



CHARLES TAYLOR CONSULTING plc
Interim Report 2007

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Head office
Essex House
12-13 Essex Street
London WC2R 3AA
Tel: +44 (20) 7759 4955
Fax: +44 (20) 7759 4950
Email: headoffice@ctcplc.com
Website: www.charlestaylorconsulting.com

Financial Highlights

	Note	Six months to 30 June 2007	Six months to 30 June 2006	Increase/ (Decrease)
Revenue		£40.7m	£38.6m	5%
Profit before tax – adjusted	1	£6.7m	£6.3m	7%
Profit after tax – adjusted	1	£7.1m	£5.9m	20%
Earnings per share – adjusted	1	16.83p	15.02p	12%
Earnings per share – basic		12.43p	14.85p	(16%)
Dividend per share – interim	2	4.80p	4.36p	10%

1. Profit before and after tax shown in these financial highlights have been adjusted by £1.74m in total compared with the equivalent statutory figures (2006 – £0.07m). This relates to a goodwill charge of £1.67m arising under IFRS from the recognition of a deferred tax asset in respect of tax losses acquired with an insurance company subsidiary and a £0.07m charge for amortisation of acquired customer relationship intangibles (2006 – £0.07m). Statutory profit and statutory earnings per share are calculated after these adjustments and are shown on page 5.

2. The interim dividend of 4.80p is payable on 26 November 2007 to Shareholders on the register on 12 October 2007.

Chairman's Statement

First of all may I thank, on your behalf, all the employees of the company whose collective efforts have produced another set of good results.

Revenue increased by 5% to £40.7m and, after adjustment for goodwill and intangible charges, profit before tax rose by 7% to £6.7m. Profit after tax rose by 20% to £7.1m, as a result of a tax credit generated by the run-off division. Earnings per share rose 12% to 16.83p per share, which is lower than the increase in profit after tax owing to increased minority interests and more shares being in issue.

Over the period our rate of reported growth has been reduced by US Dollar weakness which has had a translation effect on both revenue and adjusted profit before tax; these would have been £42.0m and £7.0m respectively at constant exchange rates.

We believe that a weaker US Dollar is likely to be an ongoing factor and therefore will continue to take steps to minimise its impact. The group has substantial operations in the United States and thus significant dollar costs as well as dollar borrowings; both of these together with dollar hedging provide some mitigating effect.

The group's strong cash flow continues to reduce net debt levels, which at £32.9m are now £9.3m lower than June 2006 and £2.7m lower than last year end. Pension liabilities of £12.0m are also well below previous levels (£19.6m last year end) as a result of investment performance and higher bond yields.

An interim dividend of 4.80p per share (2006 – 4.36p) an increase of 10%, has been declared and will be paid on 26 November 2007 to shareholders on the register at the close of business on 12 October 2007.

Management Division

In light of the potential of this business where many opportunities exist and where we are uniquely placed, we have carried out a review of all our mutuals over the last few months, with a particular concentration on those operating outside the shipowners' protection and indemnity and workers' compensation areas. This has involved reviewing where best to deploy our resources and what additional investments are required to capitalise on the opportunities available.

Our conclusions involve, inter alia, focusing on expanding the significant presence we have established in the UK public sector where two new insurance mutuals have been created in the last five months and a decision to expand our operations further in the Americas through acquisition or otherwise. This is a region where we see great opportunities for the company and is of course one we already know well through our involvement with our two workers' compensation mutuals which operate in the US and Canada.

A first step has been the acquisition of Allegro, a management company, which is based in Bermuda and has a large number of US based clients for its segregated cell and captive insurance companies.

Adjusting Division

During the period under review we completed the process, started some time ago, of unifying all of our adjusting operations under the Charles Taylor Adjusting brand and putting in place a significantly more streamlined management structure. We have acquired eight firms of adjusters over the last ten years and it is pleasing to see their integration successfully completed. The benefits of this are already becoming apparent.

Run-off Division

Although no acquisitions were made by the run-off division during the period, new business, particularly involving the third-party life administration operations in the Isle of Man, had a favourable impact. With market prices being paid to acquire businesses remaining above the board's view of attractive levels, no acquisitions were completed.

There is cause for optimism, however, as recent events in the financial markets should lead to more realistic pricing. Furthermore, the implementation of the new capitalisation rules for reinsurers contained in the EU Solvency II directive are likely to result in a significant number of reinsurers being adversely affected and this will provide opportunities for the division.

Outlook and current trading

Overall the group's financial performance continues to develop in line with management's expectations, with some areas outperforming and thereby compensating to some extent for the lack of completed acquisitions by our run-off division. Whilst the run-off division continues to review acquisition opportunities, these will only be completed on terms which the board views as value-enhancing for CTC shareholders. Both new and existing mutuals show encouraging growth and the adjusting business has received a number of notable new instructions in recent times. The group has a strong market position in its key areas of operation. The adverse effect of a weakening US dollar continues to be a concern but overall there is much to be optimistic about.

John Rowe
Chairman

17 September 2007

Management Division

The largest business within the division involves the management of mutuals; it also includes investment management and our risk consulting business.

During the period, a review of all the mutuals managed by the group was undertaken but with a particular concentration on those operating outside the shipowners' protection and indemnity and workers' compensation areas.

Marine Mutuals

- The marine mutuals continued to perform well in the first half. The Standard Club increased its tonnage to 64m tons at the February renewal and since then some notable members have increased their fleets in the Club.
- Standard Asia and Standard London have also increased their tonnage.

Workers compensation Mutuals

- Signal, which covers US maritime related employees, reported payrolls which exceeded \$2.5bn on an annualised basis for the first time. Growth came particularly from the shipyard membership group but was also boosted by new members.
- At the Signal renewal on 1 October the success of Signal's safety initiative "Arrive Home Alive" and other loss preventions programs are likely to be reflected in members' renewal terms, however, this should be offset by payroll growth.

Capitalised Mutuals

Public Sector (UK)

- This year has seen the group start up two FSA authorised and fully capitalised insurance mutuals. These are the first insurance companies to be launched in the UK by the company since 1990.
- The London Authorities Mutual Limited (LAML) was launched in April of this year.
- On 1 September the Fire and Rescue Authorities Mutual (FRAML), a mutual for the English and Welsh Fire Authorities, commenced operations.

Discretionary Mutuals (UK)

The attraction of joining other like-minded and well-managed organisations saw the Livery Mutual grow during the period whereas within the newsagents and care homes sectors the more diverse membership and competition from commercial insurers saw membership drop or grow more slowly.

Discretionary Mutuals (Australia)

Both of our managed mutuals, Capricorn Mutual and Unimutual, prospered during the period with record premium levels in the former and a substantial new member joining the latter.

Adjusting Division

Charles Taylor Adjusting is one of the world's leading adjusters for the energy, aviation and marine markets, and also has a specialised and growing non-marine business.

The launch of the new Charles Taylor Adjusting brand has been well received by clients and benefits are already being seen in better coordination between the four product lines. Over time, this is expected to result in stronger growth and some cost efficiencies.

Energy – 43% of Adjusting Revenue (2006 – 41%)

The energy business was generally busy during the first half, with major claims handled by the UK office including offshore pipeline damage in the North Sea and Turkey, and platform fire damage in the Congo. The US business based in Houston received various new Gulf of Mexico physical damage claims and the Canadian business was appointed on a significant offshore business interruption claim. In Mexico, a refinery explosion claim in June will provide considerable additional work for the second half of the year. The Perth office remained busy with mining equipment losses as a result of the continued high level of activity in natural resource exploration in Western Australia.

Aviation – 25% of Adjusting Revenue (2006 – 26%)

The aviation business handled some notable Indonesian hull losses in the first six months. China remains a significant source of business, but new instructions were also received in Vietnam, Thailand and Korea. Considerable progress was made in developing the business in Mexico with the appointment on several airline accounts. In the US, the general aircraft aviation business continued to face difficulties but the recent appointment as the adjuster for a significant international airline catering account will provide additional work for the US business in particular. The aviation liability business also continues to grow with additional work coming from UK ground handling contracts together with French and Mexican Airports.

Marine – 21% of Adjusting Revenue (2006 – 23%)

The number of marine claims received in the first half year of 2007 exceeded those at the same point of 2006, but did not include any further large average adjusting losses that helped boost last year. The yacht adjusting business was considerably strengthened in the first half and this has already led to new instructions in the Mediterranean and Florida. In the Far East, Shanghai has continued its success and a restructuring of the Singapore office was completed. Singapore has been successful in obtaining several new instructions since then. After the half year, a major average adjusting claim was received from a Taiwanese shipowner, which is being handled by the Hong Kong office. The Taiwan office is also dealing with a large builder's risk claim.

Non-Marine – 11% of Adjusting Revenue (2006 – 10%)

Non-marine remained busy in the first half, particularly with the handling of various losses arising from the Buncefield explosion. Financial institution work also continues to develop and involved claims for European and Russian Banks. Progress has also been made in developing IT professional indemnity work, particularly in Scandinavia. Elsewhere overseas, the Miami office has continued to develop its business and further steps have been taken to strengthen the Middle East adjusting team. More recently a significant business interruption claim has been received as a result of the flooding in the UK during the summer.

Run-off Division

CTC's run-off businesses advise, manage and own insurance companies closed to new business in both Life and Non-life sectors.

Run-off Services

The run-off services businesses have continued to trade at a consistent level and have produced a similar profit to that achieved in the first half of 2006. The third party administration operation on the Isle of Man has continued to perform well, principally as a result of winning the contract to establish and manage a new reinsurance captive for a major Japanese life insurer. The number of policy administration systems in use is being rationalised to simplify operations, reduce cost and support future business development.

Business Review (continued)

Following a review of LCL Collections Limited, the debt recovery business acquired with the other LCL companies in December 2005, this company was sold to management in May 2007. Its disposal is not expected to have a material effect on the group's future financial results.

Property & Casualty Business

As anticipated, Bestpark International Limited's run-off is continuing steadily on a stable but narrow margin of solvency but produced a significantly better result than in the first half of 2006.

Life Business

Increasing interest rates, good investment performance and lower expense ratios meant a better than anticipated performance, although policy persistency was worse than expected in the period.

Results

Revenue for the six months to 30 June 2007 was £40.7m, 5% higher than in the equivalent period of 2006, and profit before tax was £6.7m, 7% higher than in 2006. As explained below, exchange rate movements reduced the reported revenue and profit when translated into Sterling.

Adjusted earnings per share were 16.83p (2006 – 15.02p), an increase of 12%.

Acquisitions

In July, the group acquired a Bermuda based management company known as Allegro. As well as enhancing CTC's existing captive management operations, the acquisition is expected to strengthen the potential for further business growth in Bermuda and Americas generally.

Dividends and earnings per share

The proposed interim dividend for 2007 is 4.80p (2006 – 4.36p), an increase of 10%. This will be paid on 26 November 2007 to shareholders on the share register at close of business on 12 October 2007.

Treasury

The group's main foreign currencies are US Dollar, Canadian Dollar and Australian Dollar. There has been a trend of increasing Sterling strength and US Dollar weakness since early 2006 and, although the exchange rate is at an unusual level by historic standards, this shows no sign of abating. There has been a similar trend in the Canadian Dollar, while the Australian Dollar has been more stable against Sterling. If the exchange rates applied in the accounts for the period to 30 June 2006 had prevailed during the current reporting period, revenue for the 6 months to 30 June 2007 would have been 3% higher and adjusted profit before tax would have been 6% higher. The businesses principally affected by these exchange rate movements are Signal mutual management and the adjusting businesses in North America and Mexico.

The group manages its exposure to foreign currency fluctuations and has a number of forward contracts and options in place. At best, these only average out exchange rate movements but they do provide more certainty over future cash flows than an unhedged approach.

Increasing UK interest rates have resulted in a higher interest charge than in 2006 in comparison to the level of borrowings, but the group's 5.5% interest rate cap, which covered over half of net borrowings at 30 June 2007, has mitigated the impact to some extent.

Free cash flow for the period of £4.5m represents 67% of adjusted profit from operations, compared to £3.5m and 46% in the first half of 2006. Free cash flow is defined as net cash from operating activities excluding movement in client monies, plus interest received less expenditure on acquisition of tangible and intangible assets plus disposal proceeds.

Taxation

The effective tax rate on current year profits is 14.9%, with an additional 4.4% relating to prior-year adjustments. Full UK tax relief is continuing during 2007 as a result of Bestpark International Limited's losses. The foreign tax burden has increased because of lower US tax deductions and growth in foreign profits generally. As in the 2006 full year, there is a significant deferred tax credit (£1.7m in the six months to 30 June 2007) arising from the value realised from tax losses.



John Rowe
Chief Executive



Damian Ely
Chief Operating Officer



George Fitzsimons
Finance Director
17 September 2007

Consolidated Income Statement

For the six months ended 30 June 2007

	Note	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Continuing operations				
Revenue		37,263	35,867	73,581
Revenue from insurance contracts acquired		3,979	4,140	8,059
Outward reinsurance premiums		(523)	(1,402)	(2,527)
Net revenue from insurance contracts acquired		3,456	2,738	5,532
Total revenue	2	40,719	38,605	79,113
Claims from insurance contracts acquired		(11,614)	(21,776)	(31,999)
Reinsurance recoveries		1,036	11,515	9,128
Expenses of managing insurance companies		(3,377)	(3,608)	(10,614)
Investment and other income from insurance activities		11,032	10,936	28,952
Net expenses and other income from insurance contracts acquired		(2,923)	(2,933)	(4,533)
Amounts written off goodwill		(1,676)	–	(1,100)
Administrative expenses		(30,785)	(28,708)	(59,567)
Share of results of associates		96	111	127
Share of results of joint ventures		148	132	139
Profit from operations		5,579	7,207	14,179
Investment and other income from non-insurance activities		800	551	1,091
Finance costs		(1,422)	(1,562)	(3,114)
Profit before tax		4,957	6,196	12,156
Income tax credit/(expense)	3	382	(374)	(1,041)
Profit for the period from continuing operations		5,339	5,822	11,115
Attributable to:				
Equity holders of the parent		4,939	5,755	11,027
Minority interest		400	67	88
		5,339	5,822	11,115
Earnings per share from continuing operations				
Basic (p)	5	12.43	14.85	28.14
Diluted (p)	5	12.37	14.75	27.96
Basic adjusted (p)	5	16.83	15.02	31.30
Diluted adjusted (p)	5	16.74	14.93	31.10

Consolidated Balance Sheet

At 30 June 2007

	Note	At 30 June 2007 £000	At 30 June 2006 £000	At 31 December 2006 £000
Non-current assets				
Goodwill		37,058	41,120	38,742
Intangible assets		10,546	11,723	10,617
Property, plant and equipment		3,868	4,166	4,160
Interests in associates		1,001	951	926
Interests in joint ventures		599	599	543
Investments		30	31	31
Deferred tax assets		3,768	5,396	6,299
		<u>56,870</u>	<u>63,986</u>	<u>61,318</u>
Current assets				
Total assets in insurance businesses		306,537	349,056	324,976
Trade and other receivables		46,988	49,714	44,834
Cash and cash equivalents		32,810	24,417	30,922
		<u>386,335</u>	<u>423,187</u>	<u>400,732</u>
Total assets		<u>443,205</u>	<u>487,173</u>	<u>462,050</u>
Current liabilities				
Total liabilities in insurance businesses		292,564	337,707	312,048
Trade and other payables		19,001	21,210	17,221
Tax liabilities		3,279	186	2,153
Obligations under finance leases		131	115	149
Bank overdrafts and loans	6	19,671	19,201	18,888
Client funds		23,068	17,473	20,790
		<u>357,714</u>	<u>395,892</u>	<u>371,249</u>
Net current assets		<u>28,621</u>	<u>27,295</u>	<u>29,483</u>
Non-current liabilities				
Bank loans	6	22,538	29,550	26,282
Retirement benefit obligation	10	11,963	16,592	19,609
Provisions		1,825	4,812	2,597
Obligations under finance leases		203	176	280
Deferred consideration – LCL acquisition		5,958	5,234	6,174
Deferred consideration – other		464	–	430
		<u>42,951</u>	<u>56,364</u>	<u>55,372</u>
Total liabilities		<u>400,665</u>	<u>452,256</u>	<u>426,621</u>
Net assets		<u>42,540</u>	<u>34,917</u>	<u>35,429</u>
Equity				
Share capital	7	400	397	397
Share premium account	7	29,649	28,701	28,824
Merger reserve		6,872	6,872	6,872
Capital reserve		662	662	662
Own shares		(233)	(238)	(211)
Retained earnings		4,101	(1,692)	(1,804)
		<u>41,451</u>	<u>34,702</u>	<u>34,740</u>
Equity attributable to equity holders of the parent		41,451	34,702	34,740
Minority interest		1,089	215	689
Total equity		<u>42,540</u>	<u>34,917</u>	<u>35,429</u>

Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Note	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Net cash from operating activities	8	6,947	(4,069)	14,623
Investing activities				
Interest received		277	325	681
Proceeds on disposal of property, plant and equipment		72	92	240
Purchases of property, plant and equipment		(289)	(521)	(1,273)
Acquisition of intangible assets		(206)	–	(782)
Purchases of investments		(21)	(77)	(77)
Proceeds from sale of investments		–	1,339	1,568
Acquisition of subsidiaries		–	(345)	(2,562)
Disposal of subsidiary		545	–	–
Payment of deferred consideration		(155)	–	(2,926)
Net cash acquired with subsidiary		–	–	155
Net cash from/(used in) investing activities		<u>223</u>	<u>813</u>	<u>(4,976)</u>
Financing activities				
Proceeds from issue of shares		757	258	375
Dividends paid		(3,037)	(2,356)	(4,083)
Repayments of borrowings		(4,148)	(6,945)	(11,666)
Repayments of obligations under finance leases		(80)	(66)	(154)
New bank loans raised		–	–	1,468
Increase in bank overdrafts		1,220	4,948	4,466
Net cash used in financing activities		<u>(5,288)</u>	<u>(4,161)</u>	<u>(9,594)</u>
Net increase/(decrease) in cash and cash equivalents		1,882	(7,417)	53
Cash and cash equivalents at beginning of year		30,922	31,828	31,828
Effect of foreign exchange rate changes		6	6	(959)
Cash and cash equivalents at end of period		<u>32,810</u>	<u>24,417</u>	<u>30,922</u>

Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2007

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Unrealised losses on available-for-sale investments	(404)	(1,036)	(1,069)
Exchange differences on translation of foreign operations	16	(300)	1,308
Actuarial gains on defined benefit pension schemes	6,932	7,337	4,107
Tax on items taken directly to equity	(2,532)	(2,201)	(1,371)
Net income recognised directly in equity	4,012	3,800	2,975
Profit for the period	<u>5,339</u>	<u>5,822</u>	<u>11,115</u>
Total recognised income and expense for the period	<u>9,351</u>	<u>9,622</u>	<u>14,090</u>
Attributable to:			
Equity holders of the parent	8,951	9,555	14,002
Minority interests	400	67	88
	<u>9,351</u>	<u>9,622</u>	<u>14,090</u>

Notes to the Interim Financial Information

For the six months ended 30 June 2007

1. Basis of preparation

The interim financial information on pages 1-11 was approved by the board on 17 September 2007. The group results for the six month periods to 30 June 2007 and 30 June 2006 are unaudited, but have been reviewed by Deloitte & Touche LLP whose report is presented on page 12. The interim report has been prepared in accordance with the recognition and measurement criteria of applicable International Financial Reporting Standards and the disclosure requirements of the Listing Rules. The accounting policies applied are consistent with those used in the statutory accounts for the year ended 31 December 2006. The group has not adopted IAS 34 'Interim Financial Reporting'.

The financial information for the year ended 31 December 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified and did not contain statements under s237(2) or (3) of the companies Act 1985.

The company has acquired a number of insurance companies. The assets of the insurance companies are held for the benefit of the policyholders in the first instance and the group's interest is restricted to income from managing these businesses and a share in any surplus after deferred consideration payments to the former owners. Consequently, although fully consolidated, the assets and liabilities relating to insurance companies are separately identified in these accounts.

Similarly, the income and expense items relating to insurance contracts are grouped together in the consolidated income statement because most are related, for example claims and related insurance recoveries and to distinguish them from the group's main activities.

2. Segmental information

For management purposes, the group is currently organised into three operating divisions – CTC Management, Charles Taylor Adjusting (formerly CTC Services) and CTC Run-off Services.

Principal activities are as follows:

CTC Management – Mutual management, captive management, investment management and risk management.

Charles Taylor Adjusting – Energy, Aviation, Non-marine and Marine (including Average) adjusting.

CTC Run-off Services – insurance company acquisition and run-off services. The results of the insurance companies have been shown separately in the segmental information. Segmental information about these businesses is presented below:

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Revenue			
Management	17,048	16,703	35,420
Adjusting	18,820	17,851	35,449
Run-off Services	3,306	3,368	8,359
Insurance companies – life and non-life	3,456	2,738	5,532
Intercompany eliminations	(1,911)	(2,055)	(5,647)
Consolidated	<u>40,719</u>	<u>38,605</u>	<u>79,113</u>
Result			
Management	2,556	3,337	7,959
Adjusting	3,240	3,206	5,024
Run-off Services	501	514	1,042
Insurance companies – life and non-life	533	(195)	999
Consolidated	<u>6,830</u>	<u>6,862</u>	<u>15,024</u>
Amounts written off goodwill	(1,676)	–	(1,100)
Unallocated foreign exchange	181	102	(11)
Share of results of associates and joint ventures	244	243	266
Profit from operations	<u>5,579</u>	<u>7,207</u>	<u>14,179</u>
Investment income	800	551	1,091
Finance costs	(1,422)	(1,562)	(3,114)
Profit before tax	<u>4,957</u>	<u>6,196</u>	<u>12,156</u>
Tax	382	(374)	(1,041)
Profit after tax	<u>5,339</u>	<u>5,822</u>	<u>11,115</u>

Associates and joint ventures would be included in the Adjusting segment but for the requirement to show their result separately where the equity method of accounting has been adopted which is the case in these accounts.

2. Segmental information (continued)

Segmental information on a geographical basis is shown below:

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Revenue			
United Kingdom	13,966	12,401	24,951
Other Europe	3,496	3,163	6,893
North America	6,140	5,592	11,551
Asia Pacific	3,911	4,012	7,796
Bermuda	13,206	13,437	27,922
Consolidated	<u>40,719</u>	<u>38,605</u>	<u>79,113</u>

3. Income tax credit/(expense)

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Current tax:			
UK corporation tax	(160)	–	(1,538)
Foreign tax	<u>(1,134)</u>	<u>(312)</u>	<u>(623)</u>
	<u>(1,294)</u>	<u>(312)</u>	<u>(2,161)</u>
Deferred tax:			
Current period	<u>1,676</u>	<u>(62)</u>	<u>1,120</u>
	<u>382</u>	<u>(374)</u>	<u>(1,041)</u>

Current corporation tax for the interim period is charged at 19.3% (2006 – 5.0%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. This includes 4.4% which relates to underprovision of foreign tax in 2006. Deferred tax movement in the interim period represents additional value recognised in respect of insurance company tax losses.

4. Dividends paid

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Amounts recognised as distributions to equity holders in the period:			
Final dividend paid (2006 – 7.64p; 2005 – 6.04p per share)	3,037	2,356	2,356
Interim dividend paid (2006 – 4.36p per share)	<u>–</u>	<u>–</u>	<u>1,727</u>
	<u>3,037</u>	<u>2,356</u>	<u>4,083</u>

The proposed interim dividend for the six months ended 30 June 2007 of 4.80p (2006 – 4.36p) per share was approved by the board on 17 September 2007 and in accordance with IFRS, has not been included as a liability at 30 June 2007.

Notes to the Interim Financial Information (continued)

For the six months ended 30 June 2007

5. Earnings per share

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation and minority interests for each period by the weighted average number of shares in issue. The shares held by the ESOP have been excluded from the calculation because the trustees have waived the right to dividends on these shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Earnings			
Earnings for the purposes of adjusted earnings per share	6,685	5,825	12,266
Amounts written off goodwill	(1,676)	–	(1,100)
Amortisation of acquired customer relationship intangible assets	(70)	(70)	(139)
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	<u>4,939</u>	<u>5,755</u>	<u>11,027</u>
	Number	Number	Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	39,720,813	38,768,261	39,196,810
Effect of dilutive potential ordinary shares:			
Share options	<u>204,602</u>	<u>256,750</u>	<u>248,255</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>39,925,415</u>	<u>39,025,011</u>	<u>39,445,065</u>

6. Bank overdrafts and loans

Loans raised during the period amounted to £nil (to 30 June 2006 – £nil, full year 2006 – £1,468,000) and repayments on loans amounted to £4,148,000 (to 30 June 2006 – £6,945,000, full year 2006 – £11,666,000).

7. Share capital

258,120 ordinary 1p shares were issued during the period (to 30 June 2006 – 1,222,591, full year 2006 – 1,261,369). The consideration above 1p per share is reflected in the share premium account and amounts to £825,000 (to 30 June 2006 – £3,723,000, full year 2006 – £3,845,000).

8. Notes to the cash flow statement

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Profit from operations	5,046	7,402	13,180
Adjustments for:			
Depreciation of property, plant and equipment	551	686	1,275
Amortisation of intangibles	1,928	–	1,428
Other non-cash items	61	–	103
(Decrease)/increase in provisions	(652)	344	(608)
Share of results of associates and joint ventures	(244)	(243)	(266)
Operating cash flows before movements in working capital	<u>6,690</u>	<u>8,189</u>	<u>15,112</u>
(Increase)/decrease in receivables	(2,349)	(2,751)	2,429
Increase/(decrease) in payables	<u>2,193</u>	<u>(4,118)</u>	<u>499</u>
Cash generated by operations	6,534	1,320	18,040
Income taxes paid	(438)	(1,020)	(839)
Interest paid	(1,427)	(1,552)	(3,078)
Dividends from insurance companies	–	4,810	4,810
Net cash before movement in client monies	<u>4,669</u>	<u>3,558</u>	<u>18,933</u>
Movement in client monies	<u>2,278</u>	<u>(7,627)</u>	<u>(4,310)</u>
Net cash from/(used in) operating activities	<u>6,947</u>	<u>(4,069)</u>	<u>14,623</u>

8. Notes to the cash flow statement (continued)

Additions to motor vehicles during the period amounting to £nil (to 30 June 2006 – £40,000, full year – £315,000) were financed by new finance leases.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly-liquid investments with a maturity of three months or less. The cash flow statements exclude the cash flows within the group's insurance companies.

Cash includes client monies of £23,068,000 (30 June 2006 – £17,473,000, 31 December 2006 – £20,790,000).

9. Net interest bearing liabilities

	Six months to 30 June 2007 £000	Six months to 30 June 2006 £000	Year to 31 December 2006 £000
Cash and cash equivalents	32,810	24,417	30,922
Bank overdrafts and current loans	(19,671)	(19,201)	(18,888)
Non-current bank loans	(22,538)	(29,550)	(26,282)
Loan stock	(73)	(78)	(79)
Finance leases	(334)	(291)	(429)
	<u>(9,806)</u>	<u>(24,703)</u>	<u>(14,756)</u>
Client monies	<u>(23,068)</u>	<u>(17,473)</u>	<u>(20,790)</u>
	<u>(32,874)</u>	<u>(42,176)</u>	<u>(35,546)</u>

10. Pensions

The group contributes to a number of defined benefit pension schemes on behalf of employees. The present value of the retirement benefit obligation at the 30 June interim reporting date has been arrived at by recalculating the 31 December 2006 liabilities using the financial assumptions at 30 June 2007 and rolling forward the liability to 30 June 2007 allowing for interest and benefit accrual. The value of plan assets represents the bid value of invested assets at 30 June 2007 plus cash balances held.

The reduction in the retirement benefit obligation during the period from £19,609,000 to £11,963,000 is principally the result of an increase in the discount rate used to calculate scheme liabilities from 5.3% at 31 December 2006 to 6.0% at 30 June 2007 and an increase in the value of plan assets by £3,432,000.

The effect of changes in assumptions is reflected in the Consolidated Statement of Recognised Income and Expense. Other movements in the retirement benefit obligation arise from the difference between amounts recognised in the Consolidated Income Statement and contributions made to and benefits paid by the schemes.

11. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates and its joint ventures are not material and so have not been disclosed.

12. Post balance sheet event

On 5 July 2007 the group acquired the Allegro group of companies, a Bermuda based manager of captive insurance companies.

This Interim Report 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.

Independent Review Report to Charles Taylor Consulting plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprise the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, the Consolidated Cash Flow Statement and related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.



Deloitte & Touche LLP
Chartered Accountants
London
17 September 2007

Notes

A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

