life markets
- London market consultancy services

## **Acquisitions**

### Management division

- Develop captive management business
- Expansion in the Americas

### Adjusting division

- Will consider if fill specific gaps in services

### Run-off division

- Will only be completed if value enhancing for CTC shareholders

# Outlook

## Management Division

- Standard and Signal – Strong market position
- UK public sector – promising but complex
- Develop new cover holders

## Adjusting Division

- CTa management structure finalised
- CTa move into one London office by end of April
- Reasonable level of new losses

## Run off Division

- Reviewing various opportunities
- Early signs market outlook may be improving

# **Business Appendices**

<b>1870/80s</b>	Charles Taylor established as a partnership
<b>1884</b>	Sets up first mutual, the Standard P&I Club
<b>1900s</b>	Focus on management of mutual insurance companies for shipowners
<b>1969</b>	P&I moves to Bermuda
<b>1970s</b>	Starts developing other mutuals in the marine, workers' compensation and non-marine fields
<b>1996</b>	Floated on the London Stock Exchange
<b>1997</b>	Entered Adjusting sector
<b>2005</b>	Entered Run-off sector

## Executive

**John Rowe**

**Group Chief Executive**

**Damian Ely**

**Group Chief Operating Officer**

**George Fitzsimons**

**Group Finance Director**

**Alistair Groom**

**Executive Director**

**Joe Roach**

**Executive Director**

## Non-Executive

**Rupert Robson**

**Chairman**

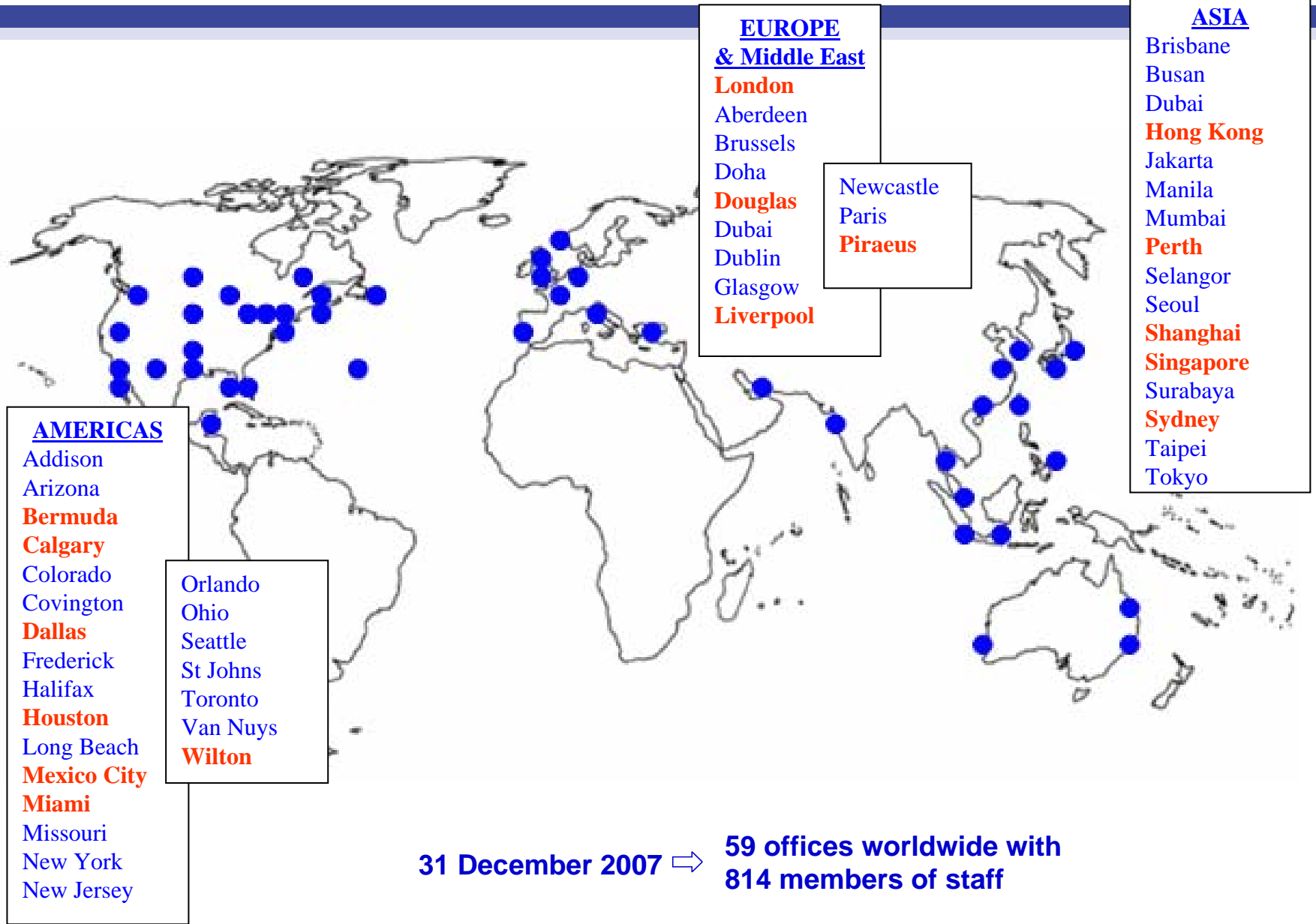
**Judith Hanratty**

**John Howes**

**Michael Knight**

**Richard Titley**

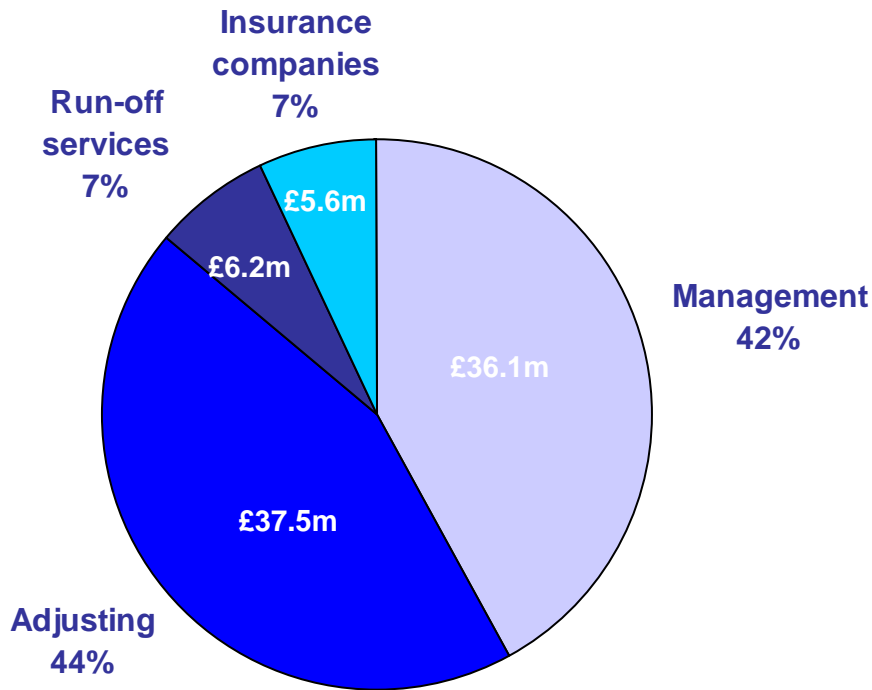
# Global Offices



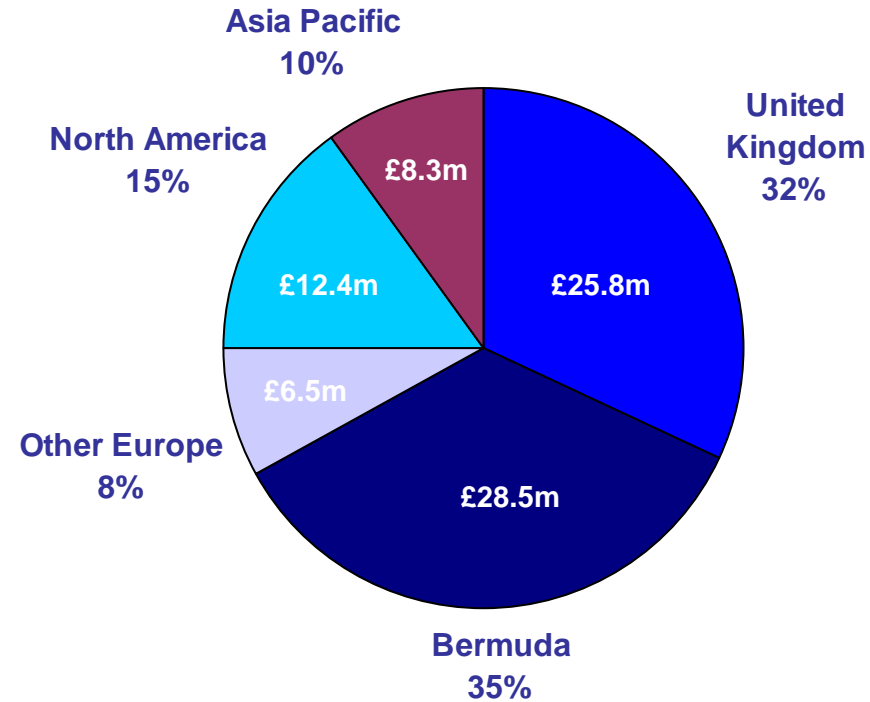
31 December 2007 ⇒ 59 offices worldwide with 814 members of staff

# Segmental Analysis

### 2007 Business Segment revenue



### 2007 Geographical Segment revenue



Note : revenue by business segment is before intercompany eliminations

# Acquisition history

Date	Name	Division	Consideration (cash element)	Consideration (share element)
2007	• Allegro	Management	£2.3m cash Earnout £0.5m cash	-
2006	• MGI Loss Adjusters • Premium Life • Vertex Administration	Adjusting Run-off Run-off	Earnout up to £0.6m cash £0.2m cash Earnout up to £0.3m cash	£1.5m shares - -
2005	• LCL Group and LCL Acquisitions	Run-off	£21.5m cash	£6.9m shares plus earnout shares and loan notes up to £15m
2004	• Bateman Chapman Limited	Adjusting	£18.9m cash	-
2001	• ULM • Resolve International	Adjusting	£5.6m cash £3.0m cash	- £2.0m shares
2000	• LAD (Aviation) Limited	Adjusting	£2.6m cash	£0.5m shares
1999	• Rush Johnson Associates • Hutchins Moore	Adjusting Adjusting	£4.1m cash	£1.8m shares £0.4m shares
1998	• INDECS Limited	Adjusting	£2.1m cash and loan notes	£0.9m shares
1997	• Richards Hogg Group Limited	Adjusting	£2.8m cash and loan notes	£6.3m shares

# Financial Appendices

# Cash Flow from operations

£m	2007 FY	2007 H1	2006 FY
Profit from operations (note 1)	8.2	5.0	13.2
Depreciation	1.3	0.6	1.3
Intangible amortisation	5.7	1.9	1.4
Receivables (increase)/decrease	(2.8)	(2.3)	2.4
Payables (decrease)/increase (note 2)	(2.1)	2.2	0.5
Other non-cash	(1.6)	(1.0)	(0.8)
Tax	(0.8)	(0.4)	(0.8)
Interest	(3.0)	(1.4)	(3.1)
Dividends from insurance companies	6.6	-	4.8
<b>Net cash flow from operations (note 2)</b>	<b>11.5</b>	<b>4.6</b>	<b>18.9</b>

*Note 1: Excl. insurance companies*

*Note 2: Excl. client funds*

# Cash Flow – receivables / payables

	£m	
<b>WIP</b>	(3.9)	Energy, Marine
<b>Net trade debtors</b>	0.9	Inflow from Energy, Marine
<b>Owed by insurance companies</b>	0.8	Farway invoices now paid
<b>Other debtors</b>	(0.6)	Project Milan and other prepayments timing differences
<b>Total receivables</b>	<b>(2.8)</b>	Increase in receivables
<b>Loans from insurance companies</b>	(1.9)	LCLI, now converted to dividend
<b>Other creditors</b>	(0.2)	Sundry items
<b>Total payables</b>	<b>(2.1)</b>	Decrease in payables

# Net debt

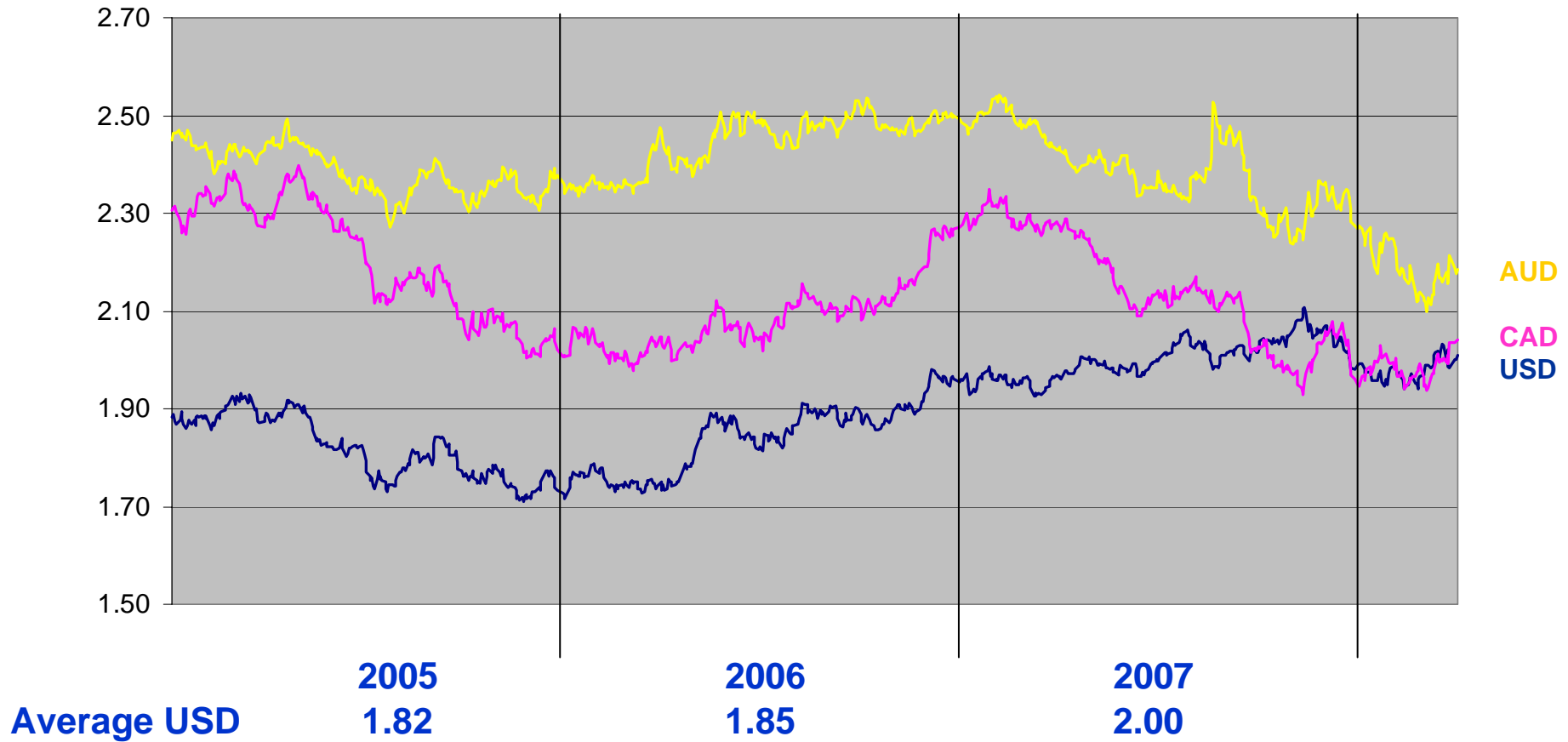
£m	31.12.07	31.12.06	Movement
Cash and cash equivalents	35.3	30.9	4.4
Less: Client funds	(26.7)	(20.8)	(5.9)
	<b>8.6</b>	<b>10.1</b>	<b>(1.5)</b>
Overdrafts/ current loans	(17.9)	(18.9)	1.0
Non-current loans	(20.5)	(26.3)	5.8
Other	(0.9)	(0.5)	(0.4)
Net debt	<b>(30.7)</b>	<b>(35.6)</b>	<b>4.9</b>

£m	2007	2006
UK @ 30%	2.7	1.8
Overseas	1.1	0.5
Deferred tax	(4.2)	(1.1)
PYAs	1.0	(0.3)
Associates/JVs	0.1	0.1
Total	0.7	1.0
Effective tax rate	8.0%	8.6%
Underlying current year tax rate (note 1)	29.0%	18.4%
Underlying current year trading tax rate (note 2)	13.9%	9.3%

*Note 1: after reallocating prior year adjustments*

*Note 2: as note 1 and excluding tax on dividend receipts from offshore*

# Foreign exchange impact



This presentation contains certain forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations and other changes in business conditions; the actions of competitors and other factors.