



Our business

Charles Taylor Consulting			
Management	Adjusting	Insurance support services	Insurance companies run-off
Mutual management	Specialist adjusting for insurers	Non-life insurance services	Non-life insurance companies in run-off
Investment management	Average adjusting for shipowners	Life insurance services	Life insurance companies in run-off
Underwriting services			
Captive/risk management			

Management division

We provide management services to mutual and captive insurers along with corporations who require independent insurance advice. Mutual insurance companies are formed by organisations which operate in similar fields. These organisations pool their insurance risks and consequently self-insure on a mutual basis rather than obtaining cover from a commercial profit-making insurance company. We provide a full range of outsourced management services and specialist consultancy advice. Revenue comes principally from fees under management contracts on either a cost-plus basis or a percentage of premium.

Adjusting division

We provide claims management and advisory adjusting services to insurance markets worldwide in four specialist market areas – energy, aviation, non-marine and marine. We are also the leading provider of average adjusting to shipowners. Many of the largest losses of recent years have occurred in the energy and non-marine markets. Charles Taylor adjusting takes a leading role in the adjusting of insurance claims for very large and high-profile losses, for instance in hurricanes Katrina, Rita, Wilma and Ike and the Buncefield oil depot explosion. Revenue is principally derived from time-based fees.

Insurance support services division

We provide accounting, regulatory reporting, consulting and claims management services to managing agents, brokers, insurers and reinsurers principally in the Lloyd's and London insurance markets, including both clients who are actively underwriting and those in run-off, and life policy administration services in the Isle of Man. Our revenue comes from a combination of management fees and commutation success fees.

Insurance companies run-off division

We own closed insurance companies in the life and non-life sectors. Acquisitions made by the division provide balance sheet finality to clients and facilitate the release of shareholder value and efficient capital allocation, which can be important factors when insurers' return on capital is under pressure from low investment returns or the impact of heavy losses in soft markets. Gains can arise on acquiring companies at less than fair value and there is potential for capital surpluses if insurance assets exceed insurance liabilities.

Highlights

- > Adjusting division revenue up 20%, with increased productivity helping drive profit up 46%
- > Group revenue growth of 15%, significantly enhanced by exchange rates
- > Standard Club further growth in tonnage
- > Signal management fee agreed until 2013
- > UK government statement supportive of public sector mutuals
- > Acquisition of Axiom to broaden London market insurance services
- > Creation of insurance support services division
- > Expansion of aviation services through acquisition of asset management business
- > Increased dividend by 5%

Profit before tax – statutory

+32%

£5.6 million – 2009

£4.2 million – 2008

Earnings per share – statutory

+19%

11.01 pence – 2009

9.24 pence – 2008

Profit before tax – adjusted

+8%

£6.9 million – 2009

£6.4 million – 2008

Earnings per share – adjusted

-2%

14.19 pence – 2009

14.51 pence – 2008

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Revenue

+15%

£45.9 million – 2009

£39.9 million – 2008

Dividend per share

+5%

5.54 pence – 2009

5.28 pence – 2008

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. The equivalent statutory figures are given on page 8 and details of adjusting items are given in note 5 on page 15.

Chairman's statement



Our business has continued to prosper in 2009, despite the difficult global economic conditions. I am able to report overall growth in revenue and profit, record results from our adjusting division and a continuation of our progressive dividend policy.

Company revenue rose 15% to £45.9 million (2008 – £39.9 million). Statutory profit before tax rose 32% to £5.6 million (2008 – £4.2 million) and adjusted profit before tax rose by 8% to £6.9 million (2008 – £6.4 million). Lower relocation and reorganisation costs and the absence of goodwill charges have contributed to a 19% rise in statutory basic earnings per share to 11.0 pence (2008 – 9.2 pence). Adjusted earnings per share fell by 2% to 14.2 pence (2008 – 14.5 pence) owing to changes in minority interests and a higher tax charge.

Equally importantly, I am pleased to be able to report that the interim dividend will be increased by 5% from 5.28 pence to 5.54 pence.

Company strategy and growth opportunities

Our long established strategy of building a diversified insurance services business remains in place and these results have shown the company's resilience during the current recession. The company is well positioned to achieve growth and expects to do so in the future both organically and through acquisition.

Consistent with this strategy and aware of the continuing trend for insurers and insurance brokers to outsource legacy issues and certain back office functions, the company expanded its capabilities through the acquisition of Axiom Holdings Limited in May. This company, which is now being combined with our existing run-off services business, provides a wide range of support services principally, but not exclusively, to the London insurance market. The measures taken in creating the new insurance support services division are included in these results and leave the division well placed to make a meaningful contribution to the company's result in 2010 and beyond. As a consequence of creating this new division and with a view to providing additional management focus in this important area, it has been decided to consolidate all our insurance companies within a new insurance companies run-off division. The new EU directive on capital adequacy, Solvency II is due to come into force in 2012. We believe that this will lead to an increase in the number of insurance companies going into run-off as insurance companies seek to optimise their use of capital; we expect the reorganised business to benefit from this.

Results

A benefit of having a diversified business, albeit one exclusively focused on the provision of insurance services, is to insulate the company against the headwinds that inevitably affect different parts of the insurance market from time to time. In 2009 the benefit to the company of a weakening sterling exchange rate compared with the first half of 2008 has been considerable with two thirds of

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the revenue growth attributable to this. During the second half of 2008 we discontinued operations that had generated combined revenues of £2.5 million in the first half of that year.

During the first half of 2009 those parts of our management division that have a particular US focus, such as Signal Mutual, risk management and captive management, suffered from the declining economic activity of their clients. In addition, the collapse of investment markets and increased longevity assumptions in 2008 combined to increase the cost of defined benefit pension schemes in the group's 2009 profit and loss account. The adjusting division has done particularly well following the investment made in consolidating its operations. The run-off result was mixed, with a strong result from our insurance companies and a poor result from our non-life services business, which as mentioned above has been absorbed into CTC Axiom as part of our newly created insurance support services division.

Gearing

Net debt at 30 June was £42 million, compared to £31 million at year end, with the increase principally reflecting the new borrowings drawn down to finance the acquisitions of Axiom and ASG (Aircraft Technical Services). Interest cover was 8.8 times on an adjusted basis and 7.3 times on a statutory basis.

Shareholder returns

Our progressive dividend policy has been a prominent and distinctive feature of our business over the long term. We are pleased to be able to maintain dividend growth again at the half-year in response to a good financial performance and a positive business outlook.

Current trading and outlook

The business is trading well and in line with management expectations for the full year. The first six months of 2009 have shown the benefits of the company having a portfolio of specialist businesses within the insurance services sector. We will continue to seek to increase the revenues of the management division, to maintain the excellent progress of adjusting and to develop further CTC Axiom once its integration is complete by the end of the year.

I would like to thank the company's staff for their contributions to the business over the period and for their many individual achievements at all levels, which could not have been secured without their notable enthusiasm, talent and dedication.



Rupert Robson
Non-executive chairman
27 August 2009

Business review



Overview and outlook

The Standard Club continues to grow and, although many of its members are suffering from the shipping downturn, the club's own business is not impacted by it. However, revenues from the management division overall fell slightly (by 0.6%), mainly because of the withdrawal from the discretionary mutuals previously reported which was not completed until the end of the first half of 2008. In dollar terms revenues were also lower in Signal and the US risk consulting and Bermuda-based captive management businesses. There are signs that Signal's payrolls are beginning to stabilise. Furthermore, an agreement has been reached on a new three year Signal management fee contract to cover the period to October 2013. The revenue outlook for H2 2009 is expected to see a solid performance from the Standard Club, Signal maintaining payrolls at current levels and an improved performance from the captive management and US risk consultancy businesses. The weakening of the dollar against sterling may have an adverse impact on revenues compared with the first half.

The adjusting division again performed strongly with revenues up 9% at constant exchange rates on H1 2008 and a higher overall margin leading to a profit increase of 46%. Each of the adjusting businesses increased revenues except aviation. Here, although margins improved, revenues were down as a result of the reorganisation in H2 2008. The outlook for H2 2009 is good as the adjusting division remains very busy with a strong flow of new instructions. Again the expected weaker dollar may have an adverse impact on revenues compared with the first half.

The new insurance support services division increased revenues due to the acquisition of Axiom in May 2009. Axiom has been consolidated with the LCL non-life services business to form CTC Axiom and has been reorganised and refocused. The loss in the non-life services business in the first half was only partly offset by the life services business which itself produced a lower contribution than the prior year. Progress has been made in reducing costs in the division which will have a positive impact in the latter part of 2009 and more significantly in 2010. The priority will be to enhance further the division's business development activities.

By contrast, the insurance companies run-off division produced an improved result, primarily as a result of the two acquisitions completed in the second half of 2008 performing better than expected.

Business performance Management division

This division involves the management of mutual insurers including investment management and underwriting services, as well as captive management and risk consulting.

Management division revenues fell slightly as the withdrawal from the remaining discretionary mutuals was not completed until the end of the first half of 2008. Discretionary mutuals contributed £1.7 million to management division revenues in the first half of 2008 and the division's revenues in the first half of 2009 would

have been £1.8 million lower at 2008 foreign exchange rates. As expected, the withdrawal from discretionary mutuals has had a positive impact on the margin of the remaining non-marine mutuals. Signal revenues were lower in dollar terms due to the loss of a large client and the impact of the weak US economy, which also affected the captive management and US risk consultancy businesses. The overall margin was also negatively affected by a significantly higher IAS 19 pension charge.

Mutual management: 91% of management division revenues (2008 – 92%)

Shipping mutuals

The Standard group of P&I Clubs has seen further growth in tonnage to 86m gt, compared with 80m gt at the 20 February 2009 renewal. Standard has benefited from being one of the minority of clubs in the International Group that has an S&P rating of “A” with stable outlook, with the result that several high profile shipowners switched to the Standard at the 2009 renewal. So far the downturn in world shipping, while affecting many members, has had little direct impact on the club and the business has performed well.

Workers' compensation mutuals

Signal Mutual is the largest provider of workers' compensation to maritime employers covered by the US Longshore Act. Payrolls fell compared with the first half of 2008 primarily because, as previously reported, one of Signal's larger stevedore members left the mutual in July 2008 following its acquisition by a private equity investor. Signal's payrolls fell further (particularly the stevedore members' payrolls) as the weakening US economy led to a reduction in cargo activity, which had an increasing impact in the latter part of 2008 onwards. To some extent this was offset by an increase in payrolls from the shipyard members, for whom a significant proportion of their work is related to US defence business. Signal's members have improved their claims records over the last few years, which has also led to a reduction in premium rates. This is likely to lead to further reductions at the forthcoming October renewal, although this may be offset by new member growth.

SCALA, the mutual that covers the workers' compensation liabilities of the majority of Canadian shipowners, performed as expected in the period.

Public sector mutuals

Developments in this area have been significantly impacted by a case brought against one of the London Authorities. As previously announced in early June, the Court of Appeal ruled that local authorities do not have sufficient powers to participate in an insurance mutual. As a consequence, the London Authorities Mutual Limited (LAML) has gone into run-off and a scheme of operations is being finalised to wind down LAML's affairs.

These legal developments have had significant consequences for the UK government shared services agenda. The UK government has announced that it will propose specific legislation to enable local authorities to participate in insurance mutuals at the earliest legislative opportunity. The Council Alternative Risk Mutual Limited (CARML) steering group have maintained their intention to create their mutual as soon as powers are available. In the meantime, various authorities have decided to petition the House of Lords (Supreme Court) for leave to appeal the Court of Appeal's ruling; the petition however is unlikely to be considered before October 2009.

Investment management

At 30 June 2009 funds under management were \$1.3 billion, a similar level to a year ago despite the difficult investment markets

over this period. In part this reflects a continued growth in funds under management for Signal Mutual.

Underwriting services

Charles Taylor Underwriting Agencies (CTUA) provides the group's clients with access to its binding authorities. Other insurance facilities are also being developed. CTUA has placed the cover for LAML members through these facilities.

Captive and risk management: 9% of management division revenues (2008 – 8%)

Revenues from the Bermuda based captive business, CTC Allegro, were down in dollar terms in the first half. The worsening business outlook in the US prompted some clients to close their captives and return the funding to the parent company or to reduce their captive activities and hence the fees due to CTC. More recently, the group has been appointed as managers of a large non-US captive and a number of other prospects are under consideration.

The most significant part of the risk management business is in the US which also saw revenues fall in the first half. The weaker US economy led to clients trying to save costs by reducing or postponing risk consulting assignments. Prospects for the second half look more positive, particularly in Latin America which has been a focus for new business development.

Adjusting division

Adjusting saw widespread growth with revenues up 20% on the first half of 2008 (9% at constant exchange rates). The margin increased from 15% last year to 18% this year as a result of increased capacity utilisation and efficiencies across the business. The division fulfilled a long-held ambition in March 2009 by opening a New York office to develop non-marine and onshore energy business and this office has already exceeded expectations.

Energy: 45% of adjusting division revenues (2008 – 43%)

Energy performed strongly in the first half, led by the London office which continued its involvement in one of the largest UK losses of recent years along with a number of new instructions. The most notable new assignments were a significant platform damage claim in the North Sea and damage to an oil and gas well off the coast of Angola. Houston again performed well, as did the Canadian and Australia offices. Mexico's revenues were down as a result of a reduction in hurricane work compared with the prior year.

Aviation: 18% of adjusting division revenues (2008 – 24%)

The new office in Dubai has made good progress and an aviation team has been established in Calgary in response to underwriters' request to the group to provide aviation adjusting services in Canada. The reduction in aviation division revenues resulted from the decision to restructure and withdraw from some aspects of the US general light aviation business in the latter part of 2008. The London office handled a similar volume of cases to 2008 with significant losses being handled in Yemen and Pakistan. Singapore increased its business with notable instructions in Japan, Philippines, China and Indonesia.

Marine: 23% of adjusting division revenues (2008 – 20%)

Marine performed very well with a good flow of other instructions across the business. The Indonesian business performed particularly well in the first half. The UK offices have benefited from the investment in trainee adjusters in the last few years, as have the Greater China offices.

Business review continued



Non-marine: 14% of adjusting division revenues (2008 – 13%)

Non-marine continues to make good progress in developing its specialist areas, with notable instructions including a fraud claim in Russia and a property liability claim in London, together with a further increase product recall and trade credit instructions. Miami again performed well, as did the offices in Dubai and Doha.

Insurance support services division

Non-life business

The acquisition of Axiom in May with 143 employees in London provided the group with strong presence in the growing market for outsourced insurance support services and is complementary to the existing non-life activities of LCL. As a result the two operations have been combined to form CTC Axiom. The principal activities of CTC Axiom are financial accounting, regulatory reporting, consulting and market support, claims, commutations and run-off services, principally in the Lloyd's and London insurance markets and including both active clients and those in run-off.

The business is being reorganised and refocused and placed on to a more profitable footing. There has been a reduction in the CTC Axiom staff of around 10%. A restructuring charge of £0.7 million is included in the reported statutory profit before tax. This charge is excluded from the adjusted profit before tax and adjusted earnings per share figures.

Life business

Revenues were a little lower in the first half compared to last year, as the continued run-off in the existing business resulted in a reduction in the element of fees charged on a per policy basis. Although there was no new business in the period, there continues to be a reasonable flow of potential new opportunities.

Insurance companies run-off division

Non-life business

Bestpark International Limited's run-off is continuing on a reasonably stable but narrow margin of solvency and the result for the first half of 2009, which was a small loss, was satisfactory considering the adverse experience that occurred on some major claims. To some extent this was compensated for by some favourable movements on a number of smaller claims following a thorough review of reserves.

The two insurance companies acquired in the second half of 2008, Beech Hill Insurance Limited and Cardrow Insurance Limited, are performing better than expected at this early stage and both made underwriting surpluses in the period which exceeded the charges for amortisation of intangible insurance assets.

The group continues to look for non-life acquisition opportunities and the acquisition of Axiom has extended the group's range of contacts in the UK and overseas and offers promising prospects for acquisition leads.

Life business

The rise in investment markets has increased the surplus assets above the required solvency margin by a further £0.4 million during the first half of the year and the results are comparable to the same period in the prior year.

Acquisition opportunities continue to be explored.

Results

Revenue for the six months to 30 June 2009 was £45.9 million, 15% above the equivalent period of 2008. Statutory profit before tax was £5.6 million, 32% above 2008, and adjusted profit before tax was £6.9 million, 8% above 2008. Statutory profit before tax would have been 4% lower if translated at 2008 exchange rates. Excluding both the insurance support services and insurance companies run-off divisions, where the businesses have changed significantly since the prior year, revenue and adjusted segmental result (adjusted operating profit before unallocated items) were 10% and 5% respectively above 2008 (see note 2 to the condensed consolidated financial statements).

Statutory earnings per share were 11.01 pence (2008 – 9.24 pence), with the increase mainly attributable to a better trading result than the prior year, lower relocation and reorganisation costs and no goodwill charges. Adjusted earnings per share were 14.19 pence (2008 – 14.51 pence). Although adjusted profit after tax was higher than in 2008, adjusted earnings per share were 2% lower because the minority interests in 2009 are a deduction of £0.3 million (representing minority interests in the profit for the period) compared to the prior year add-back of £57,000 (representing the minority share of losses) and because the tax charge for the six months to June 2009 was £0.9 million compared to £0.6 million in 2008, reflecting the absence of a deferred tax credit in 2009 (2008 – £0.4 million).

The first half of 2009 contains £0.7 million of exceptional reorganisation costs following the acquisition of Axiom in May 2009 and its subsequent integration. Exceptional costs in the first six months of 2008 were £1.5 million, relating to London premises changes and office closure and reorganisation costs arising in the US and Rotterdam adjusting businesses. Because of the non-recurring nature and significance of these costs they have been added back in reporting adjusted profit and adjusted earnings per share. As in 2008, adjusted profit and adjusted earnings per share also add back the amortisation of acquired customer relationship intangibles (now £0.6 million compared to £0.2 million in the prior period following recent acquisitions), although there is no goodwill charge to adjust for in 2009 (2008 – £0.4 million).

Associates and joint ventures have in aggregate made a loss of £0.2 million in the period, slightly higher than the £0.1 million loss recorded in the first half of 2008. This reflects difficult trading conditions for Crescendo, our Italian engineering joint venture, and dilution of the group's equity stake in it following a recapitalisation in which CTC did not participate.

The retirement benefit deficit at 30 June 2009 stands at £21.1 million, compared to £23.7 million at 31 December 2008. The reduction is principally because of higher asset values, with the value of liabilities also slightly lower because of different actuarial assumptions (lower inflation and a higher discount rate compared to the assumptions at year end). The group's four defined benefit pension schemes are being funded on a long-term basis and accordingly the latest balance sheet values have no direct impact on the business's cash flow. Pension costs of £1.1 million charged to the profit and loss account in the first half of 2009 are

significantly higher than in the same period of 2008 (£0.5 million), principally reflecting the interest charge on the higher liability of £23.7 million in the opening balance sheet at 1 January 2009 (compared to £9.6 million at 1 January 2008).

Dividends and earnings per share

The proposed interim dividend for 2009 is 5.54 pence (2008 – 5.28 pence), an increase of 5%. This will be paid on 25 November 2009 to shareholders on the share register at the close of business on 9 October 2009.

Treasury

Although the US dollar has weakened against sterling during the first half of 2009, the first half average rate of 1.50 is still much lower than the average rate of 1.98 in the first half of 2008.

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 a degree of certainty over future cash flows.

The debt refinancing agreed with banks in late 2008 was implemented in early 2009, giving the group access to UK loan, revolving credit and overdraft facilities totalling £45.0 million. The overdraft facilities of £8.0 million are subject to annual commitment and renewal, with the other facilities on a five-year term. Net debt (excluding client funds) has increased from £30.6 million at year end to £42.1 million at 30 June 2009, principally as a result of the drawdown of revolving credit facilities in order to finance the acquisitions made during the period. Interest cover was 8.8 times on an adjusted basis and 7.3 times on a statutory basis.

Operating cash flow of £1.1 million (before client funds movements) compares to £2.7 million in the same period of 2008, with the main difference being the reduction in payables relating to the acquisition of Axiom, arising from paying down aged creditors and settling transaction costs.

UK interest rates during 2009 have been significantly lower than in 2008 and this has offset the higher lending margins and the write-off of unamortised loan arrangement fees arising from the group's refinancing. The group fixed its three-month LIBOR interest rate at 2.96% for five years on £12.5 million of loans in early 2009 (now £11.75 million of loans at 30 June 2009, following repayments of principal).

Taxation

The effective tax rate on current year adjusted profits is 12.9% (2008 – 15.2%). UK tax relief relating to Bestpark International Limited's losses has now ceased as expected following changes in insurance tax legislation so that there is nil deferred tax credit in the six months to 30 June 2009 (2008 – £0.4 million).

Related party transactions

There have been no related party transactions in the period that have materially affected the financial position or performance of the company.

Principal risks and uncertainties

The nature of the principal risks and uncertainties for the second half of 2009 remains unchanged from the types of risks and uncertainties explained in the 2008 annual report. They include risks and uncertainties relating to the legal and regulatory environment and compliance, commercial risks (for instance the insurance cycle, the level of insured losses in the market, business continuity, the speed of collecting invoiced fees, etc), tax, accounting, pensions, future acquisitions, business development and insurance.

Condensed consolidated income statement

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Continuing operations			
Revenue from insurance services	43,682	37,727	76,864
Revenue from insurance companies run-off			
Gross revenue	4,824	3,235	6,117
Outward reinsurance premiums	(2,626)	(1,049)	(2,139)
Net revenue	2,198	2,186	3,978
Total revenue	45,880	39,913	80,842
Expenses from insurance companies run-off			
Claims incurred	3,866	1,439	16,456
Reinsurance recoveries	1,905	(558)	(3,884)
Investment returns	(2,841)	(1,334)	(10,257)
Net operating expenses	(4,155)	(1,256)	(5,464)
Net expenses	(1,225)	(1,709)	(3,149)
Administrative expenses	(37,517)	(31,320)	(65,876)
Gain on bargain purchases	-	-	1,992
Amounts written off goodwill	-	(363)	(586)
Relocation and reorganisation costs	(668)	(1,515)	(1,871)
Share of results of associates	74	-	111
Share of results of joint ventures	(232)	(100)	7
Profit from operations	6,312	4,906	11,470
Investment and other income from non-insurance activities	156	604	991
Finance costs	(882)	(1,266)	(2,536)
Profit before tax	5,586	4,244	9,925
Income tax expense	(885)	(601)	(1,302)
Profit for the period from continuing operations	4,701	3,643	8,623
Attributable to:			
Equity holders of the parent	4,401	3,700	7,962
Minority interest	300	(57)	661
	4,701	3,643	8,623
Earnings per share from continuing operations			
Statutory basic (pence)	5	11.01	9.24
Statutory diluted (pence)	5	11.00	9.24

Adjusted earnings per share figures are shown on page 1.

Condensed consolidated balance sheet

	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
Non-current assets			
Goodwill	38,355	34,346	33,233
Intangible assets	16,848	9,732	11,982
Property, plant and equipment	6,157	4,362	5,546
Investments	1,672	1,500	2,021
Deferred tax assets	6,353	6,344	6,719
	69,385	56,284	59,501
Current assets			
Total assets in insurance businesses	308,967	256,491	345,376
Trade and other receivables	55,208	51,672	52,558
Cash and cash equivalents	38,586	38,652	53,339
	402,761	346,815	451,273
Total assets	472,146	403,099	510,774
Current liabilities			
Total liabilities in insurance businesses	264,039	246,461	300,448
Trade and other payables	20,830	18,110	19,029
Tax liabilities	1,135	3,392	1,415
Obligations under finance leases	388	258	380
Borrowings	17,548	21,853	23,413
Client funds	32,229	30,792	45,032
	336,169	320,866	389,717
Net current assets	66,592	25,949	61,556
Non-current liabilities			
Borrowings	29,964	16,868	14,297
Retirement benefit obligation	11 21,136	20,791	23,712
Provisions	1,822	653	2,142
Obligations under finance leases	971	809	1,170
Deferred consideration	13,522	6,032	11,278
	67,415	45,153	52,599
Total liabilities	403,584	366,019	442,316
Net assets	68,562	37,080	68,458
Equity			
Share capital	8 401	401	401
Share premium account	29,897	29,895	29,897
Merger reserve	6,872	6,872	6,872
Capital reserve	662	662	662
Own shares	(310)	(310)	(310)
Retained earnings	2,498	(1,148)	2,975
Equity attributable to equity holders of the parent	40,020	36,372	40,497
Minority interest	28,542	708	27,961
Total equity	68,562	37,080	68,458

Condensed consolidated cash flow statement

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Net cash (outflow)/inflow from operating activities	9 (11,724)	6,799	23,749
Investing activities			
Interest received	43	293	571
Proceeds on disposal of property, plant and equipment	65	255	158
Purchases of property, plant and equipment	(437)	(1,006)	(1,776)
Acquisition of intangible assets	(141)	(145)	(484)
Purchases of investments	–	(1)	(1)
Acquisition of subsidiaries	(8,007)	1	(73)
Payment of deferred consideration	(137)	(168)	(715)
Net cash acquired with subsidiary	436	–	–
Net cash used in investing activities	(8,178)	(771)	(2,320)
Financing activities			
Proceeds from issue of shares	–	126	128
Dividends paid	(3,430)	(3,357)	(5,468)
Repayments of borrowings	7 (23,373)	(3,899)	(7,078)
Repayments of obligations under finance leases	(186)	(201)	(533)
New bank loans raised	7 33,400	491	1,275
(Decrease)/increase in bank overdrafts	(345)	3,766	4,491
Net cash from/(used in) financing activities	6,066	(3,074)	(7,185)
Net (decrease)/increase in cash and cash equivalents	(13,836)	2,954	14,244
Cash and cash equivalents at beginning of period	53,339	35,254	35,254
Effect of foreign exchange rate changes	(917)	444	3,841
Cash and cash equivalents at end of period	38,586	38,652	53,339

Condensed consolidated statement of comprehensive income

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
(Losses)/gains on revaluation of available-for-sale investments taken to equity	(212)	(272)	359
Exchange differences on translation of foreign operations	(2,390)	440	5,032
Actuarial gains/(losses) on defined benefit pension schemes	1,786	(12,190)	(15,885)
Tax on items taken directly to equity	(719)	3,155	4,448
Net loss recognised directly in equity	(1,535)	(8,867)	(6,046)
Profit for the period	4,701	3,643	8,623
Total recognised income and expense for the period	3,166	(5,224)	2,577
Attributable to:			
Equity holders of the parent	2,866	(5,167)	1,916
Minority interests	300	(57)	661
	3,166	(5,224)	2,577

Condensed consolidated statement of changes in equity

	Share capital £000	Share premium account £000	Merger reserve £000	Capital reserve £000	Own shares £000	Retained earnings £000	Minority interest £000	Total £000
At 31 December 2008	401	29,897	6,872	662	(310)	2,975	27,961	68,458
Issue of share capital	–	–	–	–	–	–	–	–
Share premium arising on issue of share capital	–	–	–	–	–	–	–	–
Profit for the financial period	–	–	–	–	–	4,401	300	4,701
Dividends paid (note 4)	–	–	–	–	–	(3,430)	–	(3,430)
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	1,786	–	1,786
Tax on items taken to equity	–	–	–	–	–	(719)	–	(719)
Unrealised losses on available-for-sale investments	–	–	–	–	–	(212)	–	(212)
Foreign exchange translation differences	–	–	–	–	–	(2,363)	(27)	(2,390)
Movement in own shares	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	60	308	368
At 30 June 2009	401	29,897	6,872	662	(310)	2,498	28,542	68,562

	Share capital £000	Share premium account £000	Merger reserve £000	Capital reserve £000	Own shares £000	Retained earnings £000	Minority interest £000	Total £000
At 31 December 2007	400	29,769	6,872	662	(309)	7,316	836	45,546
Issue of share capital	1	–	–	–	–	–	–	1
Share premium arising on issue of share capital	–	126	–	–	–	–	–	126
Profit/(loss) for the financial period	–	–	–	–	–	3,700	(57)	3,643
Dividends paid (note 4)	–	–	–	–	–	(3,357)	–	(3,357)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(12,190)	–	(12,190)
Tax on items taken to equity	–	–	–	–	–	3,155	–	3,155
Unrealised losses on available-for-sale investments	–	–	–	–	–	(272)	–	(272)
Foreign exchange translation differences	–	–	–	–	–	440	–	440
Movement in own shares	–	–	–	–	(1)	–	–	(1)
Other movements	–	–	–	–	–	60	(71)	(11)
At 30 June 2008	401	29,895	6,872	662	(310)	(1,148)	708	37,080

Notes to the condensed consolidated financial statements

1. Basis of preparation

General information

The financial information for the year ended 31 December 2008 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 interim report was approved by the board on 27 August 2009. The group results for the six month periods to 30 June 2009 and 30 June 2008 are unaudited, but have been reviewed by Deloitte LLP whose review report is presented on page 20.

The principal risks and uncertainties of the group are explained in the business review on page 7.

After making enquiries, the directors have concluded that the considerations which made it appropriate to adopt the going concern basis in preparing the 2008 financial statements remain valid and therefore continue to adopt the going concern basis in these condensed consolidated financial statements.

Accounting policies

The annual financial statements of Charles Taylor Consulting plc are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

The company owns 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 condensed consolidated income statement because most are related, for example claims and related insurance recoveries, and to distinguish them from the group's main activities.

The same accounting policies and presentation methods of computation are followed in the condensed set of financial statements as applied in the group's latest annual audited financial statements.

Changes in accounting policy

In the current financial year, the group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required the group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, the segmental information required by IAS 34 which is included in note 2 below is presented in accordance with IFRS 8. The comparatives have been restated accordingly.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

2. Segmental information

Identification of segments

For management and internal reporting purposes the group is currently organised into four operating divisions – management division, adjusting division, insurance support services division and insurance companies run-off division.

Principal activities are as follows:

- Management division – mutual management, captive management, investment management and risk management.
- Adjusting division – energy, aviation, non-marine and marine (including average) adjusting.
- Insurance support services division – non-life and life insurance support services.
- Insurance companies run-off division – non-life and life insurance companies closed to new business.

Management information about these divisions is regularly provided to the group's chief operating decision maker to assess their performance and to make decisions about the allocation of resources. Accordingly, these divisions correspond with the group's operating segments under IFRS 8 "Operating Segments". Businesses forming part of each division which might otherwise qualify as reportable operating segments have been aggregated where they share similar economic characteristics and meet the other aggregation criteria in IFRS 8.

In the management division, a higher proportion of revenue arises in the second half of the financial year. There is no significant seasonality or cyclicity in the other divisions.

2. Segmental information continued

Measurement of segmental results and assets

Transactions between reportable segments are accounted for on the basis of the contractual arrangements in place for the provision of goods or services between segments and in accordance with the group's accounting policies. Reportable segment results and assets are also measured on a basis consistent with the group's accounting policies. Reconciliations of segmental results to the group profit before tax are set out below.

	Management division	Adjusting division	Insurance support services division	Insurance companies run-off division	Inter- segment eliminations	Amounts not allocated to segments	Total group
	£000	£000	£000	£000	£000	£000	£000
Six months to 30 June 2009							
Revenue from insurance services	18,030	22,906	2,735	–	–	11	43,682
Revenue from insurance companies run-off	–	–	–	2,198	–	–	2,198
Revenue from other operating segments	–	–	1,331	–	(1,331)	–	–
Total revenue	18,030	22,906	4,066	2,198	(1,331)	11	45,880
Depreciation and amortisation	(72)	(233)	(103)	–	–	–	(408)
Other expenses	(15,280)	(18,450)	(4,230)	(1,459)	1,331	358	(37,730)
Operating segment profit	2,678	4,223	(267)	739	–	369	7,742
Share of results of associates and joint ventures							(158)
Investment and other income from non-insurance activities							156
Finance costs							(882)
Profit before tax – adjusted							6,858
Amortisation of customer relationship intangibles							(604)
Amounts written off goodwill							–
Relocation and reorganisation costs							(668)
Profit before tax							5,586
Six months to 30 June 2008							
Revenue from insurance services	18,142	19,031	554	–	–	–	37,727
Revenue from insurance companies run-off	–	–	–	2,186	–	–	2,186
Revenue from other operating segments	–	–	1,821	–	(1,821)	–	–
Total revenue	18,142	19,031	2,375	2,186	(1,821)	–	39,913
Depreciation and amortisation	(104)	(270)	(56)	–	–	–	(430)
Other expenses	(14,346)	(15,865)	(2,189)	(1,916)	1,821	127	(32,368)
Operating segment profit	3,692	2,896	130	270	–	127	7,115
Share of results of associates and joint ventures							(100)
Investment and other income from non-insurance activities							604
Finance costs							(1,266)
Profit before tax – adjusted							6,353
Amortisation of customer relationship intangibles							(231)
Amounts written off goodwill							(363)
Relocation and reorganisation costs							(1,515)
Profit before tax							4,244

Notes to the condensed consolidated financial statements continued

2. Segmental information continued

Year to 31 December 2008	Management division £000	Adjusting division £000	Insurance support services division £000	Insurance companies run-off division £000	Inter-segment eliminations £000	Amounts not allocated to segments £000	Total group £000
Revenue from insurance services	36,237	39,492	1,135	–	–	–	76,864
Revenue from insurance companies run-off	–	–	–	3,978	–	–	3,978
Revenue from other operating segments	–	–	3,553	–	(3,553)	–	–
Total revenue	36,237	39,492	4,688	3,978	(3,553)	–	80,842
Depreciation and amortisation	(208)	(456)	(117)	–	–	–	(781)
Other expenses	(28,781)	(32,786)	(2,912)	(3,135)	3,553	(1,153)	(65,214)
Operating segment profit	7,248	6,250	1,659	843	–	(1,153)	14,847
Share of results of associates and joint ventures							118
Investment and other income from non-insurance activities							991
Finance costs							(2,536)
Profit before tax – adjusted							13,420
Amortisation of customer relationship intangibles							(461)
Life insurance VOBA impairment							(577)
Amounts written off goodwill							(586)
Relocation and reorganisation costs							(1,871)
Profit before tax							9,925

	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
Total assets	6,325	9,021	9,675
Management division			
Adjusting division	96,382	88,110	107,228
Insurance support services division	34,714	22,608	20,869
Insurance companies run-off division*	315,757	264,553	353,950
Unallocated assets and eliminations	18,968	18,807	19,052
	472,146	403,099	510,774

* Includes related intangible assets and provisions

Geographical information

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Revenue			
United Kingdom	14,723	11,522	24,610
Other Europe	3,771	3,111	6,020
North America	7,096	6,390	12,769
Asia Pacific	4,028	4,342	8,294
Bermuda	16,262	14,548	29,149
	45,880	39,913	80,842

	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
Non-current assets (excluding deferred tax assets)			
United Kingdom	49,574	36,576	37,209
Other Europe	4,820	6,265	6,202
North America	5,129	4,040	5,360
Asia Pacific	1,490	1,300	1,517
Bermuda	2,019	1,759	2,494
	63,032	49,940	52,782

2. Segmental information continued

Information about major customers

The group derived revenue from transactions with two external customers which individually amount to more than 10% of group revenues. The amounts so derived are included in the management division and amounted to £9,520,000 (to 30 June 2008 – £8,849,000, full year 2008 – £17,867,000) and £4,715,000 (to 30 June 2008 – £3,977,000, full year 2008 – £9,057,000) respectively.

3. Income tax expense

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Current tax:			
UK corporation tax	(82)	(363)	(52)
Foreign tax	(803)	(601)	(1,509)
	(885)	(964)	(1,561)
Deferred tax:			
Current period	–	363	259
	(885)	(601)	(1,302)

Current corporation tax for the interim period is charged at 12.9% (to 30 June 2008 – 15.2%) representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year calculated on profit before goodwill charges, amortisation of customer relationship intangibles and exceptional relocation and reorganisation costs.

4. Dividends paid

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Amounts recognised as distributions to equity holders in the period:			
Final dividend paid (2008 – 8.58 pence, 2007 – 8.40 pence per share)	3,430	3,357	3,357
Interim dividend paid (2008 – 5.28 pence per share)	–	–	2,111
	3,430	3,357	5,468

The proposed interim dividend for the six months ended 30 June 2009 of 5.54 pence (to 30 June 2008 – 5.28 pence) per share was approved by the board on 27 August 2009 and in accordance with IFRS, has not been included as a liability at 30 June 2009.

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

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Earnings			
Earnings for the purposes of adjusted earnings per share being adjusted profit after tax attributable to equity holders of the parent	5,673	5,809	11,457
Amounts written off goodwill	–	(363)	(586)
Amortisation of acquired customer relationship intangible assets	(604)	(231)	(461)
Relocation and reorganisation costs	(668)	(1,515)	(1,871)
Life insurance VOBA impairment	–	–	(577)
Earnings for the purposes of statutory basic and diluted earnings per share being net profit attributable to equity holders of the parent	4,401	3,700	7,962
	Number	Number	Number
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	39,982,390	39,952,326	39,964,872
Effect of dilutive potential ordinary shares:			
Share options	7,930	20,900	88,400
Weighted average number of ordinary shares for the purposes of diluted earnings per share	39,990,320	39,973,226	40,053,272

Notes to the condensed consolidated financial statements continued

6. Acquisition of subsidiaries

ASG group

On 6 May 2009, the group acquired 100% of the issued share capital of ASG (Aircraft Technical Services) Limited, ASG (Aircraft Trading) Limited and Aviation Support Group Limited (together "ASG") for initial cash consideration of £1.4 million and further cash payments of up to £0.8 million depending on the operating profit of the companies in the period from acquisition until 31 December 2011 and a payment of £0.3 million representing the net asset value at 31 March 2009.

The amount of ASG's profit before tax since the acquisition date, that has been included in these accounts is £33,000.

Axiom Holdings Limited

On 7 May 2009, the group acquired 100% of the issued share capital of Axiom Holdings Limited ("Axiom") for a maximum payment of £7.83 million. Consideration for the acquisition comprises £6.0 million in cash (of which £0.4 million is held in escrow) to repay Axiom's existing bank debt, £0.23 million in cash to acquire the shares and up to a further £1.6 million in cash dependent upon Axiom's revenue for 2009.

The amount of Axiom's loss before tax since the acquisition date, that has been included in these accounts is £793,000, including reorganisation costs of £668,000.

The initial accounting for both the above acquisitions has been determined provisionally at 30 June 2009 as a result of uncertainty surrounding the fair value of certain assets and liabilities acquired. Had both acquisitions occurred on 1 January 2009 the combined revenue for the group would have been £48,829,000 and the profit from operations (before intangibles) would have been £5,914,000.

Goodwill has arisen in respect of both acquisitions, as set out in the table below, and is attributable to the anticipated profitability arising from new customer relationships and future operating synergies.

	ASG group			Axiom Holdings Limited		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Goodwill	–	–	–	11,902	(11,902)	–
Intangible assets	–	1,893	1,893	–	5,522	5,522
Property, plant and equipment	7	–	7	1,099	–	1,099
Trade and other receivables	164	–	164	2,704	(516)	2,188
Cash and cash equivalents	263	–	263	172	–	172
Trade and other payables	(61)	–	(61)	(4,671)	(118)	(4,789)
Tax liabilities	(48)	–	(48)	–	–	–
Obligations under finance leases	–	–	–	(1)	–	(1)
Borrowings	–	–	–	(21,276)	21,276	–
Provisions	–	–	–	–	(541)	(541)
	325	1,893	2,218	(10,071)	13,721	3,650
Goodwill arising on acquisition			310			5,082
Total estimated consideration			2,528			8,732

Total estimated consideration includes acquisition costs of £1,000,000.

7. Bank overdrafts and loans

Loans raised during the period amounted to £33,400,000 (to 30 June 2008 – £491,000, full year 2008 – £1,275,000) and repayments on loans amounted to £23,373,000 (to 30 June 2008 – £3,899,000, full year 2008 – £7,078,000).

In January 2009, the group entered into a new facilities agreement with the Royal Bank of Scotland and HSBC for a five-year term. The new facilities comprise a £25 million term loan with minimum repayments of £750,000 per quarter and a revolving credit facility of £12 million. At around the same time the group secured new overdraft facilities of £4 million with the Royal Bank of Scotland and £4 million with HSBC. The former is committed until 12 March 2010 and the latter until 29 January 2010. These overdraft facilities replace the previous £8 million overdraft facility with the Royal Bank of Scotland. All facilities are subject to a variety of undertakings and covenants, including target ratios for interest cover (EBITDA: interest), leverage (debt: EBITDA) and cash cover (cash flow: debt repayments, interest and dividends).

8. Share capital

No ordinary 1 pence shares were issued during the period (to 30 June 2008 – 58,514, full year 2008 – 59,514). The consideration above 1 pence per share is reflected in the share premium account and amounts to £nil (to 30 June 2008 – £126,000, full year 2008 – £128,000).

9. Notes to the condensed consolidated cash flow statement

	Six months to 30 June 2009 £000	Six months to 30 June 2008 £000	Year to 31 December 2008 £000
Profit from operations	6,312	4,906	11,470
Profit from insurance companies	(973)	(477)	(829)
Profit from operations (excluding insurance companies)	5,339	4,429	10,641
Adjustments for:			
Depreciation of property, plant and equipment	705	673	1,267
Gain on bargain purchases	–	–	(1,992)
Intangibles (non-insurance) and goodwill	819	871	1,371
Other non-cash items	232	85	244
Decrease in provisions	(936)	(378)	(715)
Share of results of associates and joint ventures	158	100	(118)
Operating cash flows before movements in working capital	6,317	5,780	10,698
Decrease/(increase) in receivables	179	(3,722)	(4,565)
(Decrease)/increase in payables	(3,793)	2,456	3,675
Cash generated by operations	2,703	4,514	9,808
Income taxes paid	(715)	(494)	(1,789)
Interest paid	(909)	(1,312)	(2,601)
Net cash before movement in client funds	1,079	2,708	5,418
Movement in client funds	(12,803)	4,091	18,331
Net cash (outflow)/inflow from operating activities	(11,724)	6,799	23,749

Additions to tangible fixed assets during the period amounting to £nil (to 30 June 2008 – £530,000, full year 2008 – £1,171,000) 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 condensed consolidated cash flow statements exclude the cash flows within the group's insurance companies.

Cash includes client funds of £32,229,000 (30 June 2008 – £30,792,000, 31 December 2008 – £45,032,000).

10. Net interest bearing liabilities

	At 30 June 2009 £000	At 30 June 2008 £000	At 31 December 2008 £000
Cash and cash equivalents	38,586	38,652	53,339
Bank overdrafts	(14,197)	(13,818)	(14,542)
Current loans	(2,921)	(8,035)	(8,471)
Non-current bank loans	(29,964)	(16,868)	(14,297)
Loan stock	(30)	(30)	(30)
Finance leases	(1,359)	(1,067)	(1,550)
	(9,885)	(1,166)	14,449
Client funds	(32,229)	(30,792)	(45,032)
	(42,114)	(31,958)	(30,583)

11. 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 30 June 2009 has been arrived at by recalculating the 31 December 2008 liabilities using the financial assumptions at 30 June 2009 and rolling forward the liability, allowing for interest and benefit accrual. The value of plan assets represents the bid value of invested assets at 30 June 2009 plus cash balances held.

The financial assumptions used to calculate scheme liabilities under IAS19 "Employee benefits" are as follows:

	At 30 June 2009 %	At 30 June 2008 %	At 31 December 2008 %
Rate of increase in salaries	3.3	4.1	2.9
Rate of increase in pensions in payment	3.3	4.1	2.9
Discount rate	6.3	6.0	6.0
Inflation assumption	3.3	4.1	2.9

Notes to the condensed consolidated financial statements continued

11. Pensions continued

The effect of changes in assumptions is reflected in the condensed consolidated statement of comprehensive income. Other movements in the retirement benefit obligation arise from the difference between amounts recognised in the condensed consolidated income statement and contributions made to and benefits paid by the schemes.

12. 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.

13. Relocation and reorganisation costs

Relocation and reorganisation costs of £668,000 (to 30 June 2008 – £1,515,000, full year 2008 – £1,871,000) have been incurred during the period in the insurance support services division following the acquisition of Axiom Holdings Limited.

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.

Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board



John Rowe
Chief executive



Damian Ely
Chief operating officer



George Fitzsimons
Finance director

Independent review report to Charles Taylor Consulting plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



Deloitte LLP

Chartered Accountants and Statutory Auditors
London
United Kingdom
27 August 2009



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