

PRESS RELEASE

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Charles Taylor Consulting plc **Announcement of results for year ended 31 December 2010**

Consolidated financial highlights

For the year ended 31 December 2010

	2010	2009
Revenue	£99.1m	£96.6m
Profit before tax – statutory	£12.5m	£15.7m
Profit before tax – adjusted	£14.6m	£18.7m
Earnings per share – statutory basic	16.79p	19.04p
Earnings per share – adjusted	22.00p	29.02p
Dividend per share – interim	5.54p	5.54p
Dividend per share – final	4.46p	9.01p

Note:

- 1) Adjusted profit and earnings per share figures include adjustments to portray business performance excluding material non-recurring items of an exceptional nature and intangible charges. Details of adjusting items are given in note 3.
- 2) The final dividend is payable on 27 May 2011 to shareholders on the register on 15 April 2011.

“2010 proved to be a difficult year for CTC and, whilst there has been modest progress in the early part of 2011, we believe that our well founded insurance services business together with the skills and experience of our new CEO, David Marock, augur well.”

Rupert Robson
Non-executive chairman

Business highlights

- Management services successful renewals and steady profit growth
- Adjusting services profit reduced from record 2009
- Insurance support services gradually rebuilding, with new business wins
- Lower insurance companies performance as motor run-offs mature
- Strengthened head office but at a higher cost
- Dividend re-based to enhance flexibility to invest in business opportunities
- Net debt down £5.9m to £36.3m (2009 - £42.2m)
- Free cash flow increased to £10.9m (2009 - £2.4m)
- David Marock to be new CEO †

† Subject to FSA Approval

Divisional results

	Management services £m	Adjusting services £m	Insurance support services £m	Insurance companies run-off £m	Inter-segment eliminations and other £m	Total £m
2010						
Revenue	38.2	47.0	12.7	3.8	(2.6)	99.1
Operating segment profit	7.0	4.6	(0.2)	5.4	(0.2)	16.6
Associates and joint ventures						0.2
Net finance costs						(2.2)
Profit before tax – adjusted						14.6
Adjustments (see note 2)						(2.1)
Profit before tax – statutory						12.5
2009						
Revenue	36.1	46.7	11.8	4.7	(2.7)	96.6
Operating segment profit	6.0	8.2	(0.9)	7.1	0.3	20.7
Associates and joint ventures						0.0
Net finance costs						(2.0)
Profit before tax – adjusted						18.7
Adjustments (see note 2)						(3.0)
Profit before tax – statutory						15.7

Chairman's statement

As previously indicated 2010 proved to be a difficult year for Charles Taylor Consulting plc ("CTC"). Whilst group revenues rose 3% to £99.1 million (2009 - £96.6 million), statutory profit before tax fell 21% to £12.5 million (2009 - £15.7 million) and adjusted profit before tax fell by 22% to £14.6 million (2009 - £18.7 million). Statutory basic earnings per share reduced by 12% to 16.79 pence (2009 - 19.04 pence) and adjusted earnings per share was 24% lower at 22.00 pence (2009 – 29.02 pence). We have also decided to reduce, in order to re-base, the annual dividend for the reasons given below. It is therefore proposed that the final dividend be 4.46 pence per share (2009 – 9.01 pence per share).

The management services division made a significantly increased contribution over that of 2009. The results for the adjusting services division were well down from the record 2009 year as a number of major losses which had been contributing significantly to the division's profits were concluded in the energy business. This coincided with a lower incidence of major losses affecting the energy market. During the year, we continued to invest in broadening our areas of adjusting expertise and expanding our office network.

The reshaping of the insurance support services division and the development of new business took longer than anticipated but the full year result, whilst still marginally negative, was an improvement on that of 2009. After taking account of minority interests, the insurance companies run-off division contributed substantially less than in 2009 reflecting in particular a lower contribution from the division's motor insurance related businesses which are substantially mature and will not repeat past performances.

Head office costs, which are captured within the divisional figures, rose during 2010. These increases reflect the importance of reinforcing the resources necessary to manage the risks facing the group and its clients due to the international and increasingly regulated nature of our business operations.

Net debt fell to £36.3 million (from £42.2 million in 2009) at year end, principally reflecting very positive working capital movements, including positive fourth quarter cash flow generated from adjusting services, and the start of the new Signal management fee arrangement. Free cash flow for the year was £10.9 million compared to £2.4 million in 2009, reflecting these same factors and the fact that 2009 included significant, one-off payments to the creditors of the Axiom business.

Recruitment of a new Chief Executive Officer

I am delighted to be able to report that, following the announcement last December that John Rowe would be standing down as CEO this year, we have now selected his successor. David Marock will be starting in his new role as CEO of CTC during the summer. Since 2005, David has been with Beazley plc, first as Head of Specialty Lines Claims and, since 2008, as Chief Operating Officer. Prior to that, he was at McKinsey & Company, focusing primarily on the financial services sector. We strongly believe that David has the right balance of skills and experience to take CTC forward as it continues to build its position in quality insurance services.

Strategy and positioning

We intend to continue to develop the business as one of the world's leading providers of management and specialist services to the insurance sector.

In this regard, we increased our resources in 2010 in both the management services division - which serves our two largest clients, the Standard Clubs and Signal Mutual - and in adjusting services, whose clients include many of the world's leading insurers.

The completion of the reshaping of the insurance support services division allowed an increased focus during the year on business development and resulted in our selection as a preferred provider for some specialist claims management services to the Lloyd's Market.

Whilst we expect the London and North American markets to remain central to our development, we have a longstanding and growing presence in Asia and anticipate expanding our operations further in the Middle East.

Dividends

The board has concluded that it needs to create greater financial flexibility to invest in the group. To continue with the current high level of pay-out ratio would constrain such investment and the board has therefore decided to re-base the level of the dividend paid out to shareholders. The board believes that the new level of dividends thereby established is consistent with its future investment aims.

It is therefore proposed that a final dividend 4.46 pence per share (2009 – 9.01 pence) be paid on 27 May 2011 to shareholders on the register on 15 April 2011. When added to the interim dividend of 5.54 pence per share (2009 – 5.54 pence), this results in a total dividend per share for the year of 10.0 pence which is covered 2.2 times by adjusted earnings and 1.7 times by statutory earnings. In future, we intend to maintain a dividend payment pattern in the region of 1/3 payable as an interim dividend and 2/3 as a final dividend.

The board

At the end of last year, it was announced that John Rowe would be standing down as CEO during 2011. John has been at the helm at CTC for 15 years and it is in no small part due to his unflagging efforts that the Company has its leading position in a number of areas, most notably in the management of mutuals and specialist adjusting services. We are immensely grateful to John for all that he has done over his 37 year career with the company and we wish him well for the future.

During the year, Michael Knight retired as a non-executive director after giving 10 years of valuable service to the board and was replaced by David Watson, who joined the board in May 2010. During his career, David has had wide ranging financial experience in a variety of companies in the financial services industry and most recently was Chief Financial Officer of Aviva General Insurance. He has been appointed Chairman of the Audit Committee.

Judith Hanratty, who has served on the board as a non-executive director for the last 9 years, will be retiring during the year, having served the company wisely and supportively during this period and my thanks are due to her for her considerable efforts. We are about to commence a search process to recruit her successor and an announcement on this will be made in due course.

Risk management

We continue to set a premium on risk management and compliance. We have invested in these areas to service our clients' needs, particularly in the light of Solvency II, and keep the appropriate infrastructure for the group under review.

CTC's focus is on providing specialist insurance services in business sectors where it has built up considerable expertise and experience. The group does not take underwriting risk on its own balance sheet in the performance of its operating activities other than in relation to the insurance companies run-off division where exposure is minimised by the acquisition structures utilised.

Current trading and outlook

In management services, the mutual management businesses are slightly ahead of expectations but this has been partially offset by our underwriting services having a slower start with the timing of various new projects remaining uncertain. Activity levels are increasing in adjusting services as workloads within Energy in particular begin to reflect some significant losses to the energy market. Revenues in insurance support services should start to pick up in April as work starts on the Lloyd's static claims project. As mentioned above, our insurance companies run-off activities have largely matured and therefore, in the absence of further acquisitions (where we continue to evaluate opportunities), prospects for any meaningful contribution this year are uncertain.

The group will incur certain transitional costs arising from the change of Chief Executive. These costs will be exceptional in nature, and will be excluded from our reported adjusted profit and adjusted earnings per share figures but they will reduce the reported figures for statutory profit and earnings per share.

Overall trading in the year to date has started slowly, and whilst certain of the group's businesses have performed in line with the board's expectations, this has been offset by weaker trading in other areas. We believe that the investments recently made in the group will ensure that it remains well placed to continue to be a leading provider of services to the insurance market.

I would like to acknowledge the effort and commitment of everyone who works at CTC and offer them my sincere thanks for their contributions over the year.

Rupert Robson

Non-executive chairman

29 March 2011

BUSINESS REVIEW

MANAGEMENT SERVICES DIVISION

The principal source of revenue within this division comes from the management of mutual insurance associations, of which the most significant are the shipowners' protection and indemnity mutuals, collectively known as the Standard P&I Clubs, and the US workers' compensation mutual, Signal Mutual. Additional revenues come from investment management, primarily on behalf of these mutual clients, captive management and a small risk consultancy business. We are also developing an underwriting services business managing binding authorities for underwriters in certain specialist areas.

Revenues for 2010 were £38.2 million, up from £36.1 million in 2009 and the result increased from £6.0 million to £7.0 million. The better result was primarily due to an improvement in the Signal business after the lower performance in 2009. The growth of the Standard Clubs also contributed to the improved performance from this division.

Mutual management: 91% of management services division revenue (2009 – 90%)

Shipowners' Protection and Indemnity Mutuals

The shipping mutuals managed by the group, the Standard P&I Clubs, insure approximately 9% of world tonnage against shipowners' and charterers' liability risks. Membership continued to grow during the period, with an 11% increase in insured tonnage year-on-year, as shipowners were attracted by the relative financial strength of the Standard Clubs, an increasingly important differentiator between shipping mutuals. Standard & Poor's strong ratings for the Standard Clubs were reaffirmed during the year. CTC revenues increased in 2010, in recognition of both the tonnage growth and our need to meet the clubs' regulatory requirements under the Solvency II directive. Additional staff have already been recruited and further recruitment is planned. We believe that the Standard Clubs are well positioned to grow their business in the future and, as their manager, CTC expects to benefit from this.

Workers' Compensation Mutuals

The group manages Signal Mutual, the largest single provider of insurance coverage to US maritime employers governed by the federally-regulated Longshore and Harbor Workers Compensation Act. Revenue growth picked up in 2010. In part this was because management fees received in the first 9 months of the year were higher than the prior year as a result of higher premium declared by existing Members and new business. A new three year management fee agreement took effect from October 2010 and this positively affected revenues in the last quarter (as the proportion of the annual fee earned in the fourth quarter of the year is higher under the new agreement). A small element of this is a transitional effect and will not recur.

SCALA is a small Bermuda-based mutual which covers the workers' compensation liabilities of Canadian flag shipowners. The result was lower than the prior year because it was impacted by the additional costs involved with a management transition which was successfully completed by the year end.

Non Marine Mutuals

As previously announced, it was necessary to put both the London Authorities Mutual and the Fire and Rescue Authorities Mutual into run-off during the course of the year, following a Court of Appeal decision that the relevant authorities did not have the power to enter into such mutual arrangements. New legislation and a favourable decision from the UK Supreme Court have now removed all legal obstacles. We will be seeking to capitalise upon our earlier endeavours in this area to help authorities

either re-establish insurance mutuals or implement other cost-effective and appropriate risk retention mechanisms.

The Stop Loss Mutual is a small UK mutual which is the sole remaining dedicated provider of personal stop loss insurance to investors at Lloyd's. During the year, as a result of the growing regulatory burden compared with the limited foreseeable market for this mutual, the Stop Loss Mutual board took the decision to put the mutual into run-off. CTC is managing this run-off and has also been able to provide members with alternative cover through its underwriting services business.

Investment Management

During 2010, Charles Taylor Investment Management again produced good returns for its major clients, the insurance mutuals whose affairs the company manages. Funds under management increased 4% to US\$1.43 billion from US\$1.38 billion at the previous year end.

Underwriting services, Captive management and risk consulting: 9% of management services division revenue (2009 - 10%)

Our underwriting services business provides product development and marketing services and operates binding authorities on behalf of several Lloyd's syndicates. In 2010 we focused on developing a number of products and initiatives, including a scheme for Law of Property Act Receivers, a terrorism facility for UK public bodies, an aggregate stop loss protection scheme for Lloyd's Names and a scheme for Court Deputies. Revenues in 2010 were small but there are some signs of an improvement in early 2011.

The captive management business is principally carried out through two Bermuda-based segregated cell insurance companies. 2010 saw a small improvement in performance, as revenues rose moderately and costs were contained. New business included the development of captives for US and UK business associations. A feature of the year was the increase in cross-selling between the risk consulting and captive management businesses. However, the US risk consulting operation struggled, with revenues down from the prior year. The continued uncertain economic outlook for its largely US client base resulted in consultancy work being either cancelled or postponed but there are signs of a slightly more positive outlook at the start of 2011.

ADJUSTING SERVICES DIVISION

Adjusting activities involve the provision of advice to insurers (Loss Adjusting) and to shipowners (Average Adjusting). The division's employees are split into four specialist business sectors of energy, marine, aviation and non-marine and it has a global office network well placed to deal with routine losses as well as man-made and weather-related catastrophes, wherever they occur.

Revenue rose slightly from £46.7 million to £47.0 million, but profit fell from £8.2 million to £4.6 million. The primary reason was that some significant cases, particularly in energy, came to a conclusion. New claims activity in the year in several areas was also relatively low, in part because of continued depressed economic activity in certain parts of the world but also because of the lower incidence of large insured losses, in particular within the energy market. As the largest division, and reflecting the group management resources engaged with the division, adjusting services was allocated the largest proportion of the increase in head office costs which are explained in more detail in the financial review below. Finally, Adjusting's result was also reduced by the relatively higher discretionary bonuses paid out in 2010 reflecting 2009's record result, by investments in new offices and staff and by the strength of the Singapore dollar.

Energy: 44% of adjusting services division revenue (2009 – 44%)

Energy's overall performance was down from the record levels achieved in 2009, as significant contracts which had required very high levels of effort in both the UK and Houston offices came to an end. The effect of this was compounded by a lower level of new claims activity throughout 2010 in the London market, although the business maintained its strong market share of offshore claims. Further investment was made to develop more resource for onshore claims. New adjusters were also added in Australia and Singapore, which are promising markets. 2011 has started more positively, with significant new instructions in the UK, Canada and Australia.

Marine: 23% of adjusting services division revenue (2009 – 23%)

Marine was busy, particularly in the UK and Greater China offices, the latter exceeding the record result of 2009. However, the performance was not uniformly strong with some offices benefiting from significant Average adjusting cases and the results of others affected by new office set-up costs and extra staff costs. At the start of 2011 the UK and Greater China offices in particular remain busy.

Aviation: 19% of adjusting services division revenue (2009 – 19%)

Overall aviation revenues were similar to 2009 but the UK office was impacted by a low level of activity, particularly on hull claims, reflecting the poor economic background affecting the aviation industry. The business has a market leading position in the Asian market and revenues were similar to the prior year but the result was impacted by an increase in costs in Singapore. The performance of the new asset management business was disappointing. During the year the business was restructured and incorporated into a newly created risk management business.

There was a better performance from the small Australian business, which gained some new contracts, and from the restructured US light aviation business. The Miami office, which is largely focused on Latin America, produced another good performance. Overall, the negative factors which affected aviation in 2010 have continued into the new year, albeit steps are being taken to address the rising costs which have impacted the business.

Non marine: 14% of adjusting services division revenue (2009 – 14%)

Non marine had another good year, close to matching the record result in 2009. In the UK, work levels reduced as a major contract came to an end but encouragingly further progress was made in the

financial institution and product recall markets. The Dubai/Doha and Paris offices had very good results, vindicating the further investment made here in prior years. The historically strong Miami office had a quieter year for new instructions. Overall, the business remains well placed to benefit once losses start to pick up.

INSURANCE SUPPORT SERVICES DIVISION

The division provides support services to global insurers but particularly to clients in the Lloyd's and London markets. We also provide third party administration services to both life and non-life insurance companies in run-off. The division enables our insurance industry clients to reduce costs, increase efficiency and manage their businesses more effectively.

Revenue increased from £11.8 million to £12.7 million and the division reported a loss of £0.2 million in 2010, an improvement of £0.7 million over 2009. This includes a £0.5 million bargain purchase gain because of a reduction in the estimate of deferred consideration payable in relation to the Beech Hill acquisition as well as lower divisional operating costs, offset slightly by an increased allocation of head office costs.

Non-life insurance support services: 87% of insurance support services division revenue (2009 – 85%)

For the past two years, since the bulk of the business was acquired, Charles Taylor Insurance Services ("CTIS") has been going through a significant period of restructuring and refocusing. A review of operations during the year recognised the closely related skills that existed in three previously separate units, being Commutations, Run-off and Claims and Market Services. These are now combined into a single Claims Services business. In addition, the Broker and Underwriting Services teams were consolidated into a single entity. Revenues increased compared with the previous year, chiefly because 2010 was the first full year of operation under CTC's ownership of the Axiom business acquired in May 2009. However, as a result of the restructuring, last year's loss was reduced in 2010 and a good foundation has been established for 2011.

New business development was also a significant focus during the year and CTIS had two notable successes:

- Lloyd's Market Association (LMA) Tender for Static Claims – This contract is for claims management services to handle the backlog of over 54,000 claims that have not been updated in the past 12 months and where the Lloyd's market share is up to £100,000 per claim. The tender was won against stiff competition from the top international market claims service providers and CTIS was chosen because it understood the issues, had good relationships with all stakeholders and possessed a robust infrastructure. It is expected that a substantial proportion of managing agents will contract with CTIS for this service which it is anticipated will start in April 2011, and contracts have already been signed with clients accounting for 50% of market claims volumes.
- US insurer run-off portfolio – CTIS has handled part of this insurer's run-off portfolio for some years, which consists of claims arising from its underwriting in certain London market pool arrangements. In 2010, the insurer decided to put all elements of this portfolio out to tender. CTIS was successful in this process and was awarded the renewal of the current work and an additional contract for the rest of their run-off which grew our portfolio by 33%.

CTIS continues to increase its presence in the London and International market places and to position the business to compete for work which is expected to arise from the Lloyd's market Claims Transformation Project.

Life Insurance Support Services: 13% of insurance support services division revenue (2009 – 15%)

LCL Services (Isle of Man) is the group's life insurance administration operation and is the leading provider of third party life insurance administration on the Isle of Man. It administers business for two life insurers in addition to its sister company, LCL International Life Assurance Company Limited ("LCLI"), and a large life reinsurance company.

Revenues and profit were slightly lower in 2010 reflecting the fact that no new service revenues were added during the year. The outlook for 2011 appears more promising in terms of potential new opportunities.

INSURANCE COMPANIES RUN-OFF DIVISION

Run-off is the term used to describe all the activities undertaken to manage and administer the liabilities of insurers which are no longer open to new business. The Insurance Companies Run-off division acquires closed insurance companies in the life and non-life sectors and runs off their outstanding liabilities in an orderly manner.

The division produced a satisfactory result during 2010, although a significantly lower one than in 2009. As was the case in 2009, the reported results are heavily influenced by the large profit earned by Cardrow, which under the terms of its acquisition is mainly attributable to its former owner.

The division's pre-tax profit was £5.4 million, compared to £7.1 million in 2009. The contribution of insurance companies to adjusted group earnings (after tax and non-controlling interests) was £0.7 million compared to £2.3 million the previous year, reflecting principally the lower pre-tax result, a higher average tax rate and a revised and higher estimate of non-controlling interests.

One small life acquisition was completed in 2010 and life and non-life company and portfolio acquisitions remain an objective if suitable opportunities can be found.

Non-life business: 38% of insurance companies run-off division revenue

CTC owns three non-life insurance companies in run-off. Revenue represents insurance premiums earned during the year. The majority of these premiums were received in prior years and are recognised as revenue over time as the related insurance risks expire. There are differences between the statutory results of the insurance companies concerned, which are reported under UK or Irish Generally Accepted Accounting Principles, and CTC's consolidated financial statements which are based on IFRS. CTC's group accounts have recognised intangible assets which are amortised through the consolidated income statement and the group accounts are also affected by certain other adjustments not contained in the entity accounts, including movements in provisions for run-off costs and different accounting policies for investment valuations and the recognition of investment returns.

The group also earns fees from the management of its non-life insurance companies which are shown as revenue within the insurance support services division.

Bestpark

Bestpark was placed into run-off in late 2002 and was acquired by the group in December 2005. The major lines of business accepted by the company included UK employers' liability and public liability covers under delegated binding authorities, financial institutions cover, extended warranty insurance, latent defects cover and treaty reinsurance. The orderly run-off of Bestpark's liabilities continued during the year with gross claims outstanding reducing by 19% to £28.2 million. Claims experience was slightly positive overall although there were a number of favourable and adverse reserving movements across the different classes of business.

Additional value was secured during the year from tax loss sales which, together with a positive pre-tax statutory profit, resulted in some improvement in the company's net assets and solvency, although capital resources are still below the minimum regulatory requirement. Net assets remain low relative to the level of outstanding insurance liabilities and there continues to be significant uncertainty surrounding the ultimate cost of settling these liabilities.

Cardrow

Cardrow ceased to write new business in 2008 and was acquired by the group in December 2008. Business accepted by the company was primarily licensed black taxi and other private hire motor insurance.

At the end of December 2010 there were 179 claims outstanding (2009 - 823). The majority of these are expected to be settled over the next twelve months although there are a number of large personal injury claims which may take longer to settle. Gross claims outstanding reduced from £23.1 million at the beginning of the year to £9.1 million at 31 December 2010.

Beech Hill

Beech Hill wrote motor and household business in the UK and the Republic of Ireland and is in its third year of run-off. The business continued to be profitable in 2010, although less so than in 2009. The underwriting surplus was at a lower level than the prior year and investment returns were also lower. Gross claims outstanding reduced from £9.5 million at the beginning of the year to £5.7 million at 31 December 2010. At year end there were 362 open claims (2009 – 859), representing 1% of total claims since inception. The company's solvency increased in the year and remains well above the statutory minimum.

Life business: 62% of insurance companies run-off division revenue

The group's life insurance company, LCL International Life Assurance Company Limited ("LCLI") is an Isle of Man life insurer which has been closed to new business since 1999 and has policyholders around the world. Its products primarily have an investment or savings focus, although some provide life insurance and critical illness cover. These risks are largely reinsured out of the company.

LCLI's results were better than originally planned, with positive experience of investment returns, mortality and persistency (i.e. policy lapses were lower than expected). During the year, LCLI acquired Finistere Life Assurance Company Limited, a small closed life insurer based in Guernsey, and the required court approvals for the transfer of the portfolio into LCLI in the Isle of Man were received in December. The acquisition generated a bargain purchase of £0.2 million as a result of the transfer, reported within the insurance companies run-off division because LCLI made the acquisition (whereas bargain purchases of non-life insurance companies are reported as part of insurance support services).

Nonetheless, the results for the year were slightly below 2009 levels because difficult market conditions in late 2008 led to a significant deferral of profits from 2008 into 2009. LCLI contributed £2.1 million to group cash flow in the year. The business continues to retain a prudent level of surplus solvency compared to the statutory requirement. At year end there were 4,773 policies in force (2009 – 5,382).

FINANCIAL REVIEW

Results

Revenue in 2010 was £99.1 million (2009 – £96.6 million). Revenue growth of 3% was mainly attributable to the performance of the management services division and the insurance support services division, with the latter reflecting a full year's trading following the acquisition of Axiom in May 2009. Insurance companies run-off revenue fell by 18%, which is not a reliable indicator of performance since the companies are all closed to new business and most of them no longer collect premiums. Adjusted profit before tax was £14.6 million (2009 – £18.7 million). Statutory profit before tax was £12.5 million (2009 – £15.7 million). Compared to 2009, the results reflect a reduction in the result from adjusting services following its record performance in 2009, a lower insurance companies run-off result and improvements in management services and insurance support services. In addition to their operating performance, divisional results were affected by increased head office costs which mainly reflect additional staff in central functions (especially risk management, compliance, internal audit, finance and information technology) and professional fees including tax and pensions advice.

Dividends and earnings per share

The proposed final dividend for 2010 is 4.46 pence (2009 – 9.01 pence) so that the total dividend for the year is 10.00 pence. This represents a year-on-year reduction of 31%. Adjusted earnings per share were 22.00 pence (2009- 29.02 pence) and statutory basic earnings per share were 16.79 pence (2009 – 19.04 pence).

Total shareholder return

Total shareholder return was negative 11.5% in 2010, with the share price at 167 pence at 31 December 2010 compared to 210 pence at 31 December 2009 and dividends paid in 2010 of 14.55 pence compared to 14.12 pence in 2009.

Foreign exchange

The US\$ profits of the group were translated at US\$1.55 in 2010 (2009 – 1.56), with this average rate being a fair reflection of the range between US\$1.44 and US\$1.62 over the year. The sensitivity of the group's results to movements in exchange rates is explained in the annual report and accounts.

Taxation

During 2010, the effective tax rate on statutory profits was 15.2% (2009 – 24.4%). The group's tax charge for the year consists of two main elements: the tax charge on UK and overseas profits and deferred taxation relating to the recognition and use of deferred tax assets by group companies. 2009's tax rate was unusually high as a result of £1.0 million of adjustments to UK tax relating to prior years. The 2010 tax charge benefited from favourable deferred tax movements. The underlying tax rate, which is calculated on adjusted profit and excludes prior year tax adjustments and the recognition of new deferred tax assets, has increased from 18.0% in 2009 to 19.9% as a result of more profits arising in higher tax overseas jurisdictions.

Financing

The group's principal facilities remain in place, having been refinanced in early 2009 for a five-year term. The facilities incorporated term loans of £25 million (paid down to £19 million by 31 December 2010) and £12 million of revolving credit facilities for general corporate purposes (of which £4.5 million was undrawn at 31 December 2010). UK overdraft facilities of £8 million have been committed until 31 March 2012. As reported in November 2010, the group recently agreed amendments to the facilities that offer more flexible conditions and better reflect the changed business mix of the group.

There are additional facilities available to the group in the United States, Canada and Hong Kong which totaled £6.6 million at year end. Total headroom on committed facilities at year end was £6.9 million (2009 – £4.3 million).

The borrowings in £ sterling and US\$ 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 LIBOR at 2.96% on the loan finance for the five-year term.

Net debt at year end was £36.3 million (2009 – £42.2 million). The last quarter of 2010 benefited from strong adjusting services collections, the commencement of the new Signal management fee and strong working capital management generally. Free cash flow of £10.9 million (2009 – £2.4 million) represents a significant increase on the previous year for the same reasons and because the significant one-off payments made to Axiom's creditors after its acquisition in 2009 did not recur in 2010.

Retirement benefit schemes

The retirement benefit obligation in the group balance sheet at 31 December 2010 was £24.5 million, compared to £22.9 million at the previous year end and £26.7 million at 30 June 2010. The discount rates used at 31 December 2010 remained at the level of 30 June 2010, which was 40 basis points lower than at 31 December 2009, with inflation and expected investment returns at similar levels to those at 30 June 2010. In addition, there have been changes to actuarial estimates of liabilities in the largest defined benefit scheme, the Charles Taylor & Co Ltd Retirement Benefits Scheme, to reflect both the equalisation of retirement benefits between men and women and benefits accrued by both men and women for past periods of service up to various dates when scheme retirement ages were altered, which together have increased liabilities by £1.9 million. Employer contributions in the year were £2.9 million (2009 – £3.3 million) compared to current service cost of £0.8 million (2009 – £0.8 million).

Principal risks

The principal risks facing the group and the processes by which they are managed are explained in the annual report and accounts.

George Fitzsimons

Finance director

29 March 2011

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 accounts.

The directors have acknowledged the latest guidance on going concern. Whilst the continuing weak economic background has created general uncertainty, the company has a number of long-term client contracts and well-established trading relationships with many customers across a number of different geographical locations and business lines. The company also has considerable financial flexibility and access to additional sources of finance. Banking facilities were arranged in 2009 and amended in 2010 and are detailed in the annual report and accounts. Under current forecasts the company 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 continuing uncertain economic outlook.

After making enquiries, the directors have formed a judgement, 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

		Year to 31 December 2010 £000	Year to 31 December 2009 £000
	Note		
Continuing operations			
Revenue from insurance services		95,325	91,951
Revenue from insurance companies run-off			
Gross revenue		5,920	7,890
Outward reinsurance premiums		<u>(2,118)</u>	<u>(3,237)</u>
Net revenue		<u>3,802</u>	<u>4,653</u>
Total revenue	2	<u>99,127</u>	<u>96,604</u>
Expenses from insurance companies run-off			
Claims incurred		(13,827)	(9,022)
Reinsurance recoveries		827	(1,157)
Other gains from insurance activities		20,749	21,792
Net operating expenses		<u>(5,640)</u>	<u>(8,086)</u>
Net gains		<u>2,109</u>	<u>3,527</u>
Administrative expenses		(87,316)	(80,485)
Gain on bargain purchases	4	543	–
Amounts written off goodwill		–	(523)
Relocation and reorganisation costs		–	(1,433)
Share of results of associates		173	187
Share of results of joint ventures		<u>(22)</u>	<u>(211)</u>
Profit from operations		14,614	17,666
Investment and other income		117	96
Finance costs		<u>(2,250)</u>	<u>(2,034)</u>
Profit before tax		<u>12,481</u>	<u>15,728</u>
Income tax expense		<u>(1,898)</u>	<u>(3,839)</u>
Profit for the period from continuing operations		<u>10,583</u>	<u>11,889</u>
Attributable to:			
Owners of the company		6,734	7,613
Non-controlling interest		<u>3,849</u>	<u>4,276</u>
		<u>10,583</u>	<u>11,889</u>
Earnings per share from continuing operations			
Statutory basic (pence)	3	16.79	19.04
Statutory diluted (pence)	3	16.66	19.03

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

Consolidated statement of comprehensive income

	Year to 31 December 2010 £000	Year to 31 December 2009 £000
Losses on revaluation of available-for-sale investments taken to equity	–	(10)
Exchange differences on translation of foreign operations	2,085	(1,303)
Actuarial losses on defined benefit pension schemes	(3,116)	(527)
Tax on items taken directly to equity	243	(7)
Net loss recognised directly in equity	<u>(788)</u>	<u>(1,847)</u>
Profit for the year	10,583	11,889
Total recognised income and expense for the year	<u>9,795</u>	<u>10,042</u>
Attributable to:		
Owners of the company	5,946	5,766
Non-controlling interests	3,849	4,276
	<u>9,795</u>	<u>10,042</u>

Consolidated balance sheet

		At 31 December 2010 £000	At 31 December 2009 £000
Non-current assets			
Goodwill		43,951	43,574
Intangible assets		12,537	15,631
Property, plant and equipment		5,494	6,027
Investments		1,636	1,800
Deferred tax assets		7,526	6,138
		<u>71,144</u>	<u>73,170</u>
Current assets			
Total assets in insurance businesses		269,141	292,025
Trade and other receivables	5	51,988	55,663
Cash and cash equivalents		43,684	49,384
		<u>364,813</u>	<u>397,072</u>
Total assets		<u>435,957</u>	<u>470,242</u>
Current liabilities			
Total liabilities in insurance businesses		217,878	244,383
Trade and other payables	6	16,873	15,875
Tax liabilities		429	1,138
Obligations under finance leases		566	459
Borrowings		19,161	22,545
Client funds		36,698	38,709
		<u>291,605</u>	<u>323,109</u>
Net current assets		<u>73,208</u>	<u>73,963</u>
Non-current liabilities			
Borrowings		22,938	29,437
Retirement benefit obligation		24,521	22,909
Provisions		1,394	2,870
Obligations under finance leases		918	856
Deferred consideration		17,141	17,852
		<u>66,912</u>	<u>73,924</u>
Total liabilities		<u>358,517</u>	<u>397,033</u>
Net assets		<u>77,440</u>	<u>73,209</u>
Equity			
Share capital		403	401
Share premium account		30,635	29,897
Merger reserve		6,872	6,872
Capital reserve		662	662
Own shares		(310)	(310)
Retained earnings		2,432	3,530
		<u>40,694</u>	<u>41,052</u>
Equity attributable to owners of the company		<u>40,694</u>	<u>41,052</u>
Non-controlling interest		36,746	32,157
Total equity		<u>77,440</u>	<u>73,209</u>

The financial statements were approved by the board of directors and authorised for issue on 29 March 2011.

George Fitzsimons

Director

29 March 2011

Consolidated cash flow statement

		Year to 31 December 2010 £000	Year to 31 December 2009 £000
	Note		
Net cash from/(used in) operating activities	8	10,362	(2,707)
Investing activities			
Interest received		84	55
Proceeds on disposal of property, plant and equipment		264	135
Purchases of property, plant and equipment		(776)	(818)
Acquisition of intangible assets		(1,048)	(578)
Proceeds from sale of investments		52	11
Acquisition of subsidiaries		(31)	(8,427)
Payment of deferred consideration		(152)	–
Net cash with subsidiary disposed of		(38)	–
Net cash used in investing activities		<u>(1,645)</u>	<u>(9,622)</u>
Financing activities			
Dividends paid		(5,833)	(5,645)
Repayments of borrowings		(12,742)	(26,486)
Repayments of obligations under finance leases		(562)	(422)
New bank loans raised		6,100	38,090
(Decrease)/increase in bank overdrafts		(3,336)	4,242
Net cash (used in)/from financing activities		<u>(16,373)</u>	<u>9,779</u>
Net decrease in cash and cash equivalents		(7,656)	(2,550)
Cash and cash equivalents at beginning of year		49,384	53,339
Effect of foreign exchange rate changes		1,956	(1,405)
Cash and cash equivalents at end of year		<u>43,684</u>	<u>49,384</u>

Consolidated statement of changes in equity

	Share capital £000	Share premium account £000	Merger reserve £000	Capital reserve £000	Own shares £000	Profit and loss account £000	Non- controlling interest £000	Total £000
At 1 January 2010	401	29,897	6,872	662	(310)	3,530	32,157	73,209
Issue of share capital	2	–	–	–	–	–	–	2
Share premium arising on issue of share capital	–	738	–	–	–	–	–	738
Profit for the financial year	–	–	–	–	–	6,734	3,849	10,583
Dividends paid	–	–	–	–	–	(5,833)	–	(5,833)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(3,116)	–	(3,116)
Tax on items taken to equity	–	–	–	–	–	243	–	243
Unrealised losses on available- for-sale investments	–	–	–	–	–	–	–	–
Foreign currency exchange differences	–	–	–	–	–	2,056	29	2,085
Other movements	–	–	–	–	–	(1,182)	711	(471)
At 31 December 2010	<u>403</u>	<u>30,635</u>	<u>6,872</u>	<u>662</u>	<u>(310)</u>	<u>2,432</u>	<u>36,746</u>	<u>77,440</u>
At 1 January 2009	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 year	–	–	–	–	–	7,613	4,276	11,889
Dividends paid	–	–	–	–	–	(5,645)	–	(5,645)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(527)	–	(527)
Tax on items taken to equity	–	–	–	–	–	(7)	–	(7)
Unrealised losses on available- for-sale investments	–	–	–	–	–	(10)	–	(10)
Foreign currency exchange differences	–	–	–	–	–	(1,296)	(7)	(1,303)
Other movements	–	–	–	–	–	427	(73)	354
At 31 December 2009	<u>401</u>	<u>29,897</u>	<u>6,872</u>	<u>662</u>	<u>(310)</u>	<u>3,530</u>	<u>32,157</u>	<u>73,209</u>

The capital reserve and merger reserve arose on formation of the group and are non-distributable capital reserves.

Own shares comprise 86,655 (2009 – 87,155) shares held by the Charles Taylor Employee Share Ownership Plan Trust (“ESOP”). The market value of these shares was £144,281 (2009 – £183,026) at the balance sheet date.

The trustee of the ESOP is the Codan Trust Company Limited, an independent professional trust company registered in Bermuda. The ESOP is a discretionary trust for the benefit of employees of the group and provides a source of shares to distribute to the group’s employees (including executive directors and officers) under the group’s various bonus and incentivisation schemes, at the discretion of the trustee acting on the recommendation of a committee of the board.

The assets, liabilities, income and costs of the ESOP are incorporated into the consolidated financial statements.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances other than company law requirements dealing with distributable profits, and in the case of the insurance companies regulatory permissions and solvency limits.

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies

Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006.

2. Segmental information

Identification of segments

For management and internal reporting purposes the group is currently organised into four operating divisions whose principal activities are as follows:

- Management services division – mutual management, captive management, investment management and risk management.
- Adjusting services 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 services 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.

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. Operating segment profit includes an allocation of central costs across the four divisions and excludes exceptional adjusting items. Reconciliations of segmental results to the group profit before tax are set out below.

	At 31 December 2010 £000	At 31 December 2009 £000
Total assets		
Management services division	5,171	6,695
Adjusting services division	98,791	103,111
Insurance support services division	36,895	39,673
Insurance companies run-off division*	274,027	298,408
Unallocated assets and eliminations	21,073	22,355
	<u>435,957</u>	<u>470,242</u>

* Includes related intangible assets.

Geographical information

	Year to 31 December 2010 £000	Year to 31 December 2009 £000
Revenue		
United Kingdom	31,390	34,508
Other Europe	6,895	7,300
North America	13,598	13,596
Asia Pacific	11,937	8,497
Bermuda	35,307	32,703
	<u>99,127</u>	<u>96,604</u>

	At 31 December 2010 £000	At 31 December 2009 £000
Non-current assets (excluding deferred tax assets)		
United Kingdom	50,528	52,903
Other Europe	4,363	5,106
North America	5,448	5,375
Asia Pacific	1,669	1,766
Bermuda	1,610	1,882
	<u>63,618</u>	<u>67,032</u>

Information about major customers

The group derived revenue of £20.5 million (31 December 2009 – £19.4 million) from one external customer which accounts for more than 10% of group revenue, and is included within the management services division.

3. Earnings per share

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation and non-controlling 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 statutory basic, statutory diluted and adjusted earnings per share is based on the following data:

	Year to 31 December 2010 £000	Year to 31 December 2009 £000
Earnings		
Earnings for the purposes of adjusted earnings per share being adjusted profit after tax attributable to owners of the company	8,824	11,605
Amortisation of customer relationship intangibles	(2,090)	(1,631)
Life insurance VOBA credit	–	577
Amounts written off goodwill	–	(523)
Relocation and reorganisation costs	–	(1,433)
Prior years' tax settlement	–	(982)
Earnings for the purposes of statutory basic and diluted earnings per share being net profit attributable to owners of the company	<u>6,734</u>	<u>7,613</u>
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	40,103,211	39,983,065
Effect of dilutive potential ordinary shares:		
Share options	<u>311,095</u>	<u>18,217</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>40,414,306</u>	<u>40,001,282</u>

4. Acquisition of subsidiaries

Finistere Life Assurance Company Limited

On 10 June 2010, the group acquired 100% of the issued share capital of Finistere Life Assurance Company Limited ("Finistere") for initial cash consideration of £1 and further cash consideration of £100,000 payable by 20 December 2010.

The amount of Finistere's loss before tax since the acquisition date that has been included in these accounts is £6,000. Had the acquisition occurred on 1 January 2010 the combined revenue and operating profit for the group would have remained unchanged at £99.1 million and £14.6 million respectively.

The fair value of assets and liabilities acquired is set out below:

	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Investment contract assets	3,101	–	3,101
Cash and cash equivalents	322	–	322
Insurance technical balances	(215)	215	–
Investment contracts unit linked liabilities	<u>(3,101)</u>	<u>–</u>	<u>(3,101)</u>
	107	215	322
Gain on bargain purchase *			<u>(222)</u>
Total consideration			<u>100</u>

* Included within the insurance companies run-off result.

A gain on bargain purchase of £543,000 arose during the year in relation to the 2008 acquisition of Beech Hill Insurance Limited.

5. Trade and other receivables

	At 31 December 2010 £000	At 31 December 2009 £000
Trade debtors	20,759	22,478
Amounts owed by associates	731	545
Other debtors	2,306	2,147
Prepayments	3,603	3,982
Accrued income	24,248	25,868
Corporation tax	<u>341</u>	<u>643</u>
	<u>51,988</u>	<u>55,663</u>

6. Trade and other payables

	At 31 December 2010 £000	At 31 December 2009 £000
Trade creditors	3,569	3,449
Amounts owed to associates	361	328
Other taxation and social security	1,946	1,669
Other creditors	1,111	1,504
Accruals and deferred income	8,727	7,200
Deferred consideration	<u>1,159</u>	<u>1,725</u>
	<u>16,873</u>	<u>15,875</u>

7. Net interest-bearing liabilities

	At 31 December 2010 £000	At 31 December 2009 £000
Net interest-bearing liabilities		
Cash and cash equivalents	43,684	49,384
Bank overdrafts	(15,448)	(18,784)
Current loans	(3,384)	(3,360)
Non-current bank loans	(22,938)	(29,437)
Finance leases	(1,484)	(1,315)
	430	(3,512)
Client funds	(36,698)	(38,709)
	<u>(36,268)</u>	<u>(42,221)</u>

8. Notes to the cash flow statement

	Year to 31 December 2010 £000	Year to 31 December 2009 £000
Profit from operations	14,614	17,666
Adjustments for:		
Depreciation of property, plant and equipment	1,856	1,576
Gain on bargain purchases	(543)	–
Intangibles and goodwill	4,189	4,804
Other non-cash items	265	308
Decrease in provisions	(2,995)	(995)
Share of results of associates and joint ventures	(151)	24
Operating cash flows before movements in working capital	<u>17,235</u>	<u>23,383</u>
Decrease/(increase) in receivables	3,020	(1,540)
Increase/(decrease) in payables	1,282	(4,959)
Decrease in insurance company assets	22,936	47,467
Decrease in insurance company liabilities	(28,098)	(57,323)
Cash generated by operations	<u>16,375</u>	<u>7,028</u>
Income taxes paid	(2,095)	(1,348)
Interest paid	(1,907)	(2,064)
Net cash before movement in client funds	<u>12,373</u>	<u>3,616</u>
Movement in client funds	(2,011)	(6,323)
Net cash from operating activities	<u>10,362</u>	<u>(2,707)</u>

The figures shown above (including comparatives) have been reanalysed to include movements in the balance sheets of insurance companies in run-off as part of the individual reconciling items which reconcile profit from operations to net cash from operating activities. There is no impact on reported cash from operating activities in either the current or the prior period.

Additions to tangible fixed assets during the period amounting to £619,000 (2009 – £190,000) 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 funds of £36,698,000 (2009 – £38,709,000).

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.