

For immediate release
14 November 2008
Charles Taylor Consulting plc

INTERIM MANAGEMENT STATEMENT

Charles Taylor Consulting plc (“CTC”) today issues its interim management statement for the period from 1 July 2008 to 31 October 2008, in accordance with the UK Listing Authority’s Disclosure and Transparency Rules.

Current Trading

Current trading remains in line with management’s expectations.

Management Division (42% of revenue ytd)

Despite the fact that the principal members of the Standard P&I Club and Signal are ship-owners, charterers, shipyards and terminals, all of whose operations have been impacted by the precipitous drop off in world economic activity, these CTC-managed mutuals are well founded and play a vital part in their members’ affairs. The members of our client mutuals need insurance as part of their ongoing certification requirements for their businesses around the world. At a time when concentration on cost reduction is paramount, the purchase of insurance at cost through a non profit making mutual insurance structure therefore becomes even more attractive. We therefore believe that both mutuals are well placed to continue with the measured growth which their financial strength and superior service levels have seen them achieve in recent years.

As we have advised previously, it is still unclear to what extent public authorities are able to implement the UK Government’s Shared Services Agenda by creating additional insurance mutuals (which would provide significant additional opportunities for CTC). Although the Fire & Rescue Authority Mutual (insignificant in profit terms) has ceased operating, the recent decision of the European Court of Justice in Coditel Brabant is helpful on procurement. We remain of the opinion that clarification of the legal position of local authorities by the Court of Appeal in the first half of 2009 will facilitate the further expansion of the London Authorities Mutual and the creation of other public sector mutuals.

Adjusting Division (48% of revenue ytd)

The consolidation of all our adjusting businesses into one brand and, in particular, the establishment of a single office for all our London based adjusters, continues to produce revenue benefits. We have found in the past that claims against insurers often rise in a recession, which should add to the ongoing demand for the services provided by our adjusting division during the current economic downturn. A number of our adjusting offices received notable instructions as a result of hurricanes Gustav and Ike and, in the longer term, should benefit from a continuance of severe weather related and substantial complex liability events.

Capacity constraints are being addressed with additional recruitment. We are also continuing to look for further acquisitions which broaden the group’s capabilities and enhance earnings.

Run-off Division (10% of revenue ytd)

Non-life and Run-off Services

The two recent acquisitions of insurance companies in run-off, Santam Europe Limited and Westminster Motor Insurance Association Limited, are performing to plan and are expected to enhance earnings. Other revenues have been declining as expected, both because of limited market activity and because the level of administration work performed for Bestpark International Limited, which continues to run off at a narrow margin of solvency, has reduced as claims are settled and activity reduces.

£6.5m of goodwill was allocated to the Run-off Services business unit at 30 June 2008. Whilst every effort is being made to secure new sources of revenue and minimise costs in the business, the carrying value of goodwill will need careful review at the year end as the margin of error is reducing. If it is decided to recognise goodwill impairment, it will be non-cash, exceptional and non-recurring in nature.

The run-off division should, in the medium term, benefit from the withdrawal of those capital providers, principally hedge funds, whose desire to participate in this sector led to acquisition pricing reaching levels which CTC regards as both unsustainable and uneconomic.

Life

LCL International Life Assurance Company Limited ("LCLI") inevitably continues to be affected by equity market falls. As LCLI's fees depend significantly on the value of funds under management, the intangible asset representing the value of future profits (the "Value of Business Acquired" or "VOBA") is being further impaired (a non-cash effect) in the second half of the year. Since LCLI needs to maintain a prudent level of free assets above its regulatory capital requirement, the reduction in the value of its investments also requires it to retain its cash for the time being, thereby reducing cash flow to the CTC group. This is not expected to have a material adverse impact on the business overall.

New banking facilities – increased and extended to 2013

The group has agreed terms in principle for new banking facilities with the Royal Bank of Scotland and HSBC on a joint syndicated or 'club' basis, which have been approved by both banks subject to documentation and certain conditions precedent to drawdown. The new facilities total £45m and provide some £15m of additional debt capacity to the group. As well as providing extra headroom, the facilities will provide more flexibility for CTC to address acquisitions or other business opportunities. The group has decided to secure these facilities now to avoid the risk that future economic conditions make credit harder and more expensive to obtain. Further details are provided in note 5 below.

Foreign exchange – Positive effect of dollar/sterling exchange rate

The weakness of Sterling relative to the US Dollar is having an increasingly favourable translation effect on the group's US Dollar profits, with the 2008 average rate now 1.91 compared to 2.00 for the 2007 full year. Whilst the effects of the exchange rate in 2008 will be limited by hedges contracted at rates between 1.80 and 2.00, if Sterling remains at present levels of around 1.50 the overall effect on the group is expected to be beneficial in 2009. It continues to be group policy to hedge a proportion of future foreign exchange exposure.

Pensions

Recent sharp reductions in equity market values will have impacted the value of the group's pension scheme assets, although the effect on the overall scheme deficits is currently being partially mitigated by the lower valuation of liabilities caused by higher corporate bond yields. The actuarial valuation for the group's largest pension scheme (Charles Taylor and Co Ltd Retirement Benefit Scheme) was agreed with trustees in September 2008 and the actuarial valuation for the other major scheme (Richards Hogg Pension & Life Assurance Scheme) is expected to be agreed between May 2009 and August 2010.

Outlook

The Directors of CTC believe that CTC is well positioned to weather the current economic storms and deliver growing shareholder value. It remains a cash generative business with demand for its core adjusting and insurance management services, which constituted 90 percent of its revenues in the year to date, expected to prove robust into 2009 and beyond. Our withdrawal from the management of discretionary mutuals and reducing exposure to the US general aviation loss adjusting market, mean the group has a solid base from which to expand. Whilst the prospects for our run-off operations are more difficult to gauge, the reduced availability of debt in current markets and the additional capital requirements of the upcoming Solvency II regulations should cause insurers to focus more closely on optimising their balance sheets by disposing of redundant operations into the run-off market. We also anticipate that this may lead to a more realistic pricing environment in due course.

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NOTES TO EDITORS

1. CTC provides management and insurance-related services to both buyers of insurance and insurance companies. The group's activities are subject to the insurance cycle, albeit in different ways. Further information on the group can be found at www.charlestaylorconsulting.com.
2. CTC expects to release its next trading update in February 2009 and intends to announce its preliminary results for the year ending 31 December 2008 on 30 March 2009.
3. This statement is based on information sourced from management accounts.
4. Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect the Group's current expectations concerning future events and actual results may differ materially from current expectations or historical results.

5. The new banking facilities agreed in principle make available £45m for a five year term in the form of a £25m loan and a £20m revolving credit facility. The revolving credit facility is not expected to be fully drawn initially. Minimum loan repayments will be £3.0m pa (i.e. at least £15.0m over the term), in place of £7.6m pa on the current UK loans, which have been fully amortising. Lending margins will generally be 50 basis points above the levels in existing facilities and vary depending on gearing (debt: EBITDA).

6. To illustrate the impact of the US Dollar exchange rate on trading results, the 2007 full year operating profit would have been £0.3m higher if translated at 1.91 rather than at 2.00. It has previously been reported that the 2008 results from Signal in the USA will be affected by the departure of a major member from the mutual, partially offset by new business.