

PRESS RELEASE

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Charles Taylor Consulting Plc Announcement of results for year ended 31 December 2008

Consolidated financial highlights For the year ended 31 December 2008

	Note	2008	2007
Revenue		£80.8m	£81.5m
Profit before tax – statutory		£9.9m	£8.3m
Profit after tax - statutory		£8.6m	£7.6m
Profit before tax – adjusted	1	£13.4m	£13.6m
Profit after tax – adjusted	1	£12.1m	£12.9m
Earnings per share – statutory basic		19.92p	18.52p
Earnings per share – adjusted	1	28.67p	31.76p
Dividend per share – interim		5.28p	4.80p
Dividend per share - final	2	8.58p	8.40p

Note:

- Adjusted profit and earnings per share figures include adjustments to portray business performance excluding material non-recurring items of an exceptional nature and goodwill and intangible charges. A gain on bargain purchases of £2m has been included within both the statutory and the adjusted results as making acquisitions which result in such gains is an objective of the group. While not common, it may be expected to recur, if not every year. The equivalent statutory figures are shown in the consolidated income statement and details of adjusting items are given in note 3
- The final dividend is payable on 26 May 2009 to shareholders on the register on 17 April 2009

Business highlights

- Two Run-off acquisitions
- Significant increase in Standard Club tonnage, leading to new high
- Lower Signal payrolls
- Exit completed from discretionary mutuals
- Consolidated London Adjusting into one site
- Reconfigured aviation operation, especially in US
- Record result from Adjusting division overall
- Increased final dividend
- Increased banking facilities

“Our business started 2009 well and we remain confident that the group is well positioned to continue to prosper and grow and to take advantage of opportunities that we expect to arise in the coming year.”

Rupert Robson
Non-Executive Chairman

Chairman's statement

Despite a year of rapidly worsening global economic conditions on a scale unparalleled for many years, the Charles Taylor Consulting (CTC) business model has held firm. After a record performance in 2007, it is particularly gratifying to see another record set by our Adjusting businesses in 2008. The Management division saw its profit fall owing largely to a lower result from the Signal business. The Run-off division was fairly flat although the composition of its result was different from last year.

Group revenue fell 1% to £80.8m (2007 £81.5m). Statutory profit before tax rose 20% to £9.9m (2007 - £8.3m) but, on an adjusted basis, profit before tax fell by 1% to £13.4m (2007 - £13.6m). Statutory basic earnings per share rose by 8% to 19.9p (2007 - 18.5p) but, on an adjusted basis, earnings per share fell by 10% to 28.7p (2007 - 31.8p), primarily owing to the impact of the tax charge returning to a more normal level and increased minority interests.

I would like to record my thanks to the group's employees around the world who have all contributed to achieving these results.

Dividends

We are well aware that shareholders in the current climate are focused on the level and sustainability of dividends. The defensive qualities of the company's business mean that it can realistically aspire to continue with the unbroken record of dividend increases since flotation of the company's shares in 1996 and it remains the intention of the Board to maintain a progressive dividend policy, as always subject to retaining sufficient cash in the business to fund future organic and acquisition-led growth. It is proposed that the final dividend be increased by 2% to 8.58p per share (2007 - 8.40p), which will increase total dividends declared for the year by 5% to 13.86p per share (2007 - 13.20p).

Strategy and positioning

Our business model enables CTC to benefit from the long term growth of the insurance sector. We expect that the insurance industry will continue to rely on third party professional service providers such as CTC in order to manage cost effectively and to take advantage of expertise in external insurance services specialists. The group provides a full spectrum of specialist professional services to the insurance industry. These include the creation of insurance mutuals and captives and their continuing management, specialist claims adjusting for underwriters and the acquisition and orderly running off of insurance companies which are closed to new business.

CTC operates at the higher value end of the insurance services sector. This enables us to benefit from high barriers to entry and to preserve margins. We will continue to focus on insurance services of that nature, rather than moving significantly down the value curve towards segments of the market that demonstrate lower value, higher volume characteristics.

CTC is one of the few companies of its kind operating in the UK and worldwide. This helps to generate organic growth in its own right because the group is recognised for its specialist skills. This is illustrated by the growth achieved in the Adjusting division and in the shipping mutuals' activities during 2008. Growth by acquisition, in each case only where the Board is convinced that the transaction will create shareholder value, is also carried out on a basis consistent with this approach.

Corporate governance

The Board is particularly mindful in the current climate of the need to reassure all stakeholders of its commitment to the highest standards of corporate governance. Considerable work has been done by

the board and in committee meetings in areas such as strategy, risk management, approach to funding, objective-setting, remuneration and succession planning. I am also satisfied that the business ethics promulgated within CTC are of the highest standards.

An exercise to measure the Board's effectiveness has been carried out, as is the practice each year. Both I and the Board as a whole are satisfied that it has the necessary range of skills and experience to lead CTC in the next phase of its development. During the year, Richard Titley and John Howes retired after giving many years of wise counsel. Julian Cazalet, who was a Managing Director of Corporate Finance at JPMorgan Cazenove, joined the Board on 25 September 2008. He provides very considerable City experience and in light of this was also appointed as the company's senior independent Non-executive Director. Julian Avery, who was CEO of Wellington Underwriting plc and who has also had non-executive experience at two other insurers, joined the Board on 3 November 2008. He provides wide experience in, and knowledge of, the insurance industry. He has been appointed Chairman of the Remuneration Committee.

Risk management

A key factor in the minds of our shareholders will be our approach to identifying, managing and mitigating risk. This is an area about which we have been very mindful both at the Board and in the Audit Committee throughout the year. With the exception of the insurance companies within the Run-off division, the group does not take active underwriting risks on its own balance sheet in the performance of its operating activities. CTC is first and foremost a provider of services, those services being limited to the insurance sector where the group has long-standing knowledge and experience.

During 2008, the Board and the Audit Committee have formally reviewed the risks within the group. The group's Risk Assessment Framework was thoroughly reviewed and updated during the year and the results of this exercise were considered in depth.

Gearing

Net debt at the year end remained broadly unchanged at £31m (well within our current facilities), principally because no dividends were generated from the group's closed book life insurance operation during the year (2007 - £6.6m) and there was a higher than normal level of capital expenditure relating to premises moves. Interest cover was over six times on an adjusted basis and was just below five times on a statutory basis.

Shareholder returns

CTC's principal aim is to maximise returns to shareholders over the medium to long term, consistent with taking an acceptable level of risk commensurate with its activities. Total dividends paid during the calendar year amounted to 13.68p per share, an increase of 10% over 2007. In line with many other companies, however, the share price performance during the year has been disappointing. The share price fell 25% over the year and, as a result, total shareholder return in 2008 was negative 20%, although this compares favourably to the negative 44% return from the small cap index.

The Board continues to believe that the company's strategy of concentrating on the provision of services to the insurance sector in areas with high barriers to entry and strong margins is fundamentally sound. CTC remains cash generative and continues to grow. The Board has every confidence that returns to shareholders over the medium to long term will be attractive.

Current trading and outlook

The global economic turmoil looks set to continue throughout 2009. Our business started the year well and we remain confident that the group is well positioned to continue to prosper and grow and to take advantage of opportunities that we expect to arise in the coming year.

Rupert Robson

Non-Executive Chairman

30 March 2009

BUSINESS REVIEW

Management Division

The Management businesses are involved in the management of mutual insurance companies, investment management, captive management and risk consultancy. The division also includes our small managing general agency business, Charles Taylor Underwriting Agencies.

Mutual management accounts for the majority of the division's business. CTC manages nine mutual insurance associations. The principal offices involved are in Bermuda, London, the United States, Singapore and Greece. The investment management operation manages funds on behalf of CTC's client mutuals and the group owned insurance companies. Captive management operations are principally managed from Bermuda. The risk consultancy business provides independent advice to corporations around the world from offices in London and the United States.

Revenues for 2008 were slightly up at £36.2m (boosted by foreign exchange rate movements) but the result fell from £6.8m to £5.8m primarily due to a lower result from Signal, reflecting both the loss of one of the larger members following acquisition, and the impact of the deteriorating world economies on stevedore payrolls in the last quarter. The Standard Clubs, however, produced a good result. The performance of UK mutuals and Charles Taylor Underwriting Agencies improved following the group's exit from the remaining discretionary mutuals which was completed during the year.

Shipping Mutuals

The Mutual insurance associations which insure 95% of the tonnage of the world's shipowners, operators and charterers in respect of their liabilities to third parties are known as P&I clubs. The CTC managed Standard Clubs are among the market leaders with a share of around 8%.

The February 2009 renewal saw a continuation of trends achieved by the Standard Clubs over the last few years with both an increase in rates and further growth in tonnage. The consolidated tonnage for the five mutuals that make up the Standard Clubs has risen 25% over the last two years to 80m gt. In November, Standard & Poor's reaffirmed its rating for the largest of the clubs, Standard Bermuda, as A with stable outlook. The club's strong financial position is a key reason for the tonnage growth.

Outlook - Lower levels of shipping activity have to date had little direct impact on the Standard Clubs. Irrespective as to whether they are trading profitably or not, ships continue to need insurance and CTC as managers are busier than ever.

Workers' Compensation Mutuals

Signal is the largest provider of coverage to US maritime employers for workplace injuries under the federally regulated Longshore and Harbor Workers Compensation Act. The 200 member companies include terminal operators, shipyards, offshore oil and gas contractors and tug and barge operators.

Signal's result has been impacted by various factors. Signal lost a significant stevedore member midway through the year following its acquisition by a private equity investor. Considerable investment has been made in Signal's safety and claims management services in the last few years and the resulting impact on claims levels has led to lower rates. Since the October renewal, reported payrolls for stevedore members have fallen because of the dramatic contraction in world trade, and the structure of Signal's management fee agreement means this had a particular impact on revenues in the last quarter of 2008 as compared with the previous year.

Outlook - The lower level of payrolls for Signal's stevedore members looks set to continue through 2009. So far, however, payrolls for the shipyard members, which are largely related to US defence contracts and other maritime sectors, have held up well compared with the previous year. New business growth has also held up at a similar level to the prior year.

SCALA was established in 1978 to insure the workers' compensation liabilities of Canadian flag ships. It quickly established itself as the leading provider of such cover, a position it remains in to this day. Since inception it has been very successful in reducing the cost of coverage for its members. The business performed well during the year.

Outlook – Clearly the Canadian economy is affected by the worldwide economic turmoil, nonetheless the requirement for management services remains.

UK Public Sector Mutuals

The UK public sector is familiar with mutual insurance but, even so, the London Authorities Mutual (LAML), which started in 2007, was the first new mutual established in this sector for nearly 100 years. There are currently seven London authority members but further progress in developing the mutual has been curtailed while these boroughs seek clarification of their powers under local government regulations. Indeed the Fire and Rescue Authority Mutual ceased underwriting in 2008 but retained its capitalisation pending this clarification and transferred its underwriting risk to a facility run by Charles Taylor Underwriting Agencies.

Outlook - Public bodies and governmental entities are under increasing pressure to maximise savings and efficiencies through innovation, collaboration and shared procurement. CTC, through its pioneering work in this sector, is well positioned to capitalise on this developing area of public endeavour. Public bodies are also seeking to pump prime their local economies by considering the establishment of their own banks. CTC is lending its expertise to help authorities to evaluate the viability of such an approach and is working on a mutualised solution to ease the scarcity of trade credit insurance.

Stop Loss Mutual

The Stop Loss Mutual Insurance Association Limited is the sole remaining dedicated provider of stop loss to both corporate and individual investors at Lloyd's of London. The mutual has been providing specialist cover continuously for the last 20 years.

Outlook – This business will continue to evolve.

Investment Management

The group's investment management business produced another good performance for its clients relative to the significant drops in many investment markets during the year. Funds under management fell slightly from \$1.33bn to \$1.25bn, following an 11% increase in 2007.

Outlook – The fortunes of this business are closely linked to that of our major mutuals, who continue to require investment management services.

Discretionary Mutuals

As planned, during the year the group discontinued its involvement with its two remaining discretionary mutuals, Capricorn and Unimutual, both of which are based in Australia.

Charles Taylor Underwriting Agencies (CTUA)

This small managing general agency business has continued to develop its underwriting capabilities and the business written last year produced a good result for its supporting Lloyd's syndicates. There is significant interest in the products and capabilities that this operation offers.

Outlook – It is intended to develop this business further.

Captive Management

The business, which trades as CTC Allegro, grew its protected cell business during 2008, but there was a slight reduction in the number of captive insurance companies under management.

Outlook - Continued growth of the business is expected as the hardening of primary insurance rates materialises.

Risk Consultancy

The business performed well, adding some new clients during the year. In the fourth quarter of 2008 there was also a noticeable increase in the number of requests for proposals from Latin American clients.

Outlook –Although the current economic climate will have a negative impact on several US based clients, resulting in the cancellation or postponement of some projects and affecting business revenues in the year ahead, it is believed that there will continue to be opportunities in this area.

Adjusting Division

Adjusting activities include the provision of specialist loss adjusting services to the world's insurance markets and average adjusting to shipowners.

The adjusting division also provides surveying and risk assessment. Over the last 10 years the group has acquired nine adjusting companies which have been consolidated together as “Charles Taylor adjusting”. The business is concentrated in four principal areas; Energy, Aviation, Marine and Non Marine. The business has 413 staff in 32 offices around the world. For management and reporting purposes, average adjusting (which trades as RHL) is included within the Marine business. In early 2008, the London adjusting business was consolidated into a new office in Leadenhall Street.

Revenues increased 5% from £37.5m to £39.5m but profit increased 25% from £5.0m to £6.3m driven by an increase in productivity owing to higher levels of instructions across the various businesses, particularly Energy and Non Marine, and helped by exchange rate movements. The business's spread of geographic locations and its technical expertise are significant factors in winning instructions on major losses, and the business remains well-placed to deal with significant weather-related and man-made losses around the world. Aviation revenue fell slightly as the slowing world economy reduced overall activity, which impacted the London hull business in particular. The group decided not to renew a major contract to adjust claims associated with its US general aviation business and reduced the aviation headcount accordingly. The group's aviation activities in the US, principally in Dallas and Miami, now operate as a coordinated unit.

Energy - 44% of adjusting revenue (2007 – 42%)

Energy is the largest of the adjusting businesses, and performed strongly during the year. The UK-based business performance grew considerably, dealing with a range of large complex losses including a substantial UK property/business interruption claim and losses in both the North Sea and Nigeria. Houston again performed well, with major instructions arising from the 2007 hurricanes. The Calgary office has successfully broadened its range of adjusting services and had another successful year. Our Australian business is a leading adjuster to the mining industry where claims have been growing and has recruited new adjusters to cover property and liability claims. In Singapore, our office was also very active handling a number of losses in China.

Outlook – The business is well positioned and the recent opening of an office in New York has already produced a significant level of instructions.

Aviation – 22% of adjusting revenue (2007 – 24%)

Aviation revenues ended the year slightly below those reported in 2007. London hull and liability instructions were down on those received in 2007. In addition to its work in the UK, London handled cases across Europe as well as Africa (notably Angola and the Sudan). A senior surveyor was relocated to Dubai to establish an aviation arm for Charles Taylor adjusting, which has resulted in various new instructions.

The aviation business is particularly strong in Asia and this was reflected in the decision to appoint a Singapore-based adjuster as chairman of the aviation business during the year. From this location the aviation business handles claims throughout Asia but most notably in China and Indonesia. The performance of the Australian business also improved during the year. As mentioned above, the Dallas based US general light aviation business was significantly restructured in the latter part of the year. This has been consolidated with the international aviation business based in Miami which primarily handles Latin American business and produced a good result.

Outlook – The reorganisation in North America and the redistribution of resources to Asia and the Middle East leave us well positioned, albeit that global aviation activity is likely to decline in line with the world economy.

Marine – 21% of adjusting revenue (2007 – 22%)

Marine produced an improved performance in spite of a lack of any large general average instructions during the year. The UK offices in London and Liverpool handled a range of marine losses and considerable progress was made in developing the ports and terminals and yacht adjusting businesses. In Asia, the Hong Kong, Shanghai and Taiwan offices all performed well and the Indonesian offices produced a very good result. The Piraeus office also improved considerably from the prior year.

Outlook – The shipping recession is unlikely to result in any fall in claims by shipowners under their hull policies and this is favourable for this business.

Non Marine – 13% of adjusting revenue (2007 – 12%)

Non Marine had a very good year in 2008. London's performance reflected work on a significant UK property and liability loss as well as a good performance from the established property and financial institution areas. Product recall and IT professional indemnity specialists were also added during the year. Overseas, the offices in Dubai and Doha produced good results as did the Miami business, which concentrates on claims for Central and South America.

Outlook – Our adjusters remain very busy. Previous recessionary environments saw a rise in fidelity and property claims from which they are well placed to benefit.

Run-off Division

The Run-off division manages the orderly run-off of insurance and life assurance companies which have ceased underwriting. This activity may involve acquisitions in either case.

The division derives its profit and revenues from four separate sources, three of which are reported in these accounts as part of the services business. The first of these is the gains which may arise out of the acquisition of insurance companies. The second, the management fees generated from services provided to acquired insurance companies. The third, fees generated from the provision of run-off and other administrative services to third parties. The fourth source of revenue flows from the performance of the acquired insurance companies. The group owned insurance companies include non-life insurers in the UK and Ireland and a life assurance business on the Isle of Man.

Non-life market background

In the non-life sector, the market remained competitive for the larger deals which require substantial amounts of capital and involve taking underwriting risk. This is not where CTC seeks to operate. Our model is to complete smaller acquisitions, which relieve the vendors of the administrative burden of running off an insurance company, whilst ensuring that they participate in the financial outcome. Our interest in such transactions is in the annual servicing fees and the participation, along with the vendor of such companies, in any surplus which may emerge. The group's exposure to underwriting risk with regard to such transactions is very limited and relates to its net share of the insurance company assets. Failure of any of the acquired insurance companies would, of course, threaten future fee income and conceivably result in a write-down of the associated goodwill.

Life operations

The Isle of Man operating companies comprise LCL International Life Assurance Company Limited (LCLI), and a third party administration company, LCL Services (IOM) Limited.

LCL Services (IOM) is the major third party life insurance administration operation on the island and administers business for two life insurers in addition to its sister company, LCLI, and a large life reinsurer. Its objectives are to grow its third party administration business and operate to the highest service standards. LCLI has been closed to new business since 1999 and has acquired several closed life companies in the Isle of Man and the Channel Islands and transferred their business to LCLI. Although the company did not acquire any blocks of business during 2008 the objective is to grow by acquisition and consolidation of closed life companies and books of business.

Acquisition opportunities have recently arisen and are being investigated. 2008 and early 2009 have seen a number of international life insurers closing to new business. As this trend looks set to continue and as shareholders such as banks are in need of cash, this should be conducive to opportunities to acquire and to do so at attractive valuations, or to supply run-off services.

Result 2008

The result from the run-off division of £2.8million includes £2.0million of bargain purchases which arose on the purchase of two small insurance companies, now renamed Beech Hill Insurance Limited and Cardrow Insurance Limited, during the second half of 2008. This represents the difference between the fair value of the assets acquired and the purchase price. Whilst gains of this sort are not

common, the group has previously benefitted and could do so again as the structure of the targeted type of acquisition referred to above makes this a possibility.

The balance of the result of £0.8m was generated by the group's other insurance companies, Bestpark and LCLI. The former, a property and casualty company in run-off for a number of years, produced a positive contribution which outweighed the overall loss produced by LCLI. Significant falls in investment markets in 2008 have adversely affected the results of LCLI, since part of the fees charged to policyholders is based on the market value of assets. This has depressed both revenues for 2008 and the value of business acquired (VOBA) as at 31st December 2008, which has experienced an impairment of £0.6million. LCLI paid no dividends during the year.

The profit of the third party administration business in the Isle of Man, which was satisfactory with an at-plan performance despite no new contracts arising, was offset by the weak performance in the third party servicing business based in London, to which a new chief executive has been appointed.

Outlook – The group will pursue its strategy of seeking to acquire small insurance companies in run-off, in both life and non-life. It will also pursue third party administration opportunities in the Isle of Man, and third party administration and run-off opportunities in London and elsewhere.

Results

Revenue in 2008 was £80.8 million (2007 – £81.5 million). Revenue reduced in Run-off services and Insurance companies businesses, with growth in Adjusting (particularly) and Management divisions. Adjusted profit before tax was £13.4 million (2007 – £13.6 million). Statutory profit before tax was £9.9 million (2007- £8.3 million). The results reflect profit growth from Adjusting and Run-off bargain purchases of £2.0 million and lower profits in Management and other parts of the Run-off division.

Dividends and earnings per share

The proposed final dividend for 2008 is 8.58 pence (2007 – 8.40 pence) so that the total dividend for the year is 13.86 pence. This represents a year-on-year increase of 5%. Adjusted earnings per share were 28.67 pence (2007 – 31.76 pence) and statutory basic earnings per share were 19.92p (2007 – 18.52p).

Total shareholder return

Total shareholder return was negative 19.7% in 2008, with the share price at 253 pence at 31 December 2008 compared to 337 pence at 31 December 2007 and dividends paid in 2008 of 13.68 pence compared to 12.44 pence in 2007. Small cap stocks have generally underperformed the market during the year and the group's total shareholder return has been better than that of the overall small cap index (negative 43.7%). The group's three-year total shareholder return is negative 8.6% (2007 – positive 60.2%).

Key performance indicators

The board uses a range of key performance indicators to measure past performance and as a basis for future business planning.

	Note	2008	2007
Statutory basic earnings per share (p)	1	19.92	18.52
Adjusted earnings per share (p)	1	28.67	31.76
Revenue growth (%)	2	(5.1)	5.5
Operating margin – adjusted basis (%)	3	18.5	18.5
Total shareholder return (%) – one year	4	(19.7)	(10.7)

Total shareholder return (%) – three year	5	(8.6)	60.2
Interest cover – adjusted basis (times)	6	6.3	5.5
Dividend cover – adjusted basis (times)	7	2.1	2.4
Free cash flow (£m)	8	3.9	11.4

Notes:

1. Statutory or adjusted earnings divided by weighted average number of shares.
2. Annual growth at constant exchange rates.
3. Adjusted profit from operations as a percentage of revenue.
4. Annual movement in share price plus dividends paid (assuming reinvested) divided by share price at beginning of year.
5. Three-year movement in share price plus dividends paid (assuming reinvested) divided by share price at beginning of period.
6. Adjusted profit from operations plus investment and other income from non-insurance activities divided by finance costs.
7. Adjusted profit for the year divided by dividends paid and declared for the year.
8. Net cash from operating activities (which excludes insurance company cash flows) excluding movement in client monies plus interest received less expenditure on acquisition of tangible and intangible assets plus disposal proceeds.

Note, details of adjusting items for adjusted profit and earnings per share are given in note 3 below.

Foreign exchange

The US dollar rate remained at historically weak levels against £Sterling for much of 2008 but strengthened markedly in the last four months of the year. The US dollar profits of the group were translated at 1.81 in 2008 (2007 – 2.01). 2008 profit before tax would have been £0.4million lower if translated at the 2007 US dollar rate. Because the US dollar rate fell significantly at the very end of 2008, the marking to market of the group's forward foreign exchange contracts and options at year end showed a reported loss of £0.7million, offsetting the favourable impact of the exchange rate on the trading results (which materially increased the £Sterling value of both revenue and expenses). Foreign exchange translation differences increased the value of shareholders' equity by £5.0million, mainly relating to the £Sterling value of foreign currency net assets in overseas subsidiaries. The sensitivity of the group's results to movements in exchange rate is explained in the Annual Report and Financial Statements.

Taxation

During 2008, the effective tax rate on profits was 13.1% (2007 – 8.0%). The group's tax charge for the year consists principally of tax on overseas profits and movements in deferred tax and the principal factor behind the higher 2008 tax rate is the latter. UK group tax relief from Bestpark's losses has now ceased following changes in tax legislation.

Financing

The group completed the re-financing announced in November in early 2009, involving a five-year facilities agreement to borrow £25 million to refinance existing loans and to add £12 million of revolving credit facilities for general corporate purposes. Overdraft facilities of £8 million have been committed until quarter one 2010. The group took the opportunity to secure the new facilities in order to provide more security and flexibility both to address business opportunities and to cope with unforeseen difficulties in the present poor economic environment.

The borrowings in £Sterling and US dollar are principally at rates that are linked to three-month LIBOR plus margins of 1.75 – 2.5%. The group entered into an interest rate swap in early 2009 which fixes 3-month £Sterling LIBOR at 2.96% for the five-year term.

During the year, £3.9million of free cash flow was generated (2007 – £11.4million) and loan repayments of £7.1million were made. Net debt at year end was £30.6 million (2007 – £30.7 million), with a reduction of £1.0million in loans and overdrafts, an increase of £0.7million in finance leases, an increase of £18.3million in client funds and an increase of £18.1million in cash and cash equivalents.

Acquisitions

In September 2008, the group acquired Santam Europe Limited, now renamed Beech Hill Insurance Limited. This is an Irish resident company which previously wrote UK and Irish motor and property insurance business and is now closed to new business. The consideration for the acquisition was £1 in cash plus a deferred cash element of between £nil and £10 million, with the first £6.8million of distributions and 75% of distributions above £6.8 million payable to the vendor and a cap of £10 million on total consideration. Deferred consideration is estimated at £7.0million. A gain on bargain purchase of £0.8million has been recognised, representing the amount by which the fair value of the net assets acquired exceeds the cost of acquisition.

In December 2008, Westminster Motor Insurance Association Limited, now renamed Cardrow Insurance Limited, was acquired. The company previously wrote predominantly motor insurance for UK taxi drivers and is now closed to new business. The consideration for the acquisition was £1 in cash. The former owner is also entitled to a share in dividends and capital of the company, which accounts for the significant increase in the balance sheet minority interest in these accounts to £28.0million (2007 - £0.8million). A gain of £1.2million on bargain purchase has been recognised.

Retirement benefit schemes

The group has four defined benefit pension schemes, two of which have liabilities which exceed their assets by a material amount. The global economic downturn has reduced the value of scheme assets and lower bond yields at year end increased liabilities. Net deficits therefore increased significantly during 2008. Another factor is that the Charles Taylor & Co Ltd Retirement Benefits Scheme performed its statutory valuation during the year and adopted stronger mortality assumptions. The group monitors pension risks closely, including the level of equity returns, bond yields and mortality and works closely with pension trustees to meet liabilities in a prudent and cost-effective manner. The company intends to address its funding obligations fully, while balancing the various requirements of scheme members, shareholders and other stakeholders.

Principal risks and uncertainties

The principal risks facing the group and the processes by which they are managed are explained in the Annual Report and Financial Statements.

Consolidated financial statements

The consolidated financial statements have been prepared in accordance with the basis of preparation set out in the report on accounting policies in the Annual Report and Financial Statements.

The directors have acknowledged the latest guidance on going concern. While the current volatility in financial and world markets has created general uncertainty, the group has a number of long-term client contracts and well-established trading relationships with many customers across a portfolio of different geographical areas and service lines. The group also has considerable financial flexibility and access to additional sources of finance. Banking facilities have recently been renewed, as explained in the Annual Report and Financial Statements. Under current forecasts the group has sufficient working capital headroom and covenant compliance. The directors have identified and considered the anticipated main areas of business risk. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Consolidated income statement

For the year ended 31 December 2008

		Year to 31 December 2008 £000	Year to 31 December 2007 £000
	Note		
Continuing operations			
Revenue		76,864	75,884
Revenue from insurance contracts acquired		6,117	7,844
Outward reinsurance premiums		(2,139)	(2,224)
Net revenue from insurance contracts acquired		<u>3,978</u>	<u>5,620</u>
Total revenue	2	80,842	81,504
Claims from insurance contracts acquired		16,456	(17,400)
Reinsurance recoveries		(3,884)	3,342
Expenses of managing insurance companies		(5,464)	(5,908)
Other (losses)/gains from insurance activities		(10,257)	16,020
Net expenses from insurance contracts acquired		<u>(3,149)</u>	<u>(3,946)</u>
Administrative expenses		(65,876)	(63,008)
Gain on bargain purchases		1,992	-
Amounts written off goodwill		(586)	(4,961)
Relocation and reorganisation costs		(1,871)	-
Share of results of associates		111	116
Share of results of joint ventures		7	129
Profit from operations		<u>11,470</u>	<u>9,834</u>
Investment and other income from non-insurance activities		991	1,503
Finance costs		(2,536)	(3,039)
Profit before tax		<u>9,925</u>	<u>8,298</u>
Income tax expense		(1,302)	(667)
Profit for the year from continuing operations		<u>8,623</u>	<u>7,631</u>
Attributable to:			
Equity holders of the parent		7,962	7,370
Minority interest		661	261
		<u>8,623</u>	<u>7,631</u>
Earnings per share from continuing operations			
Basic (pence)	3	<u>19.92</u>	<u>18.52</u>
Diluted (pence)	3	<u>19.88</u>	<u>18.43</u>

Adjusted earnings per share figures are shown in the consolidated financial highlights on page 1.

Consolidated balance sheet

At 31 December 2008

	At 31 December 2008 £000	At 31 December 2007 £000
Non-current assets		
Goodwill	33,233	34,713
Intangible assets	11,982	11,276
Property, plant and equipment	5,546	4,023
Investments	2,021	1,599
Deferred tax assets	6,719	3,208
	<hr/> 59,501	<hr/> 54,819
Current assets		
Total assets in insurance businesses	345,376	284,261
Trade and other receivables	4 52,558	48,013
Cash and cash equivalents	53,339	35,254
	<hr/> 451,273	<hr/> 367,528
Total assets	<hr/> 510,774	<hr/> 422,347
Current liabilities		
Total liabilities in insurance businesses	300,448	275,120
Trade and other payables	5 19,029	15,262
Tax liabilities	1,415	3,566
Obligations under finance leases	380	242
Borrowings	23,413	18,314
Client funds	45,032	26,701
	<hr/> 389,717	<hr/> 339,205
Net current assets	<hr/> 61,556	<hr/> 28,323
Non-current liabilities		
Borrowings	14,297	20,471
Retirement benefit obligation	23,712	9,572
Provisions	2,142	456
Obligations under finance leases	1,170	575
Deferred consideration	11,278	6,522
	<hr/> 52,599	<hr/> 37,596
Total liabilities	<hr/> 442,316	<hr/> 376,801
Net assets	<hr/> 68,458	<hr/> 45,546

Equity		
Share capital	401	400
Share premium account	29,897	29,769
Merger reserve	6,872	6,872
Capital reserve	662	662
Own shares	(310)	(309)
Retained earnings	2,975	7,316
	<hr/>	<hr/>
Equity attributable to equity holders of the parent	40,497	44,710
Minority interest	27,961	836
	<hr/>	<hr/>
Total equity	<u>68,458</u>	<u>45,546</u>

The financial statements were approved by the board of directors and authorised for issue on 30 March 2009.

George Fitzsimons
 Director
 30 March 2009

Cash flow statement

For the year ended 31 December 2008

		Year to 31 December 2008 £000	Year to 31 December 2007 £000
Net cash from operating activities	Note 7	23,749	17,453
Investing activities			
Interest received		571	718
Proceeds on disposal of property, plant and equipment		158	111
Purchases of property, plant and equipment		(1,776)	(509)
Acquisition of intangible assets		(484)	(371)
Purchases of investments		(1)	(97)
Acquisition of subsidiaries		(73)	(2,255)
Disposal of subsidiary		-	545
Payment of deferred consideration		(715)	(228)
Net cash acquired with subsidiary		-	527
Net cash disposed of with subsidiary		-	(178)
Net cash used in investing activities		<u>(2,320)</u>	<u>(1,737)</u>
Financing activities			
Proceeds from issue of shares		128	878
Dividends paid		(5,468)	(4,952)
Repayments of borrowings		(7,078)	(8,396)
Repayments of obligations under finance leases		(533)	(317)
New bank loans raised		1,275	2,259
Increase/(decrease) in bank overdrafts		4,491	(800)
Net cash used in financing activities		<u>(7,185)</u>	<u>(11,328)</u>
Net increase in cash and cash equivalents		14,244	4,388
Cash and cash equivalents at beginning of year		35,254	30,922
Effect of foreign exchange rate changes		3,841	(56)
Cash and cash equivalents at end of year		<u>53,339</u>	<u>35,254</u>

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Gains on revaluation of available-for-sale investments taken to equity	359	490
Exchange differences on translation of foreign operations	5,032	368
Actuarial (losses)/gains on defined benefit pension schemes	(15,885)	8,539
Tax on items taken directly to equity	4,448	(2,806)
Net (loss)/income recognised directly in equity	(6,046)	6,591
Profit for the year	8,623	7,631
Total recognised income and expense for the year	2,577	14,222
Attributable to:		
Equity holders of the parent	1,916	13,961
Minority interests	661	261
	2,577	14,222

Notes to the financial statements

For the year ended 31 December 2008

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 237 (2) or (3) Companies Act 1985.

2. Segmental information

For management purposes, the group is currently organised into three operating divisions – Management, Adjusting and Run-off.

Principal activities are as follows:

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

Adjusting – Energy, Aviation, Non Marine and Marine (including Average) adjusting.

Run-off – Insurance company acquisition and run-off services and life and non-life insurance companies. The results of insurance companies have been shown separately in the segmental information so as to reconcile to the income statement.

Segmental information about these businesses is presented below:

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Revenue		
Management	36,237	36,088
Adjusting	39,492	37,533
Run-off Services	4,688	6,152
Insurance companies – life and non-life	3,978	5,620
Intercompany eliminations	(3,553)	(3,889)
	<hr/>	<hr/>
Run-off total	5,113	7,883
	<hr/>	<hr/>
	80,842	81,504
	<hr/>	<hr/>

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Result		
Management	5,827	6,766
Adjusting	6,326	5,044
Run-off Services *	1,980	781
Insurance companies – life and non-life	829	1,675
	<hr/>	<hr/>
	14,962	14,266
Amounts written off goodwill	(586)	(4,961)
Relocation and reorganisation costs	(1,871)	-
Unallocated foreign exchange	(1,153)	284
Share of results of associates and joint ventures	118	245
	<hr/>	<hr/>
Profit from operations	11,470	9,834
Investment income	991	1,503
Finance costs	(2,536)	(3,039)
	<hr/>	<hr/>
Profit before tax	9,925	8,298
Tax	(1,302)	(667)
	<hr/>	<hr/>
Profit after tax	8,623	7,631
	<hr/>	<hr/>

*includes gain on bargain purchases of £1,992,000 (2007 - £nil)

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Other information		
Capital additions		
Management	387	71
Adjusting	250	249
Run-off Services	58	71
Unallocated corporate assets	2,252	803
	<hr/>	<hr/>
	2,947	1,194
	<hr/>	<hr/>
Depreciation		
Management	208	314
Adjusting	456	575
Run-off Services	117	99
Unallocated corporate assets	486	327
	<hr/>	<hr/>
	1,267	1,315
	<hr/>	<hr/>

	At 31 December 2008 £000	At 31 December 2007 £000
Balance sheet		
Assets		
Management	89,686	68,657
Adjusting	149,212	109,175
Run-off Services	40,986	35,064
Insurance companies – life and non-life*	353,950	292,295
Unallocated corporate assets and eliminations	(123,060)	(82,844)
	<u>510,774</u>	<u>422,347</u>
Liabilities		
Management	74,034	52,894
Adjusting	115,506	86,666
Run-off Services	25,581	24,464
Insurance companies – life and non-life*	306,945	275,140
Unallocated corporate liabilities and eliminations	(79,750)	(62,363)
	<u>442,316</u>	<u>376,801</u>

* includes related intangible assets and provisions.

Segmental information on a geographical basis is shown below:

	Year to 31 December 2008	Year to 31 December 2007
Revenue		
United Kingdom	24,610	25,783
Other Europe	6,020	6,533
North America	12,769	12,357
Asia Pacific	8,294	8,353
Bermuda	29,149	28,478
	<hr/>	<hr/>
	80,842	81,504
	<hr/>	<hr/>
	Year to 31 December 2008	Year to 31 December 2007
Other information		
Capital additions		
United Kingdom	2,617	868
Other Europe	24	78
North America	97	161
Asia Pacific	141	80
Bermuda	68	7
	<hr/>	<hr/>
	2,947	1,194
	<hr/>	<hr/>
	At 31 December 2008 £000	At 31 December 2007 £000
Balance sheet		
Assets		
United Kingdom	494,255	369,830
Other Europe	216,344	231,512
North America	70,634	45,194
Asia Pacific	34,078	23,341
Bermuda	47,795	32,423
Eliminations	(352,332)	(279,953)
	<hr/>	<hr/>
	510,774	422,347
	<hr/>	<hr/>

3. 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, diluted and adjusted earnings per share is based on the following data:

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Earnings		
Earnings for the purposes of adjusted earnings per share being adjusted profit after tax attributable to equity holders of the parent	11,457	12,638
Amounts written off goodwill	(586)	(4,961)
Amortisation of acquired customer relationship intangible assets	(461)	(307)
Relocation and reorganisation costs	(1,871)	-
LCL International Life Assurance Company Limited VOBA impairment	(577)	-
	<hr/>	<hr/>
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	7,962	7,370
	<hr/>	<hr/>
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	39,964,872	39,789,213
Effect of dilutive potential ordinary shares:		
Share options	88,400	198,402
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	40,053,272	39,987,615
	<hr/>	<hr/>

4. Trade and other receivables

	At 31 December 2008 £000	At 31 December 2007 £000
Trade debtors	19,766	18,050
Amounts owed by associates	443	229
Other debtors	3,070	3,163
Prepayments	2,668	2,253
Accrued income	26,478	24,165
Corporation tax	133	153
	<hr/> 52,558	<hr/> 48,013

5. Trade and other payables

	At 31 December 2008 £000	At 31 December 2007 £000
'C' Loan stock	30	74
Other loans	4,763	2,296
Trade creditors	2,948	3,624
Amounts owed to associates	337	214
Other taxation and social security	2,000	1,393
Other creditors	1,114	1,107
Accruals and deferred income	7,697	5,882
Deferred consideration	140	672
	<hr/> 19,029	<hr/> 15,262

Other loans relate to amounts owed to insurance businesses. A corresponding asset is included in the balance sheet within 'total assets in insurance businesses'.

6. Net interest bearing liabilities

	At 31 December 2008 £000	At 31 December 2007 £000
Cash and cash equivalents	53,339	35,254
Bank overdrafts	(14,542)	(10,051)
Current loans	(8,471)	(7,863)
Non-current bank loans	(14,297)	(20,471)
Loan stock	(30)	(74)
Finance leases	(1,550)	(817)
	<hr/>	<hr/>
	14,449	(4,022)
Client funds	(45,032)	(26,701)
	<hr/>	<hr/>
	(30,583)	(30,723)
	<hr/>	<hr/>

7. Notes to the cash flow statement

	Year to 31 December 2008 £000	Year to 31 December 2007 £000
Profit from operations	11,470	9,834
Profit from insurance companies	(829)	(1,674)
	<hr/>	<hr/>
Profit from operations (excluding insurance companies)	10,641	8,160
Adjustments for:		
Depreciation of property, plant and equipment	1,267	1,315
Gain on bargain purchases	(1,992)	-
Intangibles (non insurance) and goodwill	1,371	5,674
Other non-cash items	244	171
Decrease in provisions	(715)	(1,488)
Share of results of associates and joint ventures	(118)	(245)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	10,698	13,587
Increase in receivables	(4,565)	(2,844)
Increase/(decrease) in payables	3,675	(2,089)
	<hr/>	<hr/>
Cash generated by operations	9,808	8,654
Income taxes paid	(1,789)	(759)
Interest paid	(2,601)	(3,034)
Dividends from insurance companies	-	6,596
	<hr/>	<hr/>
Net cash before movement in client monies	5,418	11,457
Movement in client monies	18,331	5,996
	<hr/>	<hr/>
Net cash from operating activities	23,749	17,453
	<hr/>	<hr/>

Additions to tangible fixed assets during the period amounting to £1,171,000 (2007 – £685,000) 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 £45,032,000 (2007 – £26,701,000).

This Press Release 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.