Charles Taylor plc Annual Report and Accounts 2014

Charles Taylor

Professional Services

for the global insurance market

Annual Report and Accounts 2014

Charles Taylor plc is a leading provider of professional services to clients across the global insurance market. We have been providing such services since 1884 and today we employ over 1,200 permanent and contract staff in 67 offices spread across 27 countries in the UK, the Americas, Asia Pacific, Europe and the Middle East.

The Group offers services, principally on a fee-based model, and operates through three businesses – Management, Adjusting and Insurance Support Services. We also own insurers, creating value through undertaking select acquisitions and driving operational efficiency.

Our vision

Our vision is to become the professional services provider of choice to the global insurance market by:

Building

A substantially larger Professional Services business in sectors where superior technical skills matter.

Achieving

Leading market positions for each of our businesses and expanding into growing economies and markets where we are currently under-represented.

Developing

New services and associated revenue sources within our existing business model.

Capitalising

On the opportunities for cross referral and business synergies between our businesses and across our international network.

Our core values

Charles Taylor is a people business. Everything we do to achieve our vision is underpinned by our core values:

Excellence

We recruit, retain, and develop highly skilled, technically excellent professional staff.

Partnership

We have a partnership mind-set and work closely with our clients to deliver mutually beneficial outcomes, focusing on long-term value creation.

Quality

We have a genuine pride in delivering high quality work. We live by our reputation in professional services and it is this focus on quality which underpins our offering to clients.

Support

We work within a supportive, collegiate culture across the Group.

Business highlights

Revenue
£122.8m* +8.1%
(CER† £126.3m +11.2%)
(2013: £113.6m)

Statutory profit before tax
£9.6m* +38.5%
(CER† £9.9m +42.7%)
(2013: £6.9m)

Net debt[2]
£32.6m
increased by 0.8%
(2013: £32.4m)

Adjusted earnings per share
23.17p* +15.6%
(CER† 23.71p +18.3%)
(2013: 20.05p)

Professional Services profit[1]
£12.2m* +16.7%
(CER† £12.5m +19.6%)
(2013: £10.4m)

Adjusted profit before tax[1]
£11.1m* +11.3%
(CER† £11.4m +14.2%)
(2013: £10.0m)

Statutory earnings per share
19.48p* +37.0%
(CER† 20.01p +40.7%)
(2013: 14.22p)

Dividend per share
10.75p +7.5%
(2013: 10.00p)

– Increased revenue
– Increased adjusted profit before tax
– Increased statutory profit before tax
– Increased adjusted earnings per share and statutory earnings per share
– Delivered higher Professional Services profit despite benign global claims environment
– Net debt in line with prior year
– Progressed growth initiatives
– Rights issue to raise £30.6m in new equity
– Second interim dividend of 7.50p/full year dividend of 10.75p

1. The adjusted figures exclude the following (£m)

	2014	2013
Acquired intangible assets amortisation	**1.5**	1.2
Non-recurring costs	**0.2**	1.6
Non-controlling interests – profit before tax	**(0.2)**	0.2
Adjustments to profit before tax	**1.5**	3.0
Tax on non-recurring costs	**(0.2)**	(0.4)
Tax on non-controlling interests	**0.0**	0.0
Adjustments to earnings	**1.4**	2.6

2. See Group CFO Report for more details

Movements are calculated using unrounded numbers so minor rounding differences may exist.

* Actual exchange rates † Constant exchange rates

Strategic Report

3 Business highlights

5 Charles Taylor at a glance

8 Business model

9 Business strategy

10 Group Chief Executive Officer's Review

20 How we measure performance

21 Group Chief Financial Officer's Report

23 How we manage risk

26 Corporate Social Responsibility and Diversity

Corporate Governance

28 Corporate Governance Report

29 Board of directors

32 Board Responsibilities

36 Nomination Committee Report

37 Audit Committee Report

40 Directors' Remuneration Report

62 Directors' Report

66 Directors' Responsibilities Statement

Financial Statements

67 Independent Auditor's Report

71 Consolidated Income Statement

72 Consolidated Statement of Comprehensive Income

73 Consolidated Balance Sheet

74 Company Balance Sheet

75 Cash Flow Statements

76 Consolidated Statement of Changes in Equity

77 Company Statement of Changes in Equity

78 Notes to the Financial Statements

Other Information

122 Five Year Record

123 Shareholder information

124 Charles Taylor offices

Charles Taylor at a glance

Charles Taylor is a leading provider of professional services to clients across the global insurance market.

Our Professional Services businesses

Management Services

The Management Services business provides end-to-end management of insurance companies and associations.

We deliver a complete outsourced management service to our customers covering every aspect of an insurance company's operations including marketing, management of underwriting and claims and provision of regulatory, accounting, investment management and administrative operations.

Clients

- The Standard Club
- Signal Mutual
- SCALA
- The Offshore Pollution Liability Association

Growth opportunities

- Grow membership and scale of client mutuals
- Introduce new products and services for those client mutuals
- Seek management contracts from new and existing mutuals, group captives, buying groups and associations

Adjusting Services

The Adjusting Services business provides loss adjusting services across the aviation, energy, marine, property & casualty and special risks sectors. We also provide marine average adjusting and technical support services. The business specialises in the settlement of larger and more complex losses arising from major insured incidents and claims.

Growth opportunities

- Expand into new territories
- Extend service offering in Group offices
- Recruit and retain top performing adjusters
- Develop and retain the next generation of adjuster

Insurance Support Services

The Insurance Support Services business provides a range of professional services thereby enabling our clients to select the specific stand-alone services they require:

Claims Management Services

- Elective claims services
- Static claims management services

Insurance Technology Services

- Specialist and bespoke insurance technology solutions
- End-to-end insurance systems for insurance companies
- System development and implementation support

Business Process Outsourcing

– Turn-key managing agency services
– Broking and underwriting services
– Market-wide insurance services
– Financial reporting services
– Run-off management services
– Third Party Administration (TPA) services
– Life insurance administration services, focusing on HNW investors and UK offshore markets
– Managing General Agency (MGA) services

Risk Transfer Solutions

– Captive management
– Coverholder and niche insurance solutions
– Risk Consulting services

Investment Management

Growth opportunities

Claims Management Services

– Expand claims management services
– Secure more run-off servicing contracts

Insurance Technology Services

– Develop additional technology solutions for the insurance market
– Business Process Outsourcing
– Seek turn-key managing agency appointments from new Lloyd's syndicates
– Develop MGA/coverholder services

Risk Transfer Solutions

– Seek new captive management mandates
– Develop niche insurance solutions
– Develop risk consulting services

Investment management services

– Seek additional investment management mandates

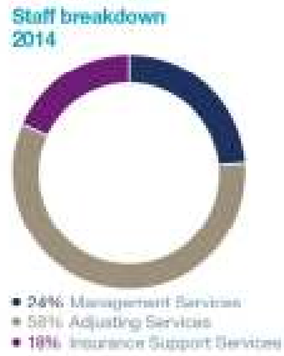
Our Owned Insurance Companies

The Owned Insurance Companies business comprises two parts. It owns and consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and operational efficiency. It also owns non-life insurance companies which are closed to new business and are running off their liabilities in an orderly manner.

Growth opportunities

– Seek out opportunities to acquire offshore life companies.

1. Includes shared services teams on a pro rata basis and non-permanent contract staff



We have over 1,200 staff located in 67 offices spread across 27 countries.

Business model

Charles Taylor has a long established business model which generates revenue through the delivery of professional services to insurers, their clients and advisers on a worldwide basis, predominantly through the charging of fees. Charles Taylor also owns insurers, creating value through select acquisitions of life companies and by driving operational efficiency.

We are confident about the potential for long-term growth for professional services in the global insurance market and aim to increase revenue and profit both through organic growth and targeted strategic M&A opportunities.

How we create value

Strong client relationships

Charles Taylor is a people business and our clients are at the heart of everything we do. We always aim to deliver the highest level of professional service to our clients and to act in their best interests. Our commitment to quality is reflected in the strength of our client relationships, many of which have been in place for many years.

Well-regarded professional services

We deliver professional services of a proven quality to our clients across the global insurance market. The Group offers services across the whole insurance value chain and operates through three Professional Services businesses: Management, Adjusting and Insurance Support Services. We also own and provide professional services to insurance companies.

Deep technical skills

Our services are specialist and highly technical in nature and we differentiate ourselves through the quality of our people, their technical expertise, and their commitment to service excellence. Many of our professional staff are graduates or hold professional qualifications. Our senior employees have developed superior technical knowledge gained through many years of market and practical experience.

Breadth of locations

Insurance is a global business and we have offices strategically located around the world in order to be near our clients and to provide our services locally wherever they are required by our clients. We have over 1,200 staff in 67 offices spread across 27 countries in North and Latin America, Asia Pacific, Europe, the Middle East and Africa.

Extensive growth opportunities

We aim to increase revenue and profit from our professional services, principally through organic growth and targeted strategic M&A opportunities. We are confident about the potential for long-term growth for professional services in the global insurance market. Global trade flows continue to grow, driving an increasing demand for insurance and the services that support insurers, insureds and their advisers. In addition, greater regulatory and solvency requirements are driving an increase in the consolidation of life companies. We believe that Charles Taylor is embedded within the fabric of the international insurance market and is well positioned to benefit from these trends.

Business strategy

Our business strategy is to deliver growth in revenue, profit and shareholder value by focusing on professional services.

Our approach is to seek organic growth by: capitalising on our areas of strength by offering related services to our clients; building our niche businesses to leadership positions; and realising the significant potential for cross referral and joint working across the Group. We are well positioned to generate this growth and believe the demand for the professional services we offer is substantial. We also are open to growing by entering new business lines or through targeted M&A activity.

Our Professional Services business strategy has three elements: Optimise our business operations; Create growth in our core Professional Services businesses; and Explore medium-term strategic options. The Group has over the past three years focused on strengthening its core capabilities and support services to underpin the growth of the Group's three Professional Services businesses. The Directors believe that the core capabilities and infrastructure of the Group have been strengthened and the Directors can place more emphasis on the other strands of the business strategy.

Optimise business operations: *strengthen the Group's core capabilities and support services to underpin growth.*

See Group CEO's Review for 2014 highlights.

In 2014 we started to roll-out our new case management system across our adjusting network, enhanced our bespoke end-to-end insurance management system for The Standard Club and developed our claims management systems for Signal Mutual. We expanded our new IT team based in Vietnam to take advantage of the high levels of IT literacy and lower operating costs in Vietnam. We made a series of key hires in strategically important posts, including a new Group Chief Financial Officer and Group Human Resources Director, and a Corporate Development Director in Adjusting Services, enabling us to drive forward our growth plans.

Deliver growth in the core professional services businesses; *achieve leadership positions in all the Group's businesses and develop new, closely related, insurance services.*

See Group CEO's Review for 2014 highlights.

In 2014 we established a new fixed premium product and marine mutual war risks insurance class for The Standard Club. We launched and are providing management services to SafeShore, a new US Longshoreman Workers' Compensation Small Account programme backed by Signal Mutual and created new insurance products for Signal members. We opened an office in Brazil, appointed numerous senior loss adjusters and extended the range of services available from our existing adjusting offices. We introduced new claims services for the Lloyd's insurance market and rebranded our Isle of Man business under the Charles Taylor identity. In early 2015 we were appointed by the board of the Strike Club, a marine mutual insurer, to provide end-to-end management services.

Create medium-term strategic options; *develop new professional services business lines through joint ventures or M&A opportunities. Any initiative of this nature needs to be a good fit strategically, culturally and financially.*

See Group CEO's Review for 2014 highlights.

In 2014 we worked to establish a new managing agency at Lloyd's and to set up a new underwriting syndicate at Lloyd's on behalf of the Standard Club. We are building momentum behind our strategy to make carefully targeted M&A opportunities with the acquisition of Knowles Loss Adjusters, which broadens our UK adjusting network and a small US acquisition to strengthen our Risk Consulting business. We acquired the business of SC Management, the Strike Club's management companies, in March 2015.

Our Owned Insurance Companies business strategy:

We are seeking targeted acquisition opportunities in the international life insurance sector, while reducing our exposure to the non-life insurance run-off sector.

See Group CEO's Review for 2014 highlights.

In 2014 we completed the acquisition of Nordea Life & Pensions Limited, an Isle of Man life insurer which is open to new business. In early 2015 we agreed to acquire Scottish Widows International Limited a closed book life insurer.

Group Chief Executive Officer's Review

Charles Taylor has delivered a strong performance. The Group's results in 2014 reflect the positive progress we have made in delivering our growth strategy.

Group results 2014

	2014	2014 CER[1]	2013	%
Revenue (£m)	**122.8**	**126.3**	£113.6m	+8.1%
Adjusted profit before tax (£m)	**11.1**	**11.4**	£10.0m	+11.3%
Statutory profit before tax (£m)	**9.6**	**9.9**	£6.9m	+38.5%
Adjusted earnings per share (p)	**23.17**	**23.71**	20.05p	+15.6%
Statutory earnings per share (p)	**19.48**	**20.01**	14.22p	+37.0%
Dividend (p)	**10.75p**	—	10.00p	+7.5%
Net debt (£m)	**£32.6m**	**£32.6m**	£32.4m	n/a

Professional Services performance

	Revenue			Operating segment profit		
(£m)	**2014**	**2014 CER**	**2013**	**2014**	**2014 CER**	**2013**
Management Services	**43.9**	**44.7**	41.1	**7.7**	**8.0**	6.6
Adjusting Services	**56.1**	**58.6**	54.9	**2.2**	**2.2**	4.8
Insurance Support Services	**21.8**	**22.0**	15.9	**2.0**	**2.1**	(0.9)
Unallocated	—	—	—	**0.3**	**0.2**	(0.1)
Total	**121.8**	**125.3**	111.9	**12.2**	**12.5**	10.4

Owned Insurance Companies performance

	Revenue			Operating segment profit		
(£m)	**2014**	**2014 CER**	**2013**	**2014**	**2014 CER**	**2013**
Owned Insurance Companies	**4.2**	**4.2**	5.0	**0.5**	**0.5**	0.8

1. CER = Constant Exchange rates

2014 performance

Group Results

In a year when the unusually low level of large insured claims across the insurance market led to a fall in the performance of our Adjusting Services business, we have significantly increased overall revenue and adjusted profit before tax. We have successfully extended our range of professional services and invested in new staff, offices and teams. We also completed two carefully targeted acquisitions during the year; and another two in the early part of 2015; with a further acquisition due to complete shortly.

Revenue increased 8.1% to £122.8m (CER £126.3m +11.2%) (2013: £113.6m). Group adjusted profit before tax rose 11.3% to £11.1m (CER £11.4m +14.2%) (2013: £10.0m), while Group statutory profit before tax increased by 38.5% to £9.6m (CER £9.9m +42.7%) (2013: £ 6.9m). Adjusted earnings per share rose by 15.6%% to 23.17p (CER 23.71p +18.3%) (2013: 20.05p). Statutory earnings per share increased 37.0% to 19.48p (CER 20.01p +40.7%) (2013: 14.22p). At the Half Year, we reported that our results had been reduced by the impact of the strength of sterling. This impact is still present, but has been reduced at the year end.

Professional Services

The Group's core professional service businesses performed strongly overall. Revenue increased by 8.8% to £121.8m (CER £125.3m +12.0%) (2013: £111.9m) and operating segment profit was up 16.7% to £12.2m (CER £12.5m +19.6%) (2013: £10.5m.):

- The performance of our Management Services business was strong. The mutuals managed by the Group also performed well on behalf of their members.
- The Adjusting Services business has been affected by the unusually low level of large insured losses across the global insurance market in 2014. Our investment in new offices, teams, systems & processes, and senior staff puts us in a strong position to benefit when insurance claims return to more normal levels.
- The Insurance Support Services business made a positive contribution to the 2014 result, greatly improved from the prior year.

Owned Insurance Companies

Owned Insurance Companies revenue was down 17.5% to £4.2m (CER £4.2m -17.2%) (2013: £5.0m) and operating segment profit was down 32.1% to £0.5m (CER £0.5m -32.2%) (2013: £0.8m).

Dividend

A second interim dividend of 7.50p per share (2013: 6.75p), which replaces the final dividend, will be paid on 24 April 2015 to shareholders on the register on 27 March 2015. When added to the first interim dividend of 3.25p per share (2013: 3.25p), this results in the total dividends per share for the year being 10.75p (2013: 10.00p).

Balance sheet

Net debt rose slightly at the year end to £32.6m (2013: £32.4m) and free cash flow reduced to £3.8m (2013: £5.5m). The 12-month rolling average net debt as at 31 December 2014 was £24.6m, compared to £22.0m at the prior year end. The increase in the 12-month rolling average net debt of £2.6m was largely as a result of our investments in the business to deliver our growth strategy. This includes opening new offices to extend the Group's geographic reach, which we expect will deliver increased revenue once fully established and investing in new IT systems to improve operational efficiency. We achieved a small reduction in the working capital requirement of our Adjusting Services business. We continue to focus on managing our debt while investing for growth. See Group CFO's report page 21.

In common with many companies, the Group's pension deficit rose during the year. The increase in net obligation has been driven by a change in discount rates as a result of a fall in corporate bond yields which have largely been linked to the drop in gilt yields. The Group's net pension liabilities were £41.5m at the year end, compared to £26.7m in 2013. See Group CFO's report page 21.

Management Services

The Management Services business provides end-to-end management services to insurance companies and associations. We deliver a complete outsourced management and operational service to our insurance company clients, reporting directly to their independent boards of directors. Our services can cover every aspect of those companies' operations from underwriting, claims management and delivery of safety services to regulatory, accounting and administrative operations, investment management, customer service, corporate governance and company secretarial services. We manage four mutual insurance companies - The Standard Club, Signal, SCALA and The Strike Club (appointed March 2015). We also provide administration services to the Offshore Pollution Liability Association.

We are remunerated by fees from our mutual insurance company and association clients. Where we provide a full management service, growth in the size of the mutuals, the number and extent of services we deliver and the volume of work involved generally leads to growth in management activities and ultimately the level of management fees. The performance of the managed mutual insurance companies is strong – providing a positive long-term indicator of the Management Services business. The business also seeks to grow through the identification and implementation of opportunities to develop new insurance ventures and by tendering for the management contracts of existing mutual insurance companies and other associations.

Management Services - UK & International

Our Management Services UK and International business performed strongly in 2014. We delivered high quality professional services to our established clients, secured new client relationships, launched new products and services and opened a new office in Brazil.

Delivered services to existing clients

– Standard Club. Charles Taylor has managed the Standard Club since it was founded in 1884. Today it provides protection and indemnity (P&I) insurance to approximately 10% of world shipping. Our work continues to deliver positive results for the club, which had a satisfactory 2014-15 renewal in February 2014. Free reserves rose to a record US$369 million. In July 2014, the club's credit rating was reaffirmed as 'A' (strong) by Standard & Poor's. Insured tonnage stood at 136m gt at 31 December 2014. We have supported the club in setting up a new underwriting syndicate at Lloyd's. We are also establishing a Managing Agency to manage the syndicate. See Insurance Support Services page 16 for details of the managing agency.

– The Offshore Pollution Liability Association (OPOL). Charles Taylor was appointed to provide a finance function, administrative, management and IT support to OPOL in December 2013. Over the last year we helped OPOL to improve its performance by developing bespoke IT solutions.

Secured new clients

– The Strike Club. In line with our strategy to achieve growth by securing management contracts with mutual insurance companies, we acquired the business of SC Management, the independent, dedicated management companies of The Strike Club, a marine mutual insurance group, in early 2015. In conjunction with the acquisition, Charles Taylor has been appointed by the Board of the Strike Club, to manage the club. The Strike Club is the only dedicated mutual insurer covering the running costs of vessels delayed by strikes, shore delays, collisions, groundings and other incidents outside an owner's or charterer's control.

Developed new products and services:

– We worked with The Standard Club to establish a new fixed premium product.

– We assisted The Standard Club in providing cover to Turk P&I, a fixed premium P&I insurer for Turkish coastal vessels.

– We supported The Standard Club Asia in establishing a new Singapore War Risks class to insure shipowners against war and related risks, which started underwriting in February 2015.

Extended our office network

– We opened a new office in Brazil to support clients of The Standard Club in Latin America.

Optimised business operations

– We enhanced our end-to-end insurance management system for the Standard Club.

Management Services – Americas

The Management Services Americas business had a very successful year. Through our efforts, Signal Mutual achieved further growth and launched a new Longshoreman Workers' Compensation Small Account program. We also extended the reach of our General Agency and launched new insurance covers.

Secured growth for Mutual insurance clients

– Signal Mutual: Charles Taylor has been the manager of Signal Mutual, the largest provider of Longshore workers' compensation insurance to the US maritime industry, since it was founded in 1986. In 2014 the Association continued to grow under our management. All the members, who were offered terms, renewed in October 2014. Our track record of consistently reducing rates continued, reflecting further improvement in safety management, effective claims adjusting, selective underwriting and efficient management techniques. Eleven new members joined the association and the total membership has now reached 245 companies. The projected payroll of the member companies, on which calls are calculated, reached US$3.81 billion, an increase of 14.1%. Total calls for the year will be around US$230.86 m, up by 9.8% over the previous year. All key performance indicators for the Association are at all-time highs.

– SCALA: Charles Taylor has managed SCALA, which provides marine workers compensation to the majority of Canada's ship owners since 1978. The mutual delivered a steady performance during 2014 under our management. We further improved claims handling processes on behalf of the mutual by making reporting enhancements to the Incident Reporting Database. Total calls for the year were Canadian $4.95m.

Business strategy initiatives are highlighted in the

Group CEO's reports with the following symbols:

Optimise business operations

Create growth in the core

Professional Services businesses

Explore medium-term strategic options

Optimised business operations

– We enhanced our claims management systems on behalf of Signal, introduced new medical bill routing systems and enhanced our legal service and billing arrangements, enabling claims services to be delivered more efficiently to the mutual. We introduced reporting enhancements to the Incident Reporting Database, which is an extension of the SCALA Claims system.

Extended services and insurance covers

– We supported the launch in October 2014 and are providing management services to SafeShore, a new Longshoreman Workers' Compensation Small Account programme, backed by Signal Mutual, for businesses whose premiums are too small to join Signal. It was created to meet strong market demand for cost-effective, responsive Longshore cover for the waterfront employers with a smaller exposure to the Longshore Act. Safeshore has already been well received securing 30 new clients with reported payroll of US$12m, to date.

– We created a new Maritime Employers' Liability cover for Signal Members in 2014 and secured new business for the Hull & Machinery cover that was launched at the end of 2013.

Case study

Securing a new mutual management contract

Winning management contracts for mutual insurance companies is a key part of the growth strategy for our Management Services business.

We have taken a significant step forward in achieving this ambition by being appointed as managers by the board of The Strike Club a marine mutual insurance company. The transaction, which involved extensive work by our Management Services and Shared Services teams in the second half of 2014, involved us acquiring a number of the companies which provided management services to the club. Our team was led by Richard Yerbury, who joined Charles Taylor as Performance and Strategy Director of our Management Services – UK & International business from Bain & Co in 2014.

The Strike Club is the only dedicated mutual insurer covering the running costs of vessels delayed by strikes, shore delays, collisions, groundings and other incidents outside an owner's or charterer's control. In addition to mutual delay cover, it also offers war and loss of earnings cover on a fixed premium basis. It offers comprehensive, cost-effective cover backed by excellent service.

The directors of The Strike Club had been undertaking extensive work to determine the best structure for the club to be compliant with Solvency II, the fundamental review of capital adequacy and risk governance for the European insurance industry. The board decided to appoint Charles Taylor as manager to deliver a new regulatory structure and to work with the club's existing management team to grow the club and extend the services available to its members.

Johan Hagn-Meincke of Clipper Group A/S, President and Chairman of The Strike Club said: "We aim to build on The Strike Club's existing excellent reputation for delivering high levels of service to its members backed by technical expertise and financial strength, while preserving its mutual ethos and ownership structure. We are confident that, working with Charles Taylor's Management Services team along with Bill Milligan and his team, The Strike Club will go from strength to strength."

"Combining our skills in marine mutual management with The Strike Club's expertise in delay insurance will enable us to extend the services available to The Strike Club's members, underpinned by the excellent levels of service that are the hallmark of mutual insurance."

Richard Yerbury, Performance and Strategy Director, Charles Taylor Management Services – UK & International

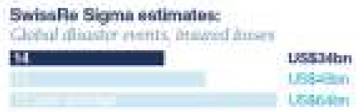
Adjusting Services

The Adjusting Services business provides loss adjusting services across the aviation, energy, marine, property & casualty and special risks sectors. It also provides average adjusting services for ship owners. The business primarily focuses on larger and more complex claims arising from major insurance losses.

Our Adjusting Services business has delivered a creditable performance in a year when the number of large insured losses across the global insurance market, which provide work for our adjusters, fell significantly. We marginally increased revenue over the prior year level, although changes in the business mix, investment in new offices and additional senior staff reduced the business's margin. We believe Adjusting Services is in a strong position to deliver growth when large insurance claims return to more normal levels.

Figures reported by major insurers and brokers show that insured losses from natural disasters are running well below the average for recent years. Munich Re NatCatSERVICE statistics show that insured losses in US$ from natural catastrophes in 2014 were down 47% on the 10 year average. Similar figures from SwissRe Sigma and Aon Benfield Impact confirm the decline in large global claim levels.

Statistics published by Munich Re, show that it would be wrong to conclude any trend reversal in insured losses based on the last few years' experience. In its Topics GEO 2015 report, Munich Re says that "the loss trend of the past decades is clearly upwards, primarily driven by the rise in exposed values."



Maintained flow of high quality instructions

Against this background, we received a steady flow of new high-quality instructions from insurers, underlining the strength and depth of our market relationships and reach of our global office network. A notable example is the high volume of work received by our Mexico office following the devastating hurricanes in the country. Our Property, Casualty and Special risks team delivered positive growth and expanded its capabilities in handling financial institutions losses. Aviation was appointed on five of the seven major high profile aviation losses of 2014 in a relatively quiet year for claims. Our Energy team delivered a steady performance while significantly strengthening its senior adjusting team. Marine had a very good end to 2014 with a notable pick up in instructions following a slow start.

Extended our global office network

In line with our business plan, we are expanding our office network into geographies where there is a demand from global and local insurers for our international loss adjusting expertise.

– In 2014 we opened a new office in Rio de Janeiro, Brazil with a senior loss adjuster relocating from our Mexico office to start the operation. We now have offices in two countries in Latin America markets, following the acquisition of our offices in Colombia in 2012, supported by correspondents across the region. See Management Services page 12 for details of the new joint office.

Recruited senior adjusters

Loss adjusting is a people business where our strong market relationships and recognised technical expertise enable us to win additional business. During the year, we have recruited senior adjusters with strong market followings to drive further business growth.

– In North America we appointed two senior Property & Casualty Adjusters in our Calgary office and recruited a Senior Marine Advisor for the Americas, operating out of our Toronto office. We recruited senior executive adjusters and an office manager in our New York office and appointed two senior adjusters in addition to an office manager to grow our Houston operation.

– We significantly enhanced our Energy loss adjusting capability in Asia with the appointment of four senior adjusters in Singapore in early 2015. The appointments give us a highly experienced and respected energy adjusting team with a strong market following.

– In the UK, we recruited five additional Property & Casualty adjusters during the year.

Broadened the range of service from our Adjusting offices

We are capitalising on the strength of our global office network by expanding the range of services available to international insurers.

– In 2014 we expanded our Sydney operation by opening new, larger premises and appointed senior staff to develop Property & Casualty and Energy adjusting capabilities in addition to the office's well-established Aviation abilities.

We established a Property & Casualty adjusting capability in our Singapore office with the addition of a senior adjuster to our team and established a marine adjusting capability in our Doha office. Our recently established Property & Casualty capability in Indonesia is growing well.

Acquired UK loss adjusting business

There is a substantial demand for property & casualty loss adjusting services across the UK by domestic and international insurers. To meet this need, we extended our UK office network in 2014 with the acquisition of Knowles Loss Adjusters, a specialist property and casualty loss adjuster. This added 10 offices to our UK network and around 50 additional staff and enables us to respond effectively to claims across the UK and seek adjusting nominations from insurers underwriting UK property & casualty risks. Knowles has delivered a positive performance in 2014.

Won 'Adviser of the Year' Award

Our commitment to delivering the highest standards of technical adjusting and professional services was recognised at the Insurance Day London Market Awards 2014 where we were named 'Adviser of the Year'. The judges' citation said the award was for our numerous achievements during the year which included our response to the 2013 Calgary Floods. We were finalists in the 2015 Commercial Insurance Awards, Loss Adjuster of the Year category and have been shortlisted for 'Claims Management Team of the Year' at the Modern Claims Awards 2015.

Optimised business operations

– We started rolling-out our new loss adjusting case management system across our network. The new system is already increasing efficiency and reducing the administrative burden for our loss adjusters.

– We have achieved a small reduction in the working capital requirement of our Adjusting Services. We are maintaining our focus on reducing debt and appointed working capital specialists to review our approach to WIP and cash collection in 2014. We expect the appointment of a dedicated manager, along with the introduction of our new loss adjusting case management system will contribute further to our drive to reduce the working capital requirement of the business.

– In late 2014, we appointed a Corporate Development Director to work with our Senior Management Team to identify new business opportunities, support the development of new office locations and assist our Aviation, Marine, Energy and Property & Casualty business lines in their development and growth.

Invested in training the next generation of adjusters

We are committed to investing in training and education to develop the next generation of loss adjusters.

– During the year we seconded adjusters between our London, Hong Kong, Jakarta, Taipei and Liverpool offices to broaden their experience of different markets and further enhance joint working across our office network.

– We are supporting 11 staff based in London, Liverpool, Hong Kong and Jakarta to take the Association of Average Adjusters examinations at this time, with one becoming fully qualified during 2014.

Case study

Extending our UK loss adjusting capability

Our Adjusting Services growth strategy includes extending our office network where there is a demand for our services and recruiting and retaining top performing adjusters.

In 2014 we took our strategy forward with the acquisition of Knowles Loss Adjusters which gave us a platform to further penetrate the UK property and casualty loss adjusting market. The acquisition expanded our UK office network with the addition of ten UK offices. It has greatly increased our capability to respond to tenders for international and national account nominations, which require a network of offices across the UK, as well as overseas.

Knowles targets UK commercial, personal, construction and professional lines claims. It also provides managed claims services to insurers. All the directors and staff of Knowles joined Charles Taylor following the acquisition increasing our team of experienced and specialist staff in the UK. David Parker, a founder and managing director of Knowles is working with our UK Property and Casualty business to drive the business forward under our ownership.

David Parker, Managing Director, Knowles Loss Adjusters said:

"Knowles has grown and developed over the last 22 years because of our commitment to deliver a superior service by. Charles Taylor has a similar ethos of delivering outstanding professional service and a global reputation in handling major losses. Our approach and the services we offer make this an ideal combination for our clients and staff."

"Knowles is an excellent fit with Charles Taylor Adjusting and gives us a far greater footprint in the UK. Knowles' expertise in UK general commercial claims perfectly complements our strength in international markets."

Andrew Jackson, Managing Director, Charles Taylor Adjusting – Property, Casualty and Special Risks

Insurance Support Services

The Insurance Support Services business provides technical services to clients in the Lloyd's, London and international insurance markets. It also delivers life and non-life run-off servicing services from London, Dublin and the Isle of Man. The business is a leading provider of third party life insurance administration on the Isle of Man. It also includes our turn-key managing agency, investment management, captive management, risk consulting and specialty risks business lines. Finally, the Insurance Support Services business acts as the Group's business incubator where we can develop and test new business initiatives.

Our Insurance Support Services business has performed well in 2014. Our Non-life business has achieved strong revenue growth and has made a positive operating segment profit contribution. The Life administration business is performing steadily under the Charles Taylor Insurance Services brand and is progressing the development of its new insurance fund services business.

Insurance Support Services – Non-life

The Non- life Insurance Support Services business includes Charles Taylor Insurance Services (CTIS), our captive management, risk consulting and specialty risks business lines. Following the appointment of a Chief Executive Officer of Non-life Insurance Support Services in 2013, we appointed a Chief Operating Officer in 2014 to drive the development of existing and new services and to improve business efficiency.

Charles Taylor Insurance Services is the largest of the Non-life Insurance Support Services business lines. It provides outsourced back office insurance services to the Lloyd's, London and international insurance markets. Over the year we have reduced the business's cost base and increased our focus on developing the most profitable business lines. These initiatives have delivered a welcome improvement in performance.

Developed professional services

– Promoted technology services. We are pro-actively promoting the Group's wide range of insurance technology products and services. This is in response to the growing demand for insurance technology services worldwide. Our capabilities include experts in Software as a Service (SaaS) who have developed bespoke products and market-wide solutions, technical and business consultants who specialise in document management and workflow systems and IT specialists who have developed end-to-end insurance management systems.
– Extended Claims Services. Our new elective claims services, which provide support to Lloyd's managing agents on complex claims, secured new clients during the year. Our recently established volume claims service, marketed under the 'Trax' brand won numerous clients, including its first non-Lloyd's client which marks a promising move into the London insurance companies market.
– Secured additional run-off servicing business. We were appointed as run-off manager for a sizeable general reinsurance business. We believe there is potential to further develop our run-off servicing business as non-life insurers place business into run-off and we will target our services at insurers and run-off aggregators in 2015.
– Identified 'Conduct Risk' services. New 'Conduct Risk' governance rules were introduced by Lloyd's in January 2015. We believe we are well-positioned to capitalise on this development as many of our services, including our claims workflow, diary management, elective claims and audit services as well as our TPA Database could support managing agents meeting managing agents' new obligations under the rules.
- Established Charles Taylor Managing Agency (CTMA). We have been working to establish a turn-key managing agency, to offer new Lloyd's syndicates an end-to-end management service which we anticipate will commence trading in April 2015. This will be one of only a few turn -key managing agencies serving the Lloyd's market and we believe there will be significant demand for the service. We are pleased that the Standard Club has chosen CTMA to support it in establishing Syndicate 1884 which is part of the club's strategic objective of achieving long-term sustainable growth. To support the development of CTMA we now have a corporate name at Lloyd's. The development work to establish CTMA contributed to the increased revenue and operating segment profit of the Insurance Support Services business in 2014.

Other Non-life Insurance Support Services: The Group's other Insurance Support Services businesses performed steadily in 2014. Charles Taylor KnowledgeCenter has benefited from an improved pipeline of new business. The Captive Management business has performed steadily. Our Risk Consulting business acquired a small risk management business in the USA to extend its reach in North America. The investment management business delivered steady returns for its clients. The Group's new TPA service launched in the USA in 2013 has secured new clients.

Business strategy initiatives are highlighted in the Group CEO's reports with the following symbols:

Optimise business operations

Create growth in the core Professional Services businesses

Explore medium-term strategic options

Insurance Support Services – Life

The international life servicing business performed well in 2014. We rebranded the business under the Charles Taylor Insurance Services name. This initiative has integrated it more fully into the Group and allows it to capitalise on the Group's global presence and reputation. We won a contract to provide life policy administration services to a major Caribbean-based life business. In addition, the acquisition of an international life company by our Owned Insurance Companies business secured additional life policy administration business for CTIS. We launched Charles Taylor Insurance Fund Services to provide specialist fund services for life companies' unitised funds and portfolio bonds. We are actively marketing the business to life companies in the UK and international markets.

Case study

Charles Taylor Insurance Support Services case study

Building our presence in the Lloyd's insurance market

We are seeking to build our presence in the Lloyd's insurance market as part of the growth strategy for our Insurance Support Services business. A major initiative in 2014 has been to develop Charles Taylor Managing Agency (CTMA), a turnkey managing agent to provide clients who want to establish Lloyd's syndicates with the end-to-end management services and oversight they need to operate in the market.

We appointed Paolo Cuomo as Chief Operating Officer of CTMA in 2013 to lead the thorough and detailed process of establishing a new turnkey managing agent at Lloyd's. This involved setting up all the systems, processes and procedures and operational capabilities of the turnkey managing agent. It also required regulatory approval from the PRA, the FCA and Lloyd's, which we received in early 2015. At the same time Lloyd's approved Charles Taylor Managing Agency to provide management services to Syndicate 1884, which was set up on behalf of one of its clients.

New syndicates entering the Lloyd's insurance market will typically appoint an approved turn-key managing agent, to provide them with all of the management oversight and services they require to operate in the Lloyd's market. CTMA's strategy is to offer its syndicate management capabilities to other new Lloyd's start-ups.

We already have deep experience of working in the Lloyd's Market where we offer a wide range of highly technical insurance-related services coupled with a commitment to excellence. We are confident that CTMA will offer exceptional management services to new syndicates to the Lloyd's market.

"We intend that CTMA provide turn-key management services to new syndicates entering Lloyd's. We believe there will be a significant demand for our distinctive services from clients who value our professional, high quality approach."

Paolo Cuomo, Chief Operating Officer, Charles Taylor Managing Agency

Owned Insurance Companies

The Owned Insurance Companies business comprises two parts. It owns and consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and operational efficiency. It also owns non- life insurance companies which are closed to new business and are running off their liabilities in an orderly manner.

Life insurance

In line with our strategy to seek targeted acquisitions in the international life insurance sector, we acquired an international life insurance business in 2014. Nordea Life & Pensions Limited, an Isle of Man life insurer which is open to new business was acquired in November 2014. In January 2015 we agreed to acquire Scottish Widows International Limited, a closed book life insurer which provides unit-linked life insurance policies and portfolio bonds to individual investors. We intend to transfer both companies into our wholly owned Isle of Man life insurance subsidiary, LCL International Life Assurance Company Limited ("LCLI"), subject to regulatory and court approvals. We expect the acquisitions to be earnings enhancing in 2015 and to generate an early payback of our investment. The Nordea Life & Pensions acquisition has benefited CTIS in the Isle of Man through an increased run-off servicing contract.

Non-life Run-off

The Group's three non-life insurance companies delivered a small operating loss. We had previously decided not to acquire any further non-life run-off businesses and are exploring our options in this market.

Case study

Securing opportunities to acquire offshore life companies

We are seeking acquisition opportunities in the international life insurance sector as part of our growth strategy for our Owned Insurance Companies business. These also provide additional servicing contracts for Charles Taylor Insurance Services and offer the potential of cash releases to Charles Taylor.

Our life insurance business is led by Jeffrey More, Chief Executive Officer of Charles Taylor Insurance Services in the Isle of Man. In 2014, Jeffrey led the project to acquire Nordea Life & Pensions Limited (NLP), an Isle of Man life insurer which provides personalised life insurance products to high net worth individuals. This was the third acquisition of an international life insurance business led by Jeffrey in the last three years

Our Isle of Man team is now working to merge the business into our wholly owned Isle of Man-registered life insurer, LCL International Life Assurance Company Limited (LCLI), which specialises in acquiring and aggregating international life insurance businesses.

Charles Taylor Insurance Services (IoM), is providing a highly personalised administration services to Nordea's policyholders.

"Nordea Life & Pensions' policyholders will continue to enjoy very high levels of service. By merging the business into Charles Taylor's own life insurer, we will be able to streamline management and improve systems, delivering efficiencies without compromising service to existing policyholders."

Jeffrey More, Chief Executive Officer, Charles Taylor Insurance Services (IOM)

Other business strategy initiatives

In addition to the initiatives to optimise business operations already highlighted in this and the Group's half year report, we also took a number of steps to further strengthen and increase the efficiency of our shared services teams in 2014:

– We expanded our new IT team based in Vietnam to take advantage of the high levels of IT literacy and lower operating costs in Vietnam.

– We made a series of key hires across all our business lines to drive forward our growth strategy. These include the Group Chief Financial Officer and Group Human Resources Director. We also appointed a Performance and Strategy Director for Management Services – UK & International, a Corporate Development Director for Adjusting Services, Chief Operating Officers for Non-life Insurance Support services and our Captive Management business and created the new role of President of Management Services – Americas.

See Business Strategy page 9.

Current trading and outlook

Charles Taylor has had a steady start to 2015 and we are looking forward to another year of positive progress.

In Professional Services:

– We have further strengthened our business operations by enhancing our core capabilities, improving our systems and making key hires in strategically important posts, enabling us to drive forward our growth plans.

– We are delivering growth in the core professional services businesses. Our Management Services and Insurance Support Services businesses are performing well and our Adjusting Service business is poised to benefit when insured losses from large and complex claims return to more normal levels.

– We are executing our plans to create our medium-term strategic options. In particular we are excited about the prospects for the Group's new turn-key managing agency. We are building momentum behind our strategy to make carefully targeted M&A opportunities. Our recent acquisitions are contributing to the performance of our Professional Services business; further, we are exploring other potentially attractive opportunities.

In Owned Insurance Companies, we recently announced the acquisition of a life insurance company – the fourth in three years – and believe that there is potential for further acquisitions.

Rights issue

We are very confident in the future prospects for the Group and are currently exploring a number of further opportunities and initiatives to take forward our business strategy for growth and achieve greater shareholder value. We believe the time is now right to further strengthen the Group's balance sheet to give us the resources to capitalise on these opportunities and have announced a rights issue to raise £30.6m in new equity by way of an offer of three shares for every seven shares held. See Regulatory News Announcement issued to the London Stock Exchange on 18 March 2015.

Our result has been achieved thanks to commitment of our highly professional team and I would like to thank all our staff for their hard work throughout the year.

David Marock
Group Chief Executive Officer
17 March 2015

How we measure performance

Business strategy initiatives are highlighted in the Group CEO’s reports with the following symbols:

Optimise business operations

Create growth in the core

Professional Services businesses

Explore medium-term strategic options

Our key performance indicators show an improvement in adjusted profit before tax and adjusted earnings per share. The Professional Services businesses increased revenue and operating profit segment profit driven by a strong performance in Management Services and a good contribution from Insurance Support Services offsetting a creditable performance by Adjusting Services in a year where the number of large insured losses across the global insurance market has been unusually low.

Group Chief Financial Officer's Report

The results for the year are summarised in the table below and explained in more detail in the Group Chief Executive Officer's review.

	2014				2013[1]			
	Professional Services	Owned Insurance Companies	Eliminations/ Other	Total	Professional Services	Owned Insurance Companies	Eliminations/ Other	Total
Revenue (£m)	**121.8**	**4.2**	**(3.1)**	**122.8**	111.9	5.0	(3.3)	113.6
Operating segment profit (£m)	**12.2**	**0.5**	**—**	**12.7**	10.4	0.8	—	11.2
Finance costs/other (£m)	**—**	**—**	**(1.4)**	**(1.4)**	—	—	(1.5)	(1.5)
Non-controlling interests before tax (£m)	**(0.1)**	**(0.2)**	**—**	**(0.2)**	(0.1)	0.3	—	0.2
Adjusted profit before tax (£m)	**12.1**	**0.4**	**(1.4)**	**11.1**	10.4	1.1	(1.5)	10.0
Tax (£m)	**(1.3)**	**—**	**—**	**(1.3)**	(1.8)	(0.0)	—	(1.8)
Tax on non-controlling interests (£m)	**0.0**	**—**	**—**	**0.0**	0.0	—	—	0.0
Adjusted earnings (£m)	**10.8**	**0.4**	**(1.4)**	**9.8**	8.6	1.1	(1.5)	8.2
Adjusted earnings per share (p)	**25.65**	**0.88**	**(3.36)**	**23.17**	21.11	2.63	(3.69)	20.05

Note: Small rounding differences arise in the total amounts above.

The above financial measures are adjusted to exclude acquired intangible charges, non-recurring items and non-controlling interests as set out in the table below:

	2014 (£m)	2013 (£m)
Statutory profit before tax	**9.6**	6.9
Amortisation of acquired intangible assets	**1.5**	1.2
Non-recurring costs:		
Restructuring cost	**0.2**	1.4
Charges related to refinancing of senior facilities	**—**	0.3
Non-controlling interests before tax	**(0.2)**	0.2
Adjusted profit before tax	**11.1**	10.0

Adjusted profit before tax was £11.1 (2013: £10.0m), due to a strong performance by Professional Services and a satisfactory performance from Owned Insurance Companies.

	2014 (£m)	2013 (£m)
Statutory profit before tax (£m)	**9.6**	6.9
Income tax expense (£m)	**(1.2)**	(1.4)
Non-controlling interests after tax (£m)	**(0.2)**	0.3
Net profit attributable to owners of the Company (£m)	**8.2**	5.8
Average number of ordinary shares for basic earnings per share	**42,139**	40,835
Statutory basic earnings per share (p)	**19.48p**	14.22p

Statutory profit before tax was up 39.1% at £9.6m (2013: £6.9m). Statutory EPS was up 37.0% at 19.48p (2013: 14.22p) which reflects the higher number of shares in issue during the year.

Mark Keogh

Group Chief Financial Officer

Net debt, cash flow and financing

Net debt increased by £0.2m over the year to £32.6m (2013: £32.4m) and free cash flow reduced to £3.8m (2013: £5.5m). As stated at the Half Year, we consider that a 12-month rolling average figure is a better way to represent the Group's underlying borrowings. At 31 December 2014, our average net debt was £24.6m, up from £22.0m at 31 December 2013. The increase in the 12-month rolling average net debt of £2.6m was largely as a result of our investments in the business to deliver our growth strategy. This included opening new offices to extend the Group's geographic reach, which we expect will deliver increased revenue once fully established, and investing in new IT systems to improve operational efficiency. We are continuing to focus on managing our debt while investing for growth.

The Group's senior banking facilities were renewed in November 2013 for a five year term. They comprise an amortising senior term loan of £10.0m and a £30.0m revolving credit facility. In addition, the Group has £5.0m uncommitted overdraft facilities in the UK, uncommitted overseas facilities of the local currency equivalent of £3.5m and committed overseas facilities of the local currency equivalent of £3.2m. Total headroom on committed facilities at year-end was £17.0m (including surplus cash). Interest rates are mostly linked to 3 month Libor plus margins of 2.25-2.75%. The senior term loan and revolving credit facility are available until 7 November 2018. The other facilities are renewed on an annual basis.

Retirement benefit schemes

The retirement benefit obligation in the Group balance sheet at 31 December 2014 was £41.5m, compared to £26.7m at the previous year end. The increase in net obligation has been driven by a change in discount rates driven by a fall in corporate bond yields which have largely been linked to the drop in gilt yields. There are multi-year programmes in place to recover pension scheme deficits fully on a regulatory funding basis and funding costs are reflected in management fees charged by the Group where appropriate. Employer contributions in the year were £3.8m (2013: £3.7m).

Dividend

The second interim dividend for 2014 is 7.50p (2013 final dividend: 6.75p) making the total dividend for the year 10.75p.

Foreign exchange

The Group manages its exposure to foreign currency fluctuations by use of forward foreign exchange contracts and options to sell currency in the future. The contracts open during the year and at the year-end were to protect the Group's exposure to movements between £sterling and the US$, the Singapore $ and the Canadian$. The US$ profits of the Group were translated at 1.65 in 2014 (2013: 1.57). The sensitivity of the Group's results to movements in exchange rates is explained in note 25 to the Financial Statements. Results were not materially affected by movements in exchange rates between 2013 and 2014.

Taxation

During 2014, the effective tax rate on statutory profit was 12.2% compared to 19.8% in 2013. The underlying tax rate, which is calculated on adjusted profit and excludes prior year adjustments and the recognition of new deferred tax assets, was 11.0% (2013: 16.1%). The statutory and underlying tax rates are lower because a larger proportion of profits were generated in lower tax countries.

Mark Keogh
Group Chief Financial Officer
17 March 2015

How we manage risk

The Group's risk management processes are designed to identify, evaluate and manage the risk of failing to achieve our business objectives.

Our systems of internal control which include the risk management, compliance and internal audit functions, report to the Group board through the Audit Committee.

The Board, senior management and the Group's businesses review the risks and controls set out in the Group's risk register on a regular basis. The Board requires risk mitigation actions to be completed appropriately and in a timely manner. The internal audit function undertakes regular reviews of the risks highlighted in the risk register and inspects systems, processes and practices across the Group's offices on an on-going basis. A full explanation of our risk management and internal control processes is set out on page 34.

The Group's risks reflect the fact that our activities are primarily based around providing professional services to clients in the global insurance market.

The material risks identified at Group level fall into the three categories of business, financial, and regulatory compliance risks.

1. Business risks

Type of risk	Risk description	Management action
Business concentration	A high proportion of Group revenues are derived from the management of the Standard Clubs and Signal Mutual. Where a small number of key clients purchase an increasing number of services, the risk of conflicts of interest arising, and the impact of those conflicts may be higher.	We invest significant senior time and resource in client relationship management to ensure that we maintain the standards of service that our clients expect. Senior management takes responsibility for ensuring that high standards of service can be set for new clients and ventures, without impacting existing commitments. Mutual management involves a long term relationship with deep connections between the manager and the mutual, which provides opportunities to identify and address satisfactorily any potential issues whether of service, conflict or otherwise, at an early stage. Our strategy to grow and diversify our businesses across the global insurance market will dilute revenue concentration over time.
Material errors	As a Professional Services business our reputation and the potential for repeat business is dependent on the continued delivery of a high quality work product. Staff may make errors in the course of their work, some of which may not be covered by insurance. Where relevant circumstances arise, the potential consequences need to be identified in order that the risk can be mitigated, and to ensure that insurance cover is not invalidated by e.g. late notification.	We embed procedures and conduct training to reduce the risk of failure to provide services to a high standard. Service levels are monitored and control processes are regularly reviewed, including procedures for supervision and peer review of work. Where possible, the Group's standard terms are used as the basis for contracting; these include contractual protections. The Group purchases professional indemnity insurance to mitigate the financial impact of claims that may arise. The Board is involved in this purchase. The Group has a central database to log incidents which occur, and incidents which may give rise to a claim are managed by the Group legal function.

Staff Issues Including loss of key teams	All of our businesses depend on recruiting and retaining experienced and well-qualified professionals to deliver our services. Loss of business could result from individuals or teams leaving for competitors. Lack of business growth across the Group could cause key staff to leave or make recruiting new staff increasingly difficult.	We ensure that remuneration and benefits, career opportunities, working conditions and staff recruitment processes are carefully reviewed and implemented to ensure that suitable personnel are attracted to work in the Group and are retained. Training programmes are in place to give staff the opportunity to develop. Management is required to consider medium and long-term succession planning in accordance with anticipated client demand.
Failure to provide committed service	The Group has a large number of business units, business lines and widespread office locations. There is a risk that we could fail to provide the service product that we are committed to provide, to properly and consistently manage all parts of the business, or fail to identify a breakdown in management reporting. Business development can sometimes make additional demands on key staff outside their day-to-day job specification. Other business-critical risks may adversely affect the whole or a significant part of the Group. Occurrences such as pandemic, cyber-attack, and IT failure could result in staff being unable to meet business commitments.	Organisation structures are planned to ensure that control is maintained and that business units are managed by personnel of suitable quality and experience. The Board maintains contact with all businesses, both through the business management structure and directly. We have established clear budgetary and other financial control processes within the management of business units. BCP and crisis management teams have been established. Professional indemnity insurance is maintained, and limits are reviewed annually.
High fixed cost base/operational leverage	In the event of a material fall in revenues, there is a risk that such fall is not matched by an immediate, proportionate reduction in costs with a consequent impact on earnings.	Senior management is focussed on reducing costs without impacting adversely either the delivery of services, or participation in opportunities for growth. The Group considers outsourcing and offshoring, and manages a detailed budgeting process, tracking revenues and expenses on a monthly basis. The Group may, where appropriate, offer variable remuneration to new joiners.
External Events	The Group is at risk that external events which are unanticipated, or the effect and scope of which cannot be foreseen, impact upon the business of CT. This could either be sudden or gradual in nature. This would include the adjusting businesses dependence on the frequency, size and complexity of insurance claims which are in turn dependent on, amongst other things, the occurrence of natural and man-made incidents, accidents and catastrophes.	The Group has a diversified business model within its sector. This allows it to spread the risk of the impact of an external event on one area of the business. The Group actively monitors industry trends and where appropriate will assist its clients with lobbying on behalf of their respective industries.

2. *Financial risks*

Type of risk	Risk description	Management action
Banking covenant breaches, cash cover and liquidity issues	CT maintains banking facilities. These may contain financial covenants and restrictions on conduct. Banking facilities might be withdrawn or not renewed. Refinancing may not be secured for amounts outstanding when a facility expires. Cash inflow may be insufficient to cover outgoings, or outgoings may be planned at an unaffordable level. Facility headroom may be insufficient.	We manage working capital and monitor relevant performance indicators in order to identify and take appropriate management steps to mitigate the risk. Covenant compliance is reported to and considered by the Board. Cash flow is budgeted and reforecast regularly. There are regular cash flow forecasts to project the future funding position and to monitor expected headroom against banking facilities and covenants. The Group maintains an open and regular dialogue with a small number of relationship banks. Further information on management of liquidity and foreign exchange risks is given in note 1 to the accounts.
Significant increase in liability to fund defined benefit pension schemes	The Group operates four defined benefit pension schemes. We face the risk that the outstanding pension scheme deficits may need to be funded within a short timescale.	The condition of the Group's defined benefit pension schemes is regularly monitored. There is regular dialogue between the Group and the schemes' trustees covering investment policy and an assessment of asset and liability risks. All the defined benefit pension schemes are closed to new members. The largest scheme has been closed to future accruals. Pensionable salary increases are capped by reference to inflation. Trustees and employer negotiate funding formally every three years.

3. *Legal and Regulatory risks*

Type of risk	Risk description	Management action
Material breach of legal and regulatory obligations	The Group's services are subject to legal and regulatory control in many different jurisdictions worldwide. Failure to meet regulatory requirements could lead to fines or legal action against individuals and the Group.	The Group's Audit Committee oversees the risk management and compliance functions. This includes challenge and recommendation where appropriate. The Group's Compliance and Risk Committee monitors the Group's compliance and risk activities. This includes ensuring that the Group's regulated subsidiaries and functions performed on behalf of clients which are regulated entities continue to meet the relevant regulatory requirements. The Group regularly reviews its policies and procedures in relation to regulatory matters and to ensure appropriate training is conducted.

Corporate Governance

Corporate Social Responsibility and Diversity

The Group is committed to conducting its business affairs in a fair, proper and ethical manner and in compliance with all applicable laws, regulations and relevant professional standards.

Core values

The Group has adopted a set of corporate values, which have been communicated to all employees. We recognise the need for commitment to all our stakeholders, be it our employees, our clients, our shareholders, our banks, our service providers, and local communities.

Environmental policy

Damian Ely is the executive director responsible for the Group's environmental policy. While the Group's operations as a service provider do not affect the environment to the same extent as some other companies, the Group seeks to minimise the environmental impact of its business operations and aims to follow best practice in areas in which it does have an environmental impact.

The Group is committed to reducing its carbon footprint and strives to minimise its energy consumption through its energy management policy and by encouraging staff to be aware of the environment and to use energy thoughtfully. Where possible the Group uses energy-efficient business appliances and computers, thereby giving rise to energy savings and a reduction in emissions. Details of the Group's Greenhouse Gas emissions are set out in the Directors' Report on page 64.

The Group's head office incorporates a number of design and other initiatives to reduce that office's environmental impact and carbon footprint. Electronic document management systems have been implemented in most business units to reduce paper usage. In order to reduce travel-related emissions, the Group encourages the use of video-conferencing technology in its offices. As part of its environmental policy the Group operates various recycling programmes. The company publishes its UK policies on energy management, environment and sustainability on the Company intranet, CTConnect.

Employees

Our employees play a vital role in accomplishing the Group's goals. David Marock is the executive director responsible for employees. At 31 December 2014, the Group had 1,061 permanent employees compared to 980 at 31 December 2013.

The Group is committed to providing an environment in which individual talents can flourish and for there to be fair and equal employment opportunities for all persons. The Group is an equal opportunities employer and bases all decisions on individual ability without regard to race, religion, beliefs, political opinions, creed, colour, ethnic origin, citizenship, nationality, marital/parental status, identity expression, gender, sexual orientation, age or disability. Appropriate training and career development are available at all levels and the Group is committed to helping employees to realise their potential by gaining relevant skills and experience.

The Group seeks to ensure the health, safety and welfare of all its employees and to meet all its obligations under the relevant legislation. Employees are expected to co-operate with management to create a safe and healthy working environment for themselves and others and to take reasonable care for their own health, welfare and safety at work. The Group's health and safety responsibilities are accorded equal priority with the Group's other statutory duties and objectives.

The Group gives full and fair consideration to applications for employment made by disabled persons and will make reasonable adjustments to remove substantial disadvantages faced by disabled persons, whether as employees, candidates for promotion or job applicants. If an employee were to become disabled whilst employed, the Group would endeavour to make arrangements, wherever possible, to continue their employment with the Group.

We recognise the importance of communication with our employees; we encourage two-way communications through the management hierarchy. Employees are kept informed of developments in our business through internal communications, including the Company intranet, CTConnect and annual Town Hall meetings with the Group Chief Executive Officer.

Employees are encouraged to become shareholders in the Company. This is primarily through the operation of the Company's sharesave scheme, details of which are set out in the Directors' Remuneration Report on page 55. Senior management and many managers across the business also receive part of any annual bonus award as deferred shares. The Company publishes its employment policies on the Company intranet, CTConnect.

Human rights

Charles Taylor does not have a separate human rights policy. A respect for human rights is implicit in our employment policies, corporate values and global policies on data protection, privacy, entertaining, gifts, bribery and financial crime.

Diversity

During 2014 there were five executive and five non-executive directors of the Company, of which nine were male and one female. 10 people were senior managers of the Company during 2014, of which 9 were male and one female. These are the executive directors and members of the Executive Committee. At 31 December 2014, the Company employed 599 permanent male members and 416 permanent female members of staff.

Social and community involvement and charitable and political donations

The Group seeks to encourage employee involvement in community projects and programmes. The Group's staff supported a number of charities through various fund raising activities during 2014. During the year the Group made charitable contributions of £12,904 (2013: £16,544), principally to local charities serving the communities in which the Group operates. It is the Group's policy not to make political donations. No political contributions were made during the year (2013: £nil).

Strategic Report approval

The Board confirms that to the best of its knowledge the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Directors and signed on behalf of the Board.

Ivan Keane
Group Company Secretary and
General Counsel

Corporate Governance Report 2014

Chairman's Statement on Corporate Governance

Dear Shareholder,

I am pleased to present the Board's annual report on corporate governance. The Company is committed to maintaining high standards of corporate governance, which we regard as essential to support the growth of our business and to protect shareholder value. This review, together with the reports of the Nomination, Audit and Remuneration Committees, provides an overview of our corporate governance practices and summarises our activities in this area during the year.

There have been a number of changes to the Board during the year. Tito Soso gave notice of his resignation as Group Chief Financial Officer in April 2014, but remained on the Board until a suitable replacement was found. The Nomination Committee immediately commenced a search for a replacement and Mark Keogh joined the Company in June 2014 and was appointed Group Chief Financial Officer on 29 August 2014. Julian Cazalet retired from the Board in October 2014 and Barnabas Hurst-Bannister replaced him on the Board, with Gill Rider taking over as Senior Independent Non-Executive Director from Julian Cazalet, in addition to her role as Chairman of the Remuneration Committee. As reported in last year's report, Edward Creasy joined the Board on 1 January 2014. These appointments will enhance the breadth of knowledge and experience amongst our Board members.

We have again undertaken a formal, internal evaluation of the Board's effectiveness. The results of this exercise are summarized on page 36. The Nomination Committee reviewed the appropriateness of each of the Directors putting themselves forward for election or re-election at the forthcoming AGM. I am pleased to report that I am satisfied that the Board and each of the Directors are operating effectively. I am therefore happy to recommend that each of the directors should be elected or re-elected as appropriate at the 2015 AGM.

During 2014, we have maintained our policy of shareholder engagement. In addition to the continuing rounds of dialogue with many of our shareholders at the time of our interim and final results, I have also contacted our largest shareholders, constituting around two thirds of our register. The majority of these have engaged and I have been able to have useful and constructive conversations and meetings with these shareholders. We intend to continue this policy of engagement with our shareholders in the coming year, to ensure that the Board stays abreast of the development of shareholder views on governance and other key issues.

The directors, whose names and details are set out on pages 29 to 31, are responsible for the corporate governance of the Company. They support the principles of good corporate governance and the code of best practice laid down in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 (the Code), which is publicly available at www.frc.org.uk. Throughout the year ended 31 December 2014 the Board believes it has complied with the principles and provisions recommended by the Code.

Rupert Robson
Chairman
17 March 2015

Board of Directors

Leadership

The Board is collectively responsible for the long-term success of the Company. It does this by providing entrepreneurial leadership whilst ensuring effective controls are established that enable the proper assessment and management of risk. The Board is ultimately responsible for the Company's strategic aims and long-term prosperity by ensuring that the right financial and human resources are in place to deliver the Company's strategy and objectives.

The day-to-day management and leadership of the Company is performed by the Executive Committee, which includes the heads of the Group's businesses, the Group Company Secretary and General Counsel and the Director of Human Resources.

Key:

1 Nomination Committee

2 Remuneration Committee

3 Audit Committee

Board of directors – Non-Executive Directors

Rupert Robson[1, 2]

Chairman

Chairman Nomination Committee

Rupert was appointed to the Board on 1 November 2007. He is also Chairman of EMF Capital Partners, Tullett Prebon plc and Sanne Holdings Limited. Previously he was a Non-Executive Director of OJSC Nomos Bank, LME Holdings Ltd and Tenet Group Ltd, and Managing Director, Global Head, Financial Institutions Group, Corporate, Investment Banking and Markets at HSBC and Managing Director, Head of European Insurance, Investment Banking at CitiGroup Global Markets.

Gill Rider[1, 2, 3]

Senior Independent Non-Executive Director

Chairman Remuneration Committee

Gill was appointed to the Board on 25 January 2012. She is also President of the Chartered Institute of Personnel and Development (CIPD), Chair of the University of Southampton Council and a Non-Executive Director of De La Rue plc and Pennon Group plc. Previously she worked for Accenture for 27 years and was a member of the global Executive Committee for the last seven years. Most recently, she spent five years as Director General in the UK Government's Cabinet Office and as Head of the Civil Service Capability Group.

Board of directors & Executive Committee – Executive Directors

David Marock

Group Chief Executive Officer

David was appointed Group Chief Executive Officer and to the Board on 1 July 2011. He joined from specialist insurer Beazley plc, where he was Group Chief Operating Officer, a member of the Group Executive Committee and on the Board of Beazley Furlonge Limited. He previously chaired the Xchanging Review Board and was on the Claims Service Review Board on behalf of the Lloyd's Market Association and a member of the Lloyd's Market Association Claims and Market Process Committees. Prior to that he was at McKinsey & Company, advising financial services clients on strategic, operational and corporate finance matters. David is a Fellow of the Faculty of Actuaries. He is a Director of The Standard Club Limited, The Standard Club Europe Limited and Charles Taylor Managing Agency Limited.

Damian Ely

Group Chief Operating Officer

Damian joined in 1988 to work as an underwriter in London in the Management Services business, primarily for Signal. In 1995 he transferred to the United States, first as Senior Vice President, Signal and latterly as Chief Operating Officer, Americas. He returned to the UK to take up the role of Group Chief Operating Officer in 2005. He is a Director of Signal Mutual Indemnity Association Limited. He was appointed to the Board on 14 October 2005.

Executive Committee

Stephen Card

Chief Executive, Charles Taylor Insurance Services

Stephen joined in 2010 as Chief Executive of Charles Taylor Insurance Services. He is an insurance professional with over 35 years' experience of broking and underwriting in the Lloyd's and London insurance market.

Arthur Clarke

Chief Executive, Charles Taylor Adjusting

Arthur joined in 2002 as Operations Director for CTC Services. Previously he was an Executive Director of Xchanging Claims Management formerly Lloyd's Underwriters Claims and Recoveries Office. He has worked in the Lloyd's and London insurance market for over 30 years.

Suzanne Deery

Director of Human Resources

Suzanne joined in 2014 as the Director of Human Resources with responsibility for the Group's global HR strategy and for the operational management of our HR team. She previously worked at PwC, where she was most recently Regional HR Director and Talent Leader for Central and Eastern Europe.

David Watson[1, 2, 3]

Non-Executive Director

Chairman Audit Committee

David was appointed to the Board on 19 May 2010. He is also Senior Independent Non-Executive Director of Countrywide plc, and a Non-Executive Director of T R Property Investment Trust plc, Hermes Fund Managers Limited and of Kames Capital plc. He was formerly Chief Financial Officer of Aviva General Insurance following a career of more than 30 years in a variety of companies in the financial services industry including nine years as Group Finance Director of M&G Group Plc.

Edward Creasy[1, 2, 3]

Non-Executive Director

Edward was appointed to the Board on 1 January 2014. He has had a career in the London Market Insurance industry. He was Chief Executive Officer of Kiln plc and latterly Chairman of the Kiln Group from 2001 to 2010 and has been a Director of the Lloyd's Franchise Board. He is currently a director of Charles Taylor Managing Agency Limited, Lycetts Holdings Limited, Lycett Browne-Swinburne & Douglass Limited, WR Berkley Insurance (Europe), Limited, WR Berkley Syndicate Limited and Deputy Chairman of WR Berkley Syndicate Management Limited. Edward is also Senior Independent Director and Chairman of the Audit Committee at Pacific Horizon Investment Trust plc and a Member of the Council of Lloyd's Market Supervision and Review Committee.

Barnabas Hurst-Bannister[1]

Non-Executive Director

Barnabas was appointed to the Board on 8 October 2014. He has had a long career in insurance, initially as a broker before moving to underwriting and spending twenty years underwriting Marine and Non-Marine classes, before becoming chairman of Travelers' Syndicate Management Limited. Barnabas is a former Chairman of the London Market Group and the Lloyd's Market Association and a former member of the Council of Lloyd's. He is currently Non-Executive Chairman of Torus Underwriting Management Limited and a Non-Executive Director of Price Forbes & Partners Limited, The Standard Club Limited, The Standard Club Europe Limited, Charles Taylor Managing Agency Limited and Talbot Underwriting Limited and formerly a Non-Executive Director of Torus Insurance UK Limited.

Mark Keogh

Group Chief Financial Officer

Mark joined as Group Chief Financial Officer designate and was appointed to the Board on 16 June 2014, becoming Group Chief Financial Officer on 29 August 2014. He joined from Meridien Restructuring, an interim management firm. He was previously Group Managing Director & Finance Director of Warner Estate Holdings plc, a quoted real estate investment trust. Mark has also acted as finance director of Severn Trent Water, Mowlem Construction Services and BP Marine. Mark is a qualified civil engineer, a Member of the Institution of Engineers of Ireland (MIEI), a Chartered Accountant (ACA - ICAEW) and a Chartered Taxation Adviser (CTA - ATII).

Joe Roach

Chief Executive, Management Services – Americas

Joe joined the Group in 1995 and is Chief Executive of both Charles Taylor Americas and Signal Administration Inc. Previously he was at McQueary and Henry Inc, an insurance broker and he worked until the end of 1995 for Signal Administration Inc. (Texas), which provided marketing and risk selection services to Signal Mutual Indemnity Association Ltd. He was a Deputy Chairman of the Group between 2006 and 2007. He is a Director of Signal Mutual Indemnity Association Limited. He was appointed to the Board on 11 February 1997.

Jeremy Grose

Chief Executive, Management Services – UK & International

Jeremy joined in 1991 and took over as CEO of the management services business on the retirement of Alistair Groom in February 2014. Prior to that he was Chief Operating Officer of P&I management division.

Ivan Keane

Group Company Secretary and General Counsel

Ivan joined in 1989 having previously worked as a solicitor in private practice. He has held a wide variety of senior executive roles within the Group, including working in P&I and other businesses, establishing and managing mutuals, and business development. He was appointed Group Company Secretary in 2005 and acts as Group General Counsel.

Christian Schirmer

Chief Executive, Non-Life Insurance Support Services

Christian joined in 2013 as Head of ISS. He joined from Guy Carpenter, where he was CEO Pacific Region and Head of Analytics, Asia-Pacific. He has previously worked as a management consultant, advising a wide range of insurance businesses and was head of outward reinsurance at a major Lloyd's managing agent. Christian is a Fellow of the Institute of Actuaries in both the UK and Australia.

Board Responsibilities

The Board has delegated certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee, which report back to the Board. The Terms of Reference of each Committee are available in the Investors section of the Company's website.

Nomination Committee

Rupert Robson chairs the Nomination Committee, on which the non-executive directors, Edward Creasy, Barnabas Hurst-Bannister, Gill Rider and David Watson also sit. The Nomination Committee Report is set out on page 36.

Audit Committee

David Watson chairs the Audit Committee. The non-executive directors, Edward Creasy and Gill Rider are members of the Committee. David Watson is considered by the Board to have recent and relevant financial experience. The Audit Committee Report is set out on page 37.

Remuneration Committee

Gill Rider chairs the Remuneration Committee. The non-executive directors, Edward Creasy, David Watson and Rupert Robson are members of the Committee. The Directors' Remuneration Report is set out on pages 40 to 61.

The Company has a set of formal governance policies, which are periodically reviewed and detail the formal matters reserved for the Board.

The Board carries out its role by:

- monitoring the Company's operations worldwide;
- providing input into and approval of management's development of corporate strategy and performance objectives;
- approving budgets and monitoring progress against those budgets;
- monitoring and reviewing the effectiveness of the Company's internal systems of control;
- reviewing and ratifying the Company's system of governance, compliance, risk management and internal audit; and
- appointing and removing, where appropriate, the senior executives of the Company.

The Board reviews all aspects of the Company regularly, including major commercial decisions, client relationships, operations, financial performance and position, employee matters, company policies, compliance, risks, risk management and internal audit. This ensures that the Board is able to direct the management of the Company to the best of its ability and identify, address and resolve matters of importance in a timely manner.

The Board has delegated to management responsibility for:

- managing the Company's day-to-day operations;
- developing the Company's annual budget and recommending it to the Board for approval;
- managing the day-to-day operations within the budget;
- the development and maintenance of client relationships; and
- implementing strategy and making recommendations on significant strategic initiatives.

There is a clear division of responsibilities on the Board. The Chairman is responsible for running the Board and the executive directors are responsible for running the Company. The non-executive directors are responsible for exercising independent and objective judgment by constructively challenging proposals and recommendations from the executive directors in helping the Board to reach its decisions.

As Chairman, Rupert Robson is responsible for:

- leadership of the Board, ensuring its effectiveness on all aspects of the Board's role;
- setting the Board agenda and ensuring that the directors receive accurate, timely and clear information;
- oversight of the Company's affairs and its strategy;

– facilitating openness and debate between the executive and non-executive directors;

– ensuring effective communication between the Company and its shareholders; and

– succession planning and the composition of the Board.

David Marock, as the Group Chief Executive Officer, is responsible for:

– the day-to-day management of the Company;

– development and implementation of Company strategy; and

– managing major client relationships.

Gill Rider is the Senior Independent Non-Executive Director (SID), having replaced Julian Cazalet on his retirement from the Board during the year. The SID acts as a sounding board for the Chairman and as an intermediary for the other directors, where necessary. The SID is also an additional point of contact for shareholders, if they have reason for concern and where contact through the normal channel of the Chairman has failed to resolve the concern or for which such contact is inappropriate.

All directors, whether executive or non-executive, have unrestricted access to the Group Company Secretary and General Counsel and senior executives/managers within the Group on any matter of concern to them, in respect of their duties. In addition, new directors are given a tailored induction and/or appropriate training on appointment to the Board. Appropriate time was set aside during the year for training on relevant topics concerning the operation and function of the Board and the responsibilities and obligations of the directors. The Company has undertaken to reimburse legal fees to the directors, if circumstances should arise in which it is necessary for them to seek separate, independent legal advice in the furtherance of their duties.

Apart from David Marock and Barnabas Hurst-Bannister, in respect of their directorship of The Standard Club and Damian Ely and Joe Roach in respect of their directorship of Signal Mutual Indemnity Association, at no time during the year did any of the other directors hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than a third-party indemnity provision between each director and the Company and service contracts between each executive director and the Company. The Company has purchased and maintained throughout the year Directors and Officers liability insurance. Details of the directors' remuneration, service agreements and interests in the shares of the Company are set out in the Directors' Remuneration Report on pages 40 to 61.

The non-executive directors, Edward Creasy, Gill Rider and David Watson are considered by the Board to be independent of the management and free from any business or other relationship that could materially interfere with the exercise of their material judgement, notwithstanding their shareholdings held during the year, which are considered to be not significant by the Board and in the case of Edward Creasy, notwithstanding that he serves as a non-executive director on several subsidiary boards of the Company. Barnabas Hurst-Bannister was treated as being independent on his appointment, notwithstanding he serves as a director on two of the Standard Club's group boards in a non-executive capacity. However, following the increase in The Standard Club's shareholding in the Company, Barnabas Hurst-Bannister is no longer treated as being independent in accordance with the Code. Once he was no longer treated as being independent in accordance with the Code, Barnabas Hurst-Bannister stepped down as a member of the Audit and Remuneration Committees in order that the Company continued to comply with the Code in respect of the membership of those Committees.

The Chairman, Rupert Robson, was considered independent upon his appointment in 2007, but is not considered to be independent by virtue of his appointment as Chairman. The letters of appointment of the non-executive directors are available for inspection at the Company's registered office during normal business hours and at the AGM.

The Board has maintained procedures whereby potential conflicts of interest are reviewed regularly. The Board has considered the other appointments held by directors, details of which are contained in their biographies on pages 29 to 31, and on the Company's website and considers that the Chairman and each of the directors are able to devote sufficient time to fulfil the duties required of them under the terms of their service agreements or letters of appointment.

Directors' attendance at the Board and committee meetings convened in the year was as follows:

		Committee meetings		
	Board	Audit	Nomination	Remuneration
Total number of meetings in 2014	10	5	6	4
Number of meetings attended in 2014:				
Rupert Robson – Non-Executive Chairman[1]	10	—	6	4
David Marock – Group Chief Executive Officer	10	—	—	—
Damian Ely – Group Chief Operating Officer	10	—	—	—
Tito Soso – Group Chief Financial Officer (resigned 29 August 2014)	5	—	—	—
Mark Keogh - Group Chief Financial Officer (appointed 16 June 2014)	5	—	—	—

Alistair Groom (resigned 28 February 2014)	1	—	—	—
Joe Roach III	9	—	—	—
Edward Creasy – non-executive[2]	10	5	6	3
Julian Cazalet – non-executive[2] (resigned 6 October 2014)	7	4	5	3
Barnabas Hurst-Bannister – non-executive[2] (appointed 8 October 2014)	3	1	—	1
Gill Rider – non-executive[2]	10	5	6	4
David Watson – non-executive[2]	10	5	6	4

1 Member of the Remuneration and Nomination Committees during the year.

2 Member of the Audit, Remuneration and Nomination Committees during the year.

There are three management committees: the Executive Committee, the Finance Committee and the Group Compliance and Risk Committee, formed of executive directors and/or senior executives/managers from the businesses, which meet on a regular basis to consider commercial, financial and operational issues and matters.

Fair, balanced and understandable assessment

In relation to compliance with the Code, the Board has given consideration to as to whether or not the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and concluded that it is. A statement to this effect is included in the Directors Responsibilities Statement on page 66. The preparation of this document is co-ordinated by the Finance and Company Secretariat teams with group-wide support and input from other areas of the business. Comprehensive reviews have been undertaken at regular intervals throughout the process by senior management and other contributing personnel within the Company.

The directors' responsibilities for preparing the financial statements and supporting assumptions that the Company is a going concern are set out on pages 66 and 62 respectively.

Risk management and internal control

There is an ongoing process for identifying, evaluating and managing the significant risks the Company faces. These risks include strategic, operational, legal, regulatory, reputation and financial risks. The Company's risk management processes are designed to manage, rather than eliminate, the risk of the Company failing to achieve its business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Company's risk management systems are subject to continual review and development. The controls and processes are overseen by the Group Chief Operating Officer and the Group Compliance and Risk Officer in conjunction with the Group Compliance and Risk Committee. The Company's compliance and risk management processes and systems are designed to ensure that management and the Company's various business units regularly review the risks and controls in their risk registers and that the tracking and monitoring of outstanding risk mitigation actions or controls are actioned in a timely manner and properly followed up. The Group Compliance and Risk Committee reports on its work to the Audit Committee and there is a standing invitation for members of the Audit Committee to attend the Group Compliance and Risk Committee meetings.

The principal risks facing the Company and the risk mitigation actions, controls and processes by which they are managed are explained in the report on the management of risks on pages 23 to 25. The Audit Committee and the Board monitor and review the Company's principal risks regularly along with the risk mitigation actions, controls and processes in place to manage those risks recorded in the risk register to ensure they are up to-date and remain appropriate taking into account the changing circumstances in which the Company operates.

Further information on financial risks is given in note 25.

The Company's offices worldwide have in place plans to deal with a range of eventualities, which could cause serious disruption to the Company's businesses such as a fire, a natural disaster or flooding. These plans are also designed to cope with situations such as an outbreak of a pandemic. Business continuity planning arrangements, especially in respect to IT, have been developed and are regularly tested to enable key offices around the world to have a business continuity capability.

The Board is responsible for the Company's system of internal control, which consists of internal audit, compliance and risk management teams, along with various control systems and procedures in each of the Company's business units. The Board reviews annually the effectiveness of the Company's system of internal control in accordance with the Code.

The Board continues to take steps to further embed internal control, compliance and risk management into the operations of the Company and monitor and review matters which come to management's and the Board's attention.

An internal audit team operates within the Company. The team is managed and led by a senior manager who reports directly to the Group Chief Operating Officer and to the Audit Committee. The Audit Committee and the Board receive four reports each year summarising the findings of their audits together with a schedule of the outstanding audit issues and progress against their internal audit timetable.

The internal audit team is responsible for auditing the Company's businesses worldwide. An audit timetable is approved by the Audit Committee at the beginning of the year and is subject to review throughout the year. The audit programme is focused around the Company's principal risks and will also take into consideration amongst other things the operational, financial and administrative aspects of the Company's businesses, taking as their points of reference those businesses' controls and procedures, the controls recorded in the risk register and any reported incidents. Some audits are occasionally carried out by external consultants or by staff from outside the internal audit team. The internal audit team's effectiveness is reviewed annually by the Audit Committee.

The Board confirms that the actions it considers necessary have been taken or are being taken to remedy such failings and weaknesses which it has determined to be significant from its review of the systems of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

The external auditor's reports to the Audit Committee include their views as to the principal risks facing the Group from an audit perspective and how their audit approach seeks to address them.

The Company's compliance obligations are overseen by the Group Compliance and Risk Officer and the Group Compliance and Risk Committee, which reports to the Group Chief Operating Officer. The Group Compliance and Risk Officer submits a report to the Audit Committee four times a year, which includes details of any material incidents reported by management where controls have either failed or nearly failed. The Company's systems and controls are regularly reviewed and enhancements made where appropriate, in light of reported incidents.

The UK regulated activities of the Company are primarily carried out through two principal subsidiaries, Charles Taylor Services Limited, which is regulated in the UK as an insurance intermediary, and by Charles Taylor Investment Management Company Limited, which is regulated as an investment manager, by the Financial Conduct Authority ("FCA"), in accordance with the requirements of the Financial Services Act 2012.

Certain subsidiary companies operate in overseas markets and are regulated by the relevant regulators in compliance with local regulation.

Relationship with shareholders

The Company values dialogue with its shareholders. Any meetings with shareholders are reported on at Board meetings and the non-executive directors may attend such meetings, if they wish to do so. The Company has an "Investor" section on its website.

The Company communicates with shareholders through the annual report, the half year report and the AGM. The Company also meets with major shareholders when required. The Company has taken advantage of the provisions within the Companies Act 2006 which allows communication with shareholders to be made electronically, where shareholders have not requested hard copy documentation. The AGM is held in a central London location and the Notice and any related papers are issued to shareholders at least 20 working days before the date of the AGM to ensure that shareholders have sufficient time in which to consider the items of business. The AGM provides the Board with an opportunity to meet informally and communicate directly with private investors. Separate resolutions are proposed for each item of business and the "for", "against" and "withheld" proxy votes cast in respect of each resolution are counted and announced after the shareholders present have voted on each resolution. Voting at the AGM is conducted by way of a show of hands, unless a poll is demanded, in order to encourage questions from and interaction with private investors. Proxy votes lodged on each AGM resolution are also announced to the London Stock Exchange and published on the Company's website. All the directors attended the AGM in 2014 and all directors are due to attend the AGM to be held on 7 May 2015.

Nomination Committee Report

Rupert Robson chairs the Nomination Committee, on which the non-executive directors, Edward Creasy, Barnabas Hurst-Bannister, Gill Rider and David Watson also sit. In 2014 there were six meetings of the Committee.

Board composition and balance

The Board comprises the Chairman, four non-executive directors and four executive directors and is collectively responsible for the long-term success of the Company. It does this by providing entrepreneurial leadership, whilst ensuring effective controls are established that enable the proper assessment and management of risk. The Board is ultimately responsible for the Company's strategic aims and the long-term prosperity of the Company, an objective achieved by ensuring that the right financial and human resources are in place to deliver the Company's business plan.

The Nomination Committee regularly evaluates and considers the mix of skills, experience and diversity on the Board and is satisfied that these are appropriate to achieve the Company's strategy and objectives.

The Company has formal policies to promote equality of opportunity across the Company and considers that diversity includes (but is not limited to) personal attributes and characteristics, gender, ethnicity, age, disability and religious belief. The aim is to promote equality, respect and understanding, and to avoid discrimination.

All Board appointments are subject to recommendation from the Nomination Committee, which takes into consideration, amongst other things, the make-up of the Board and its balance of skills and experience. The Board believes that appointments to the Board should be based on merit and overall suitability for the role. The Nomination Committee usually engages an executive recruitment consultancy to assist with identifying suitable candidates to join the Board.

During the year, the Committee reviewed the make-up, knowledge, diversity, balance of skills and independence of the Board. The Committee engaged an executive recruitment consultant to help identify a new Group Chief Financial Officer to replace Tito Soso, who resigned during the year, and recommended the appointment of Mark Keogh to the Board. The Committee recommended that Barnabas Hurst-Bannister be appointed to the Board to succeed Julian Cazalet, who stood down during the year, due to his extensive Lloyd's managing agency and marine insurance market experience and to further broaden the Board's insurance expertise following Julian Avery's retirement at the end of 2013 and Alistair Groom's retirement from the Company last February. The Committee also considered Board and senior management succession in the Company, governance issues, reviewed and revised its Terms of Reference and made various recommendations to the Board.

The external search consultancy retained by the Nomination Committee in respect of Mark Keogh's appointment was Blackwood. The final selection was the result of a competitive process led by Julian Cazalet and Gill Rider from a short-list of potential consultants. The Company does not have any connection with Blackwood.

Board Performance and Evaluation

The performance of individual directors, the Board, its committees, and the Chairman are reviewed annually.

These performance reviews took into consideration whether or not the Board and its committees respectively had discharged their duties, as set out in their terms of reference and whether their terms of reference in each case required updating or amendment. In order to evaluate the performance of the Board, each member of the Board was asked to complete a detailed questionnaire, as well as having a one to one review meeting with the SID. The responses to the questionnaires and the findings of these meetings were reviewed by the Chairman, who summarised the findings and shared and discussed the findings with the whole Board. Topics covered in the review of the Board included strategy, performance measurement, relationships with key stakeholders, risk management and the conduct and effectiveness of board meetings. In summary, the Board had made progress in a number of areas and the directors concluded that the Board had effectively discharged its duties during the year.

The Nomination Committee considered the contribution of each of the executive directors and the Chairman considered the contribution of each of the non-executive directors. The non-executive directors, excluding the Chairman, considered the contribution of the Chairman. The non-executive directors have met together without the executive directors during the year as required by the Code.

The Company's Articles of Association require that one-third of the Directors offer themselves for re-election every year. Notwithstanding that as a small company, i.e. below the FTSE 350, the Code does not require all the directors to stand for annual re-election, the Board decided that all directors should be subject to annual re-election unless a director has been appointed since the previous AGM and is, therefore, subject to election by the shareholders.

Rupert Robson
Chairman of the Nomination Committee
17 March 2015

Audit Committee Report

The Audit Committee takes responsibility for monitoring the integrity of the Company's financial reporting and statements. It also plays an important role in monitoring and managing the internal and external risks faced by the Company, by reviewing and challenging the activities of the Company's compliance, risk management and internal audit teams.

Audit Committee membership

The members of the Committee during the year were David Watson (Chairman), Julian Cazalet, Edward Creasy, Barnabas Hurst-Bannister and Gill Rider. Barnabas Hurst-Bannister joined the Committee on his appointment as a director on 8 October 2014, following the retirement of Julian Cazalet on 6 October 2014. He subsequently stood down from the Committee in March 2015 when he was no longer regarded as independent under the Code.

Governance

The Committee members are all independent non-executive directors. The Committee Chairman is considered by the Board to have recent and relevant financial experience. The Committee meets routinely four times a year and, additionally as required, to review or discuss other significant matters. The Committee also meets the Company's external auditor, the internal audit and risk executives annually without management present.

The Group Company Secretary and General Counsel also attends all meetings and, when requested, the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Operating Officer, Head of Internal Audit, external auditors, and the Group Compliance & Risk Officer, also attend parts of the Committee's meetings.

Membership of the Committee, details of the number of meetings held and attendance at meetings during the year are shown in the Corporate Governance section.

The terms of reference of the Committee are available on the Company's website under the Investor section - Corporate Governance or from the Company Secretariat department. The Committee's terms of reference were reviewed and confirmed by the Committee during 2014.

The Committee Chairman will attend the AGM on 7 May 2015 to answer any questions on the Committee's responsibilities.

Role and focus

The aims of the Committee are:

- to monitor the integrity of the annual and half-year results, including reviewing the significant financial reporting judgements they contain;
- to advise the Board whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- to review and monitor the adequacy and effectiveness of the Company's financial, risk, regulatory and other controls;
- to review the adequacy of the Company's arrangements for the prevention and detection of fraud, or bribery and to enable the effective treatment of whistle-blowing;
- to monitor the resourcing, plans, findings, recommendations and effectiveness of the Internal Audit and Compliance and Risk departments; and
- to oversee the appointment, remuneration, plans, scope and relationship with the external auditor including monitoring its independence and to consider its reports and findings.

Activities

The Committee discharged its responsibilities as listed above and, in particular, undertook the following activities:

Financial reporting

- reviewed the preliminary full year and half year results, including accounting issues and judgements supported by internal management and external auditor commentaries thereon;
- reviewed the financial statements, 2014 annual report and a report from the external auditor on those statements;
- considered the representations of management;
- considered material litigation conducted by the Company and its subsidiaries;
- reviewed and approved the board statement on internal control practices, principal risks and uncertainties and the Audit Committee Report in the 2014 annual report; and

– advised the Board on whether the annual report and accounts, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk management and compliance

– undertook a detailed review and challenge of the Company's internal risk reports and the related annual report disclosures;

– considered reports on incidents occurring in the businesses and any control recommendations;

– considered the resourcing and structure of the compliance function across the Group;

– reviewed regular reports from the Group's compliance and risk function on the work it had undertaken; and

– held private discussions with the Group Compliance & Risk Officer without management present.

Internal audit

– considered the staffing and structure of the internal audit function;

– received and discussed the internal audit effectiveness review;

– reviewed the draft annual internal audit plan and approved any proposed amendments thereto;

– reviewed regular reports from the Company's internal audit function on the work they had undertaken in reviewing the control environment and internal control systems; and

– held private discussions with the Head of Internal Audit without management present.

External audit

– reviewed the performance and effectiveness of the services provided by the external auditor, and considered opportunities for improvement to the year-end processes by both the finance function and external audit personnel;

– considered the capability and independence of the external auditor and recommended the re-appointment of Deloitte LLP as the Company's auditor;

– reviewed the draft terms of engagement and fees for both the half year review and full year audits;

– considered and amended the Company's policy on the permitted engagement of the Company's auditor for non-audit services;

– reviewed and debated the auditor's assessment of the key risks, issues and proposed approach and scope of the audit work to be undertaken for the 2014 year end audit;

– reviewed the external audit findings for the Company and for its material subsidiaries;

– reviewed the level of fees paid to the external auditor for non-audit services carried out by the auditor in conformity with the Board's policy; and

– met with the external auditor during the year without management present.

Significant financial judgements

The Committee considered the following significant issues regarding the financial statements:

– whether the attribution of the Company's business operations to Cash Generating Unit's ("CGU") was appropriate, supported by management and financial reporting structures and whether the carrying value of Goodwill and Intangibles was supported by appraised values in use under a range of future operating conditions;

– the determination of revenue for the year and in particular the determination and age profile of debtors and the valuation of work-in-progress statements and the adequacy of any related provisions;

– the carrying value of deferred tax balances in the light of the expected geographic distribution of the Company's future taxable profits;

– the funding position of the Company's defined benefit pension schemes, in comparison with comparable schemes, and the primary assumptions on which the valuations were based; and

– the Company's future profit forecasts and cash flow projections and their sensitivity to future market and economic conditions and hence whether the going concern basis of accounting was appropriate for the Company's financial statements.

Auditor re-appointment

The Company's audit services have been provided by Deloitte LLP since the Company's floatation in 1996 with regular audit partner rotations. The lead audit partner was last changed by rotation in 2010. The Committee last undertook an external tender for Group audit in 2013, when Deloitte LLP were retained as the Company's external auditor after a thorough review process. Resolutions will be put to shareholders at the AGM over the re-appointment of Deloitte LLP and the setting of its fees.

Non-audit services

The Committee reviews regularly the amount and nature of non-audit work performed by the external auditor. The Committee accepts in principle that certain work of a non-audit nature is best undertaken by the external auditor. The Company's policy on non-audit services provides clear guidance on the categories of non-audit work which may be undertaken by the external auditor, as well as setting out categories of work that may not be undertaken by the external auditor. The policy also sets out the circumstances when consent from the Committee is required where work falls into neither the pre-approved nor prohibited categories.

Committee effectiveness

The Committee conducted a review of its effectiveness taking into account both direct feedback and also considering the findings of the Board review conducted by the Senior Independent Director. The review concluded that the Committee had received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities and that the Committee had performed a valuable role in debating the Company's risk assessment and in holding management to account in relation to the effectiveness of the Company's control environment and associated assurance processes.

David Watson
Chairman of the Audit Committee
17 March 2015

Directors’ Remuneration Report

REMUNERATION COMMITTEE CHAIRMAN–ANNUAL STATEMENT

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the year to 31 December 2014, which clearly links business performance with Executive reward. The report comprises:

– the Directors’ Remuneration Policy, which was approved at the 2014 AGM and is included for information only, as it has not changed; and

– the Annual Report on Remuneration, which sets out how the policy was implemented in the financial year ending 31 December 2014 and is subject to an advisory shareholder vote at the 2015 AGM.

Shareholder engagement

I am pleased to report a strong level of support and engagement from shareholders. The resolutions seeking approval of the Directors’ Remuneration Policy and Annual Report on Remuneration and the new Deferred Annual Bonus Plan were supported by over 99% of the votes cast. Before introducing the Directors’ Remuneration Policy last year, we consulted with our major shareholders and will do so when the Directors’ Remuneration Policy is reviewed and developed in future years.

Base salary

In 2014 the executive directors received a base salary increase of 3% each, which was the first increase in base salaries for four years. The Committee continues to apply restraint to salary increases; executive directors received a base salary increase of 1.9% each at the 1 January 2015 review date, which is the same as the average increase of UK employees.

Annual bonus

Annual bonus awards have been made in respect of the 2014 performance year to all executive directors. Taking account of overall performance, the Committee has awarded bonuses of up to 81% of the maximum level. The Group Chief Executive Officer, David Marock was awarded a total bonus payment for 2014 performance of £384,643 (116.7% of base salary; 78% of maximum bonus). The largest total bonuses paid to other executive directors in respect of performance in 2014 were 39.1% of base salary and 81% of maximum bonus. These bonuses are primarily a reflection of excellent financial performance with year-on-year growth in Group adjusted PBT (+11.3%) and Group adjusted EPS (+15.6%). They also reflect significant achievements by the executive directors when measured against their agreed set of personal objectives, their contribution to the success and development of the Company in the year and the Company’s overall performance.

Long-term incentives

The Company achieved Total Shareholder Return (TSR) of more than 100% over the period 2011 to 2014 resulting in strong relative performance for which the 2011 LTIP awards vested in full during the year. Further details are included on page 51.

The Committee aims to ensure that the remuneration for executive directors is: clear and simple, tied to performance; and is closely aligned to the business strategy and the interests of shareholders. I hope you will support the remuneration resolution at the AGM.

Gill Rider
Chairman of the Remuneration Committee

Notes

This report has been prepared on behalf of the Board and has been approved by the Board. The Report complies with the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2012 UK Governance Code and the Financial Conduct Authority Listing Rules.

DIRECTORS' REMUNERATION POLICY

This part of the Report sets out the material elements of the Directors' Remuneration Policy for the Company which was approved by shareholders at the 2014 AGM. The policy came into effect on 8 May 2014 and is due to be reviewed by shareholders at the 2017 AGM. There have been no changes to the policy for 2015 and it is shown for information and to provide context to the 2014 Remuneration Report. References to individual directors have been updated.

Policy overview

Executive remuneration packages are designed to attract, motivate and retain directors and senior management of high calibre. The Remuneration Committee (the "Committee" hereafter) believes that the interests of shareholders and executive directors should be aligned as far as possible. It seeks to achieve this by incentivising executive directors to deliver success over time through sustainable and profitable growth. This includes the use of annual bonus awards linked to clear personal and departmental objectives and to the overall performance of the Company, and awards under the LTIP linked to longer-term, sustained company performance.

The Committee undertakes periodic external comparisons to examine current market trends and practices and equivalent roles in similar companies taking into account their size, business complexity, international scope and relative performance.

How the views of shareholders are taken into account

The Company values dialogue with its shareholders. The Committee considers investor feedback and the voting results received in relation to relevant AGM resolutions, each year. This is considered alongside any additional feedback on remuneration received from shareholders and/or shareholder representatives from time to time. If the Committee contemplates making any material changes to the remuneration policy outlined in this section, we will consult with major shareholders and/or their representative bodies before putting changes to the remuneration policy to shareholders.

Details of votes cast for and against the resolution to approve last year's remuneration report are set out in the Annual Report on Remuneration.

Consideration of employment conditions elsewhere in the Company

The pay and employment conditions of Charles Taylor employees are taken into account when setting executive remuneration policy. The Company does not formally consult with employees in respect of the design of the executive directors' remuneration policy.

Remuneration policy for directors

There are three main elements of the remuneration package for executive directors:

1. Fixed pay, comprising base salary, pension scheme contributions and other benefits.
2. Annual performance-related remuneration, including deferral into shares.
3. Long-term performance-related remuneration in the form of share awards.

The table on the following page provides a summary of the key aspects of the remuneration policy for executive directors:

Executive Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To provide a core level of reward sufficient to attract, motivate and retain directors of high calibre, able to develop and execute the Company's strategy.	Executive directors' base salaries are reviewed at the end of each financial year and are determined by the Committee taking account of base salaries and base salary increases in the Company as a whole, the individual's experience and performance, and current market rates. Periodic reference is also made to median levels amongst relevant FTSE and industry comparators of similar size and scope. The Committee considers the impact of any basic salary increase on the total remuneration package. Directors' salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	The Committee is guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in position or responsibility, and market levels. For this reason the Committee does not feel it is appropriate to set a maximum salary as this would limit its ability to respond to market conditions and could set expectations of salary levels for future appointments. Salary levels may be changed from time to time by the Committee within this policy. Current salaries are set out in the Annual Report on Remuneration.
Benefits	To provide cost-effective and market-competitive benefits to support the well-being of directors.	Executive directors receive certain benefits-in-kind such as a car or car allowance, private medical insurance and other insurance benefits. Other ancillary benefits may be provided, including relocation assistance (as required).	Benefits constitute only a small percentage of total remuneration and the value is not subject to a specific cap. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy.
Pension	To provide directors with a market competitive pension/long-term savings option to assist with recruitment and retention.	A defined contribution to a money purchase pension scheme is provided, or an equivalent cash allowance.	Any employer contribution is limited to maximum of 15% of base salary. This is reviewed periodically by the Committee and may be subject to minor change within the policy.

Annual bonus	To tie a proportion of remuneration to the Company's annual performance. Compulsory partial deferral serves further to align the executive directors' interests with those of shareholders.	Each executive's annual bonus is determined based on group, divisional/functional and personal financial and non-financial goals. The main emphasis is on financial objectives. Where a bonus award is above a certain size, a proportion will be delivered in deferred Company shares which will be released in three equal tranches after one, two and three years. For awards in respect of 2014, where a bonus award exceeds the on-target level, the portion above the on-target level will be deferred as described above. Annual bonus awards are non-pensionable. With effect from the 2014 bonus award year and onwards, there is a claw-back provision in place. This allows the Committee to seek to recoup paid and deferred bonus in exceptional circumstances. Summary details of the performance targets set for the year under review and performance against them is provided in the Annual Report on Remuneration to the degree these are not commercially sensitive.	The policy maximum is 150% of base salary for excellent performance, although the Committee may set individual limits on bonus that are below this policy maximum taking account of individuals' roles. For on-target performance the bonus opportunity is usually limited to no more than two-thirds of the maximum. Participants may be eligible to receive a payment in either cash or shares, following vesting, representing the dividends that have accrued during the vesting period.

Long-term incentive plan 2007 (LTIP)	To tie a proportion of remuneration to the Company's longer-term performance to further align the executive directors' interests with those of shareholders.	Annual awards of performance shares or nil-cost options are made. These awards are subject to a three-year service and performance period. The Committee sets performance conditions taking account of the business strategy. From 2013 onwards LTIP grants are currently subject to two performance metrics, to give a more rounded view of Company performance: Half of the award is currently subject to Total Shareholder Return (TSR) relative to the constituents of a relevant comparator index or peer group and the other half of the award is currently subject to Earnings Per Share (EPS) growth. The Committee has authority to change the metrics for future awards, which will be subject to consultation in advance with major shareholders for material changes. The Committee has the discretion to make a downward adjustment (including to zero if appropriate) to the vesting outcome under the performance metrics, if it considers that this is necessary to take account of its broader assessment of the performance of the Company. With effect from awards in respect of the 2014 financial year and onwards, there is a claw-back provision in place. This allows the Committee to seek to recoup LTIP awards in exceptional circumstances.	The normal maximum annual award size (in face value) under the LTIP is 75% of base salary. The plan rules permit higher awards in exceptional circumstances. The Committee does not expect that any individual award would exceed 125% of base salary. For threshold performance, 25% of the award will vest, increasing on a straight line basis up to 100% of the award for maximum performance. Participants in the LTIP may be eligible to receive a payment in either cash or shares, following vesting representing the dividends that they would have accrued on the vested shares in the vesting period.
All employee share schemes	To encourage employee share participation.	The Company may from time to time operate tax-approved share plans (such as HMRC-approved Save As You Earn scheme) for which executive directors could be eligible.	The schemes are subject to the limits set by tax authorities.
Minimum shareholding requirement (MSR)	To further align executive directors' interests with shareholders.	Each executive director will be required to build up and maintain a holding of Company shares equivalent to a multiple of base salary, as determined by the Committee. Until an executive director has built up such a shareholding, they are required to retain 100% of any LTIP shares that vest, net of tax, and invest at least 25% of the value of any cash bonus in shares, net of tax.	N/A.

Discretions retained by the Committee in operating the incentive plans

In operating the annual bonus plan and LTIP, the Committee will adhere to the respective plan rules and the Listing Rules where relevant. There are several areas with regards to the operation and administration of these plans for which the Committee will retain discretion. Consistent with market practice, these include (but are not limited to) the following:

– Selecting the participants;

– The timing of grant and/or payment;

– The size of grants and/or payments (within the limits set out in the policy table above);

– The extent of vesting based on the assessment of performance;

– Determination of a good leaver and where relevant the extent of vesting in the case of the share based plans;

– Treatment in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of the Company and its shareholders.

– Making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);

– Cash settling awards; and

– The annual review of performance measures, weightings and setting targets for the annual bonus and discretionary share plans from year to year.

Any performance conditions may be amended or substituted if one or more events occur which cause the Committee to reasonably consider that the performance conditions would not without alteration achieve its original purpose. Any varied performance condition would not be materially less difficult to satisfy.

Choice of performance measures and approach to target setting

The performance metrics that are used for our annual bonus and long-term incentive plans are chosen to reflect the Group's key performance indicators and strategic aims. Performance objectives are designed to encourage continuous improvement and incentivise the delivery of stretch performance. A small percentage of the total opportunity is available for delivering threshold performance levels with maximum outcomes requiring exceptional performance.

Annual bonus

In determining any bonus award, the Committee takes into account the performance of each executive director against his objectives, his contribution to the success and development of the Company in the year and the Company's overall performance. The measures and criteria set may vary from year to year as appropriate to reflect the changing needs of the business.

LTIP

The LTIP is currently based on EPS and TSR performance. Growth in EPS is a measure of the Company's overall financial success and closely aligns the executives' interests with those of our shareholders. TSR provides an external assessment of the Company's performance and captures the total return created for shareholders.

A sliding scale of targets is set for each measure that take account of corporate plans and external market expectations for the Company. The Committee will review the appropriateness of the performance targets prior to each LTIP grant. The Committee reserves the discretion within this policy to set different measures and targets for future awards, providing that, in the opinion of the Committee, the new targets are no less challenging and are appropriate to the strategy in light of the circumstances at the time than those used previously. Should there be a material change in the Company's performance conditions (e.g. introducing an additional or alternative performance metric) appropriate consultation with the Company's major shareholders would take place in advance along with a full explanation in the Annual Report on Remuneration to support any such change. The measures and targets for awards granted under this remuneration policy are set out for shareholder approval in the Annual Report on Remuneration.

All-employee schemes

No performance targets are set for awards under tax-approved share plans as these are non-discretionary plans designed for all-employees. Any such plans are designed to encourage employees across the Group to purchase Company shares and applying performance targets to these awards would materially reduce the effect in this regard.

Differences in remuneration policy for executive directors compared to other employees

The remuneration policy for the executive directors is designed having regard to the pay and employment conditions of other employees in the Company and its subsidiaries.

There are some differences in the structure of the remuneration policy for the executive directors (as set out above) compared to that for other employees within the organisation, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. The remuneration policy for the executive directors places a greater weight on performance-based variable pay through the long-term incentive scheme. This ensures the remuneration of the executives is aligned with both the long-term performance of the Company and therefore the interests of shareholders.

External non-executive director positions

Executive directors may be required to serve as directors on a number of external organisations directly related to the Group's business activities; they receive no fees or additional remuneration for these appointments.

To further develop their skills and experience, executive directors are permitted, subject to approval of the Board, to have normally no more than one external non-executive directorship, unrelated to Charles Taylor, and are allowed to retain the fees earned in relation to this.

Details of external directorships held by the executive directors and any fees that they received are provided in the Annual Report on Remuneration.

Approach to new executive director appointments

The remuneration package for a new executive director will be set in accordance with the Company's approved remuneration policy as set out in this report, subject to the points below.

The base salary level of a newly appointed executive will be set taking into account the individual's experience and the nature of the role being offered. Dependent on the previous experience of the individual appointed, base salary may be initially positioned below the relevant market rate for the role and increased as the individual gains in relevant experience subject to their individual performance.

In the case of an external hire, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders, to compensate for remuneration foregone by the individual in order to take up the role. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would take account of the form (cash or shares) and time horizons attaching to remuneration foregone and the impact of any performance conditions.

For an internal appointment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant and the appointee will become subject to the minimum shareholding requirements policy on their appointment as an executive director.

Service contracts and payments for loss of office

All the executive directors have entered into service agreements with the Company, requiring notice of termination to be given by either party. It is the Company's policy that the period of notice for executive directors will not exceed 12 months.

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, in the event of gross misconduct. If the Company terminates the employment of an executive director in other circumstances, compensation is limited to base salary due for any unexpired notice period, plus an amount in respect of contractual benefits and pension which would have been received during the unexpired notice period. In the event of a change of control of the Company there is no enhancement to contractual terms.

Directors' contracts of service and letters of appointment, which include details of their remuneration, are available for inspection at the registered office of the Company during normal business hours and will be available for inspection at the AGM.

<table>
<tr><th>Provision</th><th>David Marock</th><th>Mark Keogh</th><th>Damian Ely</th><th>Joe Roach</th></tr>
<tr><td>Notice period from either party</td><td>12 months</td><td>12 months</td><td>12 months</td><td>12 months</td></tr>
<tr><td>Contract commencement date</td><td>1 July 2011</td><td>16 June 2014</td><td>1 October 2005</td><td>1 January 1997</td></tr>
<tr><td rowspan="2">Payments on termination</td><td colspan="2">Base salary for period of notice plus benefits including pension, paid monthly and subject to mitigation.</td><td colspan="2">Base salary for period of notice, paid monthly and subject to mitigation.</td></tr>
<tr><td colspan="4">In addition, any statutory entitlements in connection with the termination would be paid as necessary.</td></tr>
<tr><td>Remuneration entitlements</td><td colspan="4">An annual bonus may also become payable subject to performance, for the period of active service only. Outstanding share awards will vest in accordance with the provisions of the various scheme rules – see below. In all cases performance targets would apply to annual bonus and/or LTIP awards.</td></tr>
<tr><td>Change of control</td><td colspan="4">There are no enhanced terms in the contracts in relation to termination following a change of control. However, under the relevant plan rules, there is scope for accelerated vesting of any share awards.</td></tr>
</table>

If an executive director leaves employment, any outstanding share awards will be treated in accordance with the relevant plan rules. Normally, any outstanding awards lapse on cessation of employment. However if an executive director ceases employment with the Group as a ‘good leaver’ as defined in the various scheme rules or in the event of a takeover, any outstanding share awards will vest in accordance with those rules. In the case of the LTIP awards, vesting is normally subject to a performance condition, with a pro-rata reduction in the size of the award to reflect the period of time that the award has been held. Any remainder of the awards will lapse.

Under the bonus plan, the deferred shares for a good leaver may be permitted to immediately vest in full and if the award is in the form of an option, there is a 12-month window in which the award can be exercised.

In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Legacy arrangements

For the avoidance of doubt, in approving this Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous Directors’ Remuneration Reports.

Non-executive directors

The non-executive directors have individual letters of engagement and their remuneration is determined by the Board in accordance with the Articles of Association.

Non-executive directors' fees policy

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive director fees	To attract and retain a high-calibre chairman and non-executive directors by offering market competitive fee levels.	The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee. The Chairmen of the Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed periodically by the Committee and Chief Executive for the Chairman and by the Chairman and Executive Directors for the Non-executive Directors, with reference to market levels in comparably sized FTSE companies, and a recommendation is then made to the Board. The Non-executive Directors have the option to forego their fees in exchange for shares in the Company. Non-executive directors cannot participate in any of the Company's annual bonus or share plans and are not eligible for any pension entitlements from the Company.	The Committee is guided in considering any increase in fees by reference to current market levels but on occasions may need to recognise, for example, changes in responsibility, and/or time commitments.

For the appointment of a new chairman or non-executive director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

All non-executive directors have letters of appointment with the Company and are subject to annual re-election at the AGM. The appointment letters for the Chairman and non-executive directors provide that no compensation is payable on termination, other than accrued fees and expenses.

ANNUAL REPORT ON REMUNERATION

This report has been divided into separate sections for audited and unaudited information. The Companies Act requires the auditor to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in its opinion that part of the report has been properly prepared in accordance with the Companies Act 2006.

Audited Information

Single total figure remuneration

The table below reports the total remuneration receivable in respect of qualifying services by each director during the year:

Year ended 31 December 2014

		Total salary and fees £	**Taxable benefits £**	**Annual bonus £**	**Long term incentives £**	**Pension related benefits £**	**Other £**	**Total £**
David Marock	GCEO	**329,600**	**8,644**	**384,643**	**818,264**	**43,625**	**20,365**	**1,605,141**
Damian Ely	GCOO	**220,420**	**20,495**	**86,173**	**142,099**	**30,748**	**20,976**	**520,911**
Alistair Groom*		**56,332**	**3,708**	—	**134,283**	**8,450**	—	**202,773**
Mark Keogh**	GCFO	**147,026**	**2,893**	**71,093**	—	**19,367**	—	**240,379**
Joe Roach		**377,931**	**18,609**	**126,483**	**142,099**	**5,294**	—	**670,416**
Tito Soso***	GCFO	**161,367**	**4,614**	—	—	**22,371**	—	**188,352**
Rupert Robson	Chairman	**90,000**	—	—	—	—	—	**90,000**
Julian Cazalet^		**30,615**	—	—	—	—	—	**30,615**
Edward Creasy^^		**35,000**	—	—	—	—	—	**35,000**
Barnabas Hurst-Bannister^^^		**8,256**	—	—	—	—	—	**8,256**
Gill Rider		**46,250**	—	—	—	—	—	**46,250**
David Watson		**45,000**	—	—	—	—	—	**45,000**

* Alistair Groom retired as a director on 28 February 2014.

** Mark Keogh was appointed a director on 16 June 2014.

*** Tito Soso resigned as a director on 29 August 2014.

^ Julian Cazalet retired as a director on 6 October 2014.

^^ Edward Creasy was appointed a director on 1 January 2014.

^^^ Barnabas Hurst-Bannister was appointed a director on 8 October 2014.

Year ended 31 December 2013

		Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives £	Pension related benefits £	Other £	Total £
David Marock	GCEO	320,000	7,899	320,000	0	48,000	0	695,899
Damian Ely	GCOO	214,000	18,030	53,500	0	29,855	0	315,385
Alistair Groom		313,650	19,162	94,095	0	47,047	0	473,954
Joe Roach		386,390	19,596	94,605	0	5,416	7,368	513,375
Tito Soso*	GCFO	226,263	4,453	157,450	0	33,939	0	422,105
Rupert Robson	Chairman	90,000	—	—	—	—	—	90,000
Julian Avery		45,000	—	—	—	—	—	45,000
Julian Cazalet		40,000	—	—	—	—	—	40,000
Gill Rider		35,000	—	—	—	—	—	35,000
David Watson		45,000	—	—	—	—	—	45,000

* Tito Soso was appointed a director on 16 January 2013.

The figures in the single figure table are derived from the following:

Total salary and fees	The amount of salary and fees received in the year.
Taxable benefits	The taxable value of benefits received in the year. These are car allowance, private medical insurance, life assurance, permanent health insurance and subscriptions.
Annual bonus	Annual bonus that was earned in the year and can be split between cash and shares. Shares awarded will be released in three equal tranches after one, two and three years.
Long-term incentives	The value of LTIP awards that vest in respect of a performance period that is completed by the end of the relevant financial year. For 2014 this includes the 2011 LTIP awards which vested in full and for 2013 this includes the 2010 LTIP award under which none vested.
Pension related benefits	The pension figure represents the cash value of pension contributions received by the executive directors.
Other	Other includes the value of SAYE options vesting in the financial year.

Joiner and leavers during the year ending 31 December 2014

The new Group Chief Financial Officer, Mark Keogh, was appointed a director on 16 June 2014. He was appointed on an annual base salary of £235,000. He is eligible to receive a 15% of salary pension contribution and other benefits in line with the approved remuneration policy. His maximum annual bonus opportunity for 2014 is 75% of base salary but this entitlement was pro-rated from the date of his appointment. Mark Keogh did not receive a LTIP award during 2014 nor any buy-out awards to compensate for foregone remuneration.

Alistair Groom retired as Chief Executive Management Services - UK & International and as a director on 28 February 2014. He received his base salary, pension and benefits up to his leaving date. He will be treated as a good leaver and therefore retain his pro-rated LTIP and bonus share awards. Vesting of the LTIP awards will depend on the normal performance conditions and the number of shares he will receive will be prorated to the date of cessation of employment in accordance with the rules of the LTIP. His annual bonus share awards will continue to vest in accordance with their original vesting dates. The value of these awards on vesting will be disclosed in future Annual Reports on Remuneration.

Tito Soso ceased service as Group Chief Financial Officer and as a director on 29 August 2014 due to resignation. He received his base salary, pension and benefits up to his leaving date as detailed in the above table. He ceased to be eligible for any annual bonus for 2014 and all of his outstanding bonus share awards, LTIP awards and recruitment award lapsed in full.

Annual bonus for the year ending 31 December 2014

At the start of each financial year the Remuneration Committee sets the bonus opportunity for the year and reviews and challenges the performance objectives for each executive director. They are predominately financial as exemplified below but also include some specific operational, people and client-related objectives which are personal to the executives. The Committee challenges to ensure they are consistent with the strategy, budget and sufficiently stretching. The Group Chief Executive and individual directors agree the objectives and all the objectives are shared in the executive team to ensure the team works collectively.

For 2014, the bonus opportunities for the executive directors were as follows:

	On-Target % of salary	Maximum % of salary
David Marock	100%	150%
Damian Ely	35%	52.5%
Joe Roach	27.5%	41.25%
Mark Keogh*	50%	75%

* Any bonus entitlement for Mark Keogh was pro-rated from the date of his appointment.

At the end of the year, the Group Chief Executive and the individual directors review their performance against their objectives. Quantifiable measures are used wherever possible. The Committee assesses the performance of the Company, each business, the support service teams, the individual and determines the performance level achieved. On-target performance is considered to be the achievement of objectives and in particular key financial objectives. 75% of the assessment of the 2014 performance review was weighted to key financial targets, 25% to achievement of personal objectives. Exceptional business performance would be required to achieve maximum performance.

The key financial targets for 2014 were:

– Grow Group's adjusted PBT (attributable to owners of the Company) by 8%

– Grow Group's adjusted EPS by 3.9%

At the time of setting these targets they were considered stretching by the Committee and it is the measure of the team's performance that the targets were exceeded.

The table below shows the Group's performance against these two financial targets over the last five years. Performance for 2014 significantly exceeded the target level set and the Committee determined that, for the 75% of the bonus dependent on financial performance, the outcome was between target and maximum:

Year-on-year performance	**2014**	2013	2012	2011	2010
Adjusted PBT (attributable)	**11.3%**	9.2%	(4.6%)	(6.1%)	(19.5%)
Adjusted EPS	**15.6%**	9.4%	(7.7%)	(9.8%)	(24.2%)

The personal performance component was assessed against a range of personal objectives which relate to business, people and clients including:

– Strive to deliver strong financial performance for mutual clients while maintaining client servicing and satisfaction levels.

– Create new business products and services to generate specified amounts of revenue and profit.

– Ensure top team firmly established and operating effectively and that succession planning is well underway for key senior staff across the Group.

– Attract, retain and develop top talent within each business.

– Develop and gain buy-in for a coordinated group-wide marketing, public relations, business development and sales approach and culture.

– Ensure restructuring plans are agreed and drive delivery within the agreed timeframes of cost cutting targets.

– Drive down debt ratios through improved working capital and active management of the insurers in run-off business.

Taking account of personal performance against these criteria, together with the above-target financial performance, the Committee awarded the bonuses shown in the table below. There is some variation to reflect individual performance against business and personal objectives.

The resulting bonuses for 2014 were as follows:

	Total £	% of Maximum	Cash £	Shares £
David Marock	384,643	78%	329,600	55,043
Damian Ely	86,173	74%	77,147	9,026
Joe Roach	126,483	81%	103,930	22,553
Mark Keogh*	71,093	64%	63,646	7,447

* Any bonus entitlement for Mark Keogh was pro-rated from the date of his appointment

Vesting of LTIP awards

The LTIP awards granted on 27 April 2011 were based on performance to 26 April 2014 to vest 27 April 2014 and LTIP award granted to David Marock on 18 October 2011 was based on performance to 17 October 2014 to vest 18 October 2014. As disclosed in previous annual reports, the performance condition for these awards measured the Company's Total Shareholder Return (TSR) relative to the constituent companies of the FTSE Small Cap Index in accordance with the following table:

Ranking of the Company against the comparator Group by reference to TSR	Percentage of shares which may vest
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata on a straight-line basis between 25% and 100%
Upper quartile	100%

For the vesting of the 2011 awards, Charles Taylor ranked in the top 25% and accordingly the awards vested in full. For the April 2011 awards, Charles Taylor was ranked 35th out of 201 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 102.42%. For the October 2011 award Charles Taylor was ranked 36th out of 209 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 108.84%.

LTIP awards made in 2014

LTIP awards were made on 20 March 2014 at a share price of 255.5p (the middle market quotation share price prior to the date of grant).

Details of these awards for the Directors are set out in the table below. The maximum level of award permitted under the LTIP is 75% of base salary per annum, however, the Plan Rules permit an award above the normal 75% of base salary limit in exceptional circumstances (although the Committee does not expect that any individual award would exceed 125% of base salary).

	Basis of award granted	**2014 awards (number of shares)**	Face value £
David Marock – GCEO	75% of £329,600	96,751	£247,200
Damian Ely – GCOO	50% of £220,420	43,135	£110,210
Joe Roach – Executive director	31% of $624,613	45,686	£116,729
Tito Soso – GCFO[1]	50% of £242,050	47,367	£121,025

1 Tito Soso's LTIP award subsequently lapsed when he left the Company.

The awards are subject to a three-year performance period ending 31 December 2016 and are due to vest on 20 March 2017. The proportion of shares which may be transferred under the LTIP will be determined by two performance metrics. Half of the award will be subject to the Company's Total Shareholder Return (TSR) relative to the constituent companies of the FTSE Small Cap Index in accordance with the following table:

Ranking of the Company against the comparator Group by reference to TSR	**Percentage of shares which may vest**
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata on a straight-line basis between 25% and 100%
Upper quartile	100%

The other half of the award will be subject to Earnings per Share (EPS) growth relative to UK RPI (Retail Price Index) inflation. There will be zero vesting of this element if performance is below RPI+3 percentage points per annum, 25% vesting for RPI+3 percentage points per annum, and 100% vesting for RPI+9 percentage points per annum (linear interpolation between threshold and maximum).

The Committee also has the discretion to make a downward adjustment (including to zero, if appropriate) to the vesting outcome under either performance metric, if it considers that this is necessary to take account of its broader assessment of the performance of the Company.

Claw-back

There is a claw-back policy in place which allows claw-back under the annual bonus plan and LTIP. This allows the Committee to seek to recoup paid and deferred bonus and LTIP awards, if at any point before the third anniversary of vesting the Committee considers there to have been a material misstatement of performance or case of gross misconduct.

The Committee considered that neither of these circumstances occurred during the year and therefore no claw-back was enacted during 2014.

Directors' interests and Minimum Shareholding Requirement ("MSR")

There is a MSR for the executive directors. Each executive director is required to build up and maintain a holding of Charles Taylor plc shares equivalent in value to 1x base salary. Until they have achieved this shareholding, they are required to retain 100% of any LTIP shares that vest, net of tax, and invest 25% of the value of any cash bonus in shares, net of tax.

The beneficial interests of directors in the ordinary share capital of the Company at 31 December 2014 and 31 December 2013 were as follows:

`	**At 31 December 2014 1p Ordinary shares**		At 31 December 2013 1p Ordinary shares		Outstanding performance based share awards*	Outstanding share awards*	Unexercised vested option awards	Outstanding unvested option awards	**% shareholding guideline achieved at 31 December 2014**
David Marock	**462,328**	**1.06%**	85,000	0.20%	386,751	—	—	9,318	**100**
Damian Ely	**57,504**	**0.13%**	12,997	0.03%	103,135	11,112	—	9,318	**72**
Alistair Groom (retired 28 February 2014)	**324,528**	**0.75%**	328,300	0.79%	44,500	15,834	—	—	**N/A**
Mark Keogh (appointed 16 June 2014)	—	—	—	—	—	—	—	9,318	—
Joe Roach	**92,798**	**0.21%**	36,792	0.09%	145,686	19,537	—	3,516	**69**
Tito Soso (resigned 29 August 2014)	—	—	40,000	0.10%	—	—	—	—	**N/A**
Rupert Robson	**69,437**	**0.16%**	69,437	0.17%	—	—	—	—	**N/A**
Julian Cazalet (retired 6 October 2014)	**40,000**	**0.10%**	40,000	0.10%	—	—	—	—	**N/A**
Edward Creasy (appointed 1 January 2014)	**4,291**	**0.01%**	—	—	—	—	—	—	**N/A**
Barnabas Hurst-Bannister (appointed 8 October 2014)	—	—	—	—	—	—	—	—	**N/A**
Gill Rider	**1,000**	**0.01%**	1,000	0.01%	—	—	—	—	**N/A**
David Watson	**10,000**	**0.02%**	10,000	0.02%	—	—	—	—	**N/A**
Total of directors' interests	**1,061,886**	**2.45%**	623,526	1.51%	680,072	46,483	—	31,470	

* Includes awards structured as nil-cost options

Each director is taken to have a non-beneficial interest in the ordinary shares held by the Charles Taylor Employee Share Ownership Plan, which totalled 299,123 shares as at 31 December 2014. There have been no other changes in the interests of directors in either the share capital of the Company or options over the Company's shares.

The following movements in awards and options over the ordinary share capital of the company took place during the year:

Director		Awards and options held at 31 December 2013	**Awards and options granted during 2014**	**Options exercised during 2014**	**Options lapsed during 2014**	**Awards and options cancelled during 2014**	**Awards and options held at 31 December 2014**	Exercise price (p)	Exercisable dates
David Marock	a	8,146	—	**(8,146)**	—	—	—	110.48	Dec 2014–May 2015
David Marock	c	300,000	—	**(300,000)**	—	—	—	Nil	18 Oct 2014
David Marock	d	362,318	—	**(362,318)**	—	—	—	Nil	18 Oct 2014
David Marock	c	150,000	—	—	—	—	**150,000**	Nil	27 Apr 2015
David Marock	g	140,000	—	—	—	—	**140,000**	Nil	23 Apr 2016
David Marock	j	—	**96,751**	—	—	—	**96,751**	Nil	20 Mar 2017
David Marock	a	—	**9,318**	—	—	—	**9,318**	193.16	Dec 2017–May 2018
Alistair Groom	a	8,146	—	**(6,335)**	**(1,811)**	—	—	110.48	Dec 2014-May 2015
Alistair Groom*	c	50,000	—	**(47,250)**	**(2,750)**	—	—	Nil	27 Apr 2014
Alistair Groom*	c	50,000	—	—	**(19,500)**	—	**30,500**	Nil	27 Apr 2015
Alistair Groom*	h	13,889	—	**(6,944)**	—	—	**6,945**	Nil	April 2014 & April 2015
Alistair Groom*	i	13,333	—	**(4,444)**	—	—	**8,889**	Nil	April 2014, April 2015 & April 2016
Alistair Groom*	g	50,000	—	—	**(36,000)**	—	**14,000**	Nil	23 Apr 2016
Damian Ely	f	14,000	—	—	**(14,000)**	—	—	277.50	Apr 2007 – Apr 2014
Damian Ely	a	8,146	—	**(8,146)**	—	—	—	110.48	Dec 2014-May 2015
Damian Ely	c	50,000	—	**(50,000)**	—	—	—	Nil	27 Apr 2014
Damian Ely	c	30,000	—	—	—	—	**30,000**	Nil	27 Apr 2015
Damian Ely	h	9,259	—	**(4,629)**	—	—	**4,630**	Nil	April 2014 & April 2015
Damian Ely	i	9,723	—	**(3,241)**	—	—	**6,482**	Nil	April 2014, April 2015 & April 2016
Damian Ely	g	30,000	—	—	—	—	**30,000**	Nil	23 Apr 2016
Damian Ely	j	—	**43,135**	—	—	—	**43,135**	Nil	20 Mar 2017
Damian Ely	a	—	**9,318**	—	—	—	**9,318**	193.16	Dec 2017–May 2018
Joe Roach	c	50,000	—	**(50,000)**	—	—	—	Nil	27 Apr 2014
Joe Roach	c	50,000	—	—	—	—	**50,000**	Nil	27 Apr 2015
Joe Roach	h	13,889	—	**(6,944)**	—	—	**6,945**	Nil	April 2014 & April 2015
Joe Roach	i	18,888	—	**(6,296)**	—	—	**12,592**	Nil	April 2014, April 2015 & April 2016
Joe Roach	g	50,000	—	—	—	—	**50,000**	Nil	23 Apr 2016
Joe Roach	b	3,516	—	—	—	—	**3,516**	178.50	9 Jan 2016
Joe Roach	j	—	**45,686**	—	—	—	**45,686**	Nil	20 Mar 2017
Tito Soso	e	100,000	—	—	**(100,000)**	—	—	Nil	16 Jan 2016
Tito Soso	c	150,000	—	—	**(150,000)**	—	—	Nil	16 Jan 2016
Tito Soso	j	—	**47,367**	—	**(47,367)**	—	—	Nil	20 Mar 2017
Mark Keogh	a	—	**9,318**	—	—	—	**9,318**	193.16	Dec 2017–May 2018
		1,733,253	**260,893**	**(864,693)**	**(371,428)**	—	**758,025**		

* Alistair Groom retired as a director on 28 February 2014 and he retained his LTIP and bonus share awards. Vesting of the LTIP awards will depend on the normal performance conditions and the number of shares he will receive will be prorated to the date of cessation of employment in accordance with the rules of the LTIP. His annual bonus share awards will continue to vest in accordance with their original vesting dates.

(a) Charles Taylor Sharesave Scheme 2007 – Part A

(b) Charles Taylor Sharesave Scheme 2007 – Part C

(c) Charles Taylor Long Term Incentive Plan 2007 – subject to a three year relative TSR performance condition measured to the exercisable date with 25% vesting at threshold performance

(d) Recruitment Award – vests after three years

(e) Recruitment Award – vests after three years

(f) Charles Taylor Executive share Option Scheme 2007 – Part B, subject to a three year EPS growth performance condition

(g) Charles Taylor Long Term Incentive Plan 2007 – subject to three year relative TSR and EPS performance conditions measured to 31 December 2015 with 25% vesting at threshold

(h) Bonus Share Award 2012 – shares released in three equal tranches after one, two and three years

(i) Bonus Share Award 2013 – shares released in three equal tranches after one, two and three years

(j) Charles Taylor Long Term Incentive Plan 2007 – subject to three year relative TSR and EPS performance conditions measured to 31 December 2016 with 25% vesting at threshold

Executive share options (ESOS)

No options were granted during 2014 financial year, and none have been granted since 2006. Previous grants of options became exercisable only if the total earnings per ordinary share increased by at least the rate of increase of the Retail Price Index plus six percentage points per annum, over the three-year vesting period and may be exercised up to ten years after the date of the award.

The executive directors are no longer permitted to participate in the ESOS.

Save As You Earn (SAYE)

The Company also operates SAYE share option schemes for eligible employees, under which options may be granted at a discount of up to 20% of market value. The value of options over shares that participants can be granted is capped, and is based on a monthly contribution to a savings account of a maximum of £250 per participant for the schemes launched prior to 2014 and £500 per participant for the scheme launched in 2014. The executive directors are eligible to participate in the SAYE share option scheme.

The Company's shares were trading at £2.50 at the year-end (2013 – £2.52) and traded in the range £2.20 to £2.87 throughout the year.

Pension and other arrangements

All of the executive directors are now in receipt of either a defined contribution to a money purchase pension scheme, or an equivalent cash allowance. The table below details the defined contribution and cash allowance arrangements for each executive director.

Name	Type of arrangement	Employer contribution	Employee contribution
David Marock[1]	Cash Allowance/Defined contribution to GPP[2]	15% of base salary	None
Damian Ely	Cash Allowance	15% of base salary less Employer NIC	None
Mark Keogh	Defined contribution to GPP[2]	15% of base salary	None
Joe Roach	Defined contribution to US 401(k) plan	US$8,250 pa	US$20,500 pa
Alistair Groom	Cash allowance	15% of base salary	None
Tito Soso	Defined contribution to GPP[2]	15% of base salary	None

1 David Marock switched to cash allowance from defined contribution in April 2014.

2 GPP is Aviva Group Personal Pension.

There was no increase in the accrued pension values under the defined benefits scheme during the year. The following table sets out the transfer value of the directors accrued benefits under the scheme calculated in a manner consistent with "Retirement Benefit Schemes – Transfer Values (GN11)" published by the Institute of Actuaries and the Faculty of Actuaries.

Defined benefit schemes	Transfer value 31 December 2013 £000	Contributions made by the director in 2014 £000	Increase in full transfer value in the year net of contributions £000	Transfer value 31 December 2014 £000	Cutback transfer value[1] 31 December 2014 £000
Damian Ely	1,658	—	837	2,495	1,171
Alistair Groom	3,847	—	474	4,321	3,068

1 The cutback transfer value relates to the reduced transfer value that would be available due to the funding situation of the scheme.

The increase in transfer value in 2014 was principally due to the impact of the fall in yields on gilts and bonds. The normal retirement date under the Charles Taylor defined benefit Pension Scheme of Alistair Groom and Damian Ely is 62.

UNAUDITED INFORMATION

Remuneration principles

The Committee believes that the interests of shareholders and executive directors should be aligned, as far as possible. It seeks to achieve this by incentivising executive directors to deliver success over time through sustainable and profitable growth.

Remuneration Committee

The Company's Remuneration Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee during the year were Gill Rider (Chairman), Julian Cazalet, Edward Creasy, Barnabas Hurst-Bannister and David Watson and Rupert Robson, who is the non-executive Group Chairman. Barnabas Hurst-Bannister joined the Committee on his appointment as a director on 8 October 2014, replacing Julian Cazalet. He subsequently stood down from the Committee in March 2015 when he was no longer regarded as independent under the Code. Gill Rider, Edward Creasy and David Watson are independent non-executive directors. None of Gill Rider, David Watson and Rupert Robson has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships, or day-to-day involvement in the running of the business. Edward Creasy serves as a non-executive director on several subsidiary boards of the Company.

The Committee is responsible for developing policy on remuneration for the executive directors and senior management, for determining specific remuneration packages for each of the executive directors, and recommending to the Board changes to the fees of the non-executive Group chairman. The Chief Executive Officer may attend meetings by invitation. The Committee met four times during 2014. No executive director plays a part in any discussion or decision about his or her own remuneration.

The terms of reference of the Committee are available on the Company's website at www.ctplc.com under the Investor section - Corporate Governance or from the Company Secretariat department.

Committee effectiveness

The Committee conducted a review of its effectiveness taking both direct feedback and also the findings of the Board review process. The review concluded that the Committee had received sufficient, reliable and timely information to enable it to fulfil its responsibilities.

Advisors

New Bridge Street, ("NBS"), a trading name of Aon Hewitt Ltd, is retained as the adviser to the Remuneration Committee. NBS was appointed by the Committee to provide advice and information and is a signatory to the Remuneration Consultants' Code of Conduct which requires that its advice be objective and impartial. NBS has not provided other services to the Company during the financial year.

New Bridge Street's fees for providing advice and information related to remuneration and employee share plans to the Committee amounted to £51,715.

In addition to New Bridge Street, the following people provided material advice or services to the Committee during the year:

David Marock	Group Chief Executive Officer
Ivan Keane	Group Company Secretary and General Counsel
Suzanne Deery	Director of Human Resources

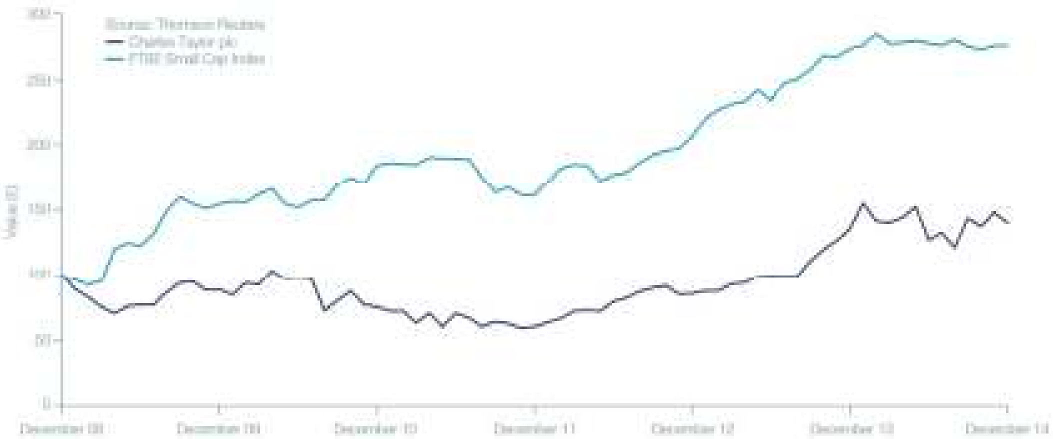
Statement of voting at last AGM

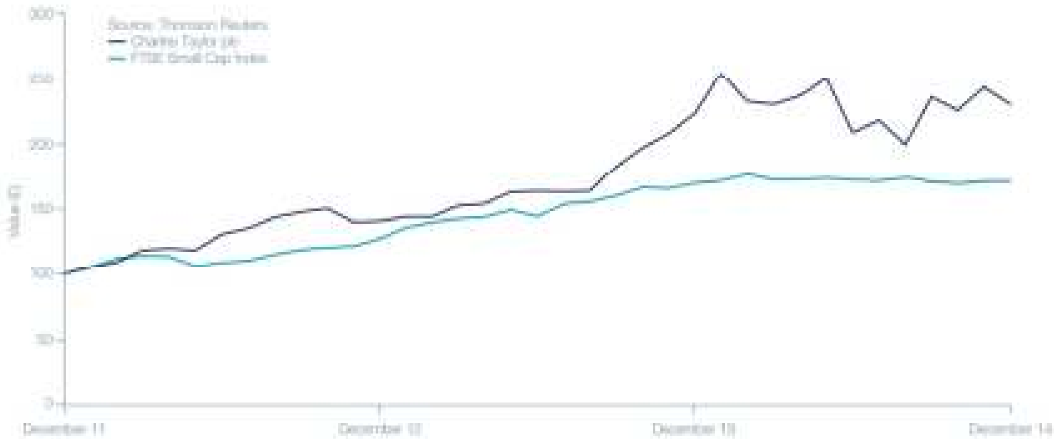
The Company remains committed to on-going shareholder dialogue and takes a keen interest in voting outcomes. The following table sets out voting outcomes in respect of the resolutions relating to approving Directors' remuneration matters at the Company's AGM on 8 May 2014:

Resolution	Votes for/discretionary	% of vote	Votes Against	% of vote	Votes withheld
Approve Remuneration Report	29,740,863	99.82	53,409	0.18	352,645
Approve Remuneration Policy	30,029,668	99.78	67,538	0.22	49,711
Approve Deferred Annual Bonus Plan	30,077,208	99.92	24,539	0.08	45,170

Performance graph

The following graphs show the value of £100 invested in the Company compared with the value of £100 invested in the FTSE Small Cap Index, measured by reference to total shareholder return. The FTSE Small Cap Index has been selected for this comparison as it is one of the indexes used to determine performance under the LTIP scheme for executive directors and is considered to be the most appropriate index measure.





Chief Executive Officer remuneration for previous six years

	2009	2010	2011		2012	2013	**2014**
	JR	JR	JR*	DM*	DM	DM	**DM**
Single figure of total remuneration (£'000)	562	479	235	347	650	696	**1,605**
Annual bonus payout against maximum opportunity %	55	0	0	N/A**	57	67	**78**
LTI vesting rates against maximum opportunity %	0	0	N/A	N/A	0	0	**100**

* John Rowe (JR) retired 30 June 2011 and David Marock (DM) was appointed 1 July 2011.

** David Marock, under the terms of his appointment, received a guaranteed one-off bonus payment for 2011 of £160,000. This was in recognition of the fact that he would be forgoing a significant bonus entitlement with his previous employer.

Percentage change in Chief Executive Officer's remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for David Marock compared to UK full-time employees, as this is the most directly relevant comparison.

Percentage change	Chief Executive	Wider workforce
Base salary	3%	7.7%
Benefits	9.4%	13.9%
Annual bonus	20%	61.0%

The large increase in average annual bonus for the wider UK workforce reflects the Group's strategy to move towards variable pay increasing as a proportion of total compensation as well as more employees being included in the annual bonus scheme. The average annual bonus increased from £2,726 to £4,415.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the Group):

	2013	**2014**	% change
Dividends relating to the period	£4.04m	**£4.17m**	3.2
Overall expenditure on pay	£66.8m	**£68.0m**	1.8

External appointments

As detailed in the Remuneration Policy, to further develop their skills and experience, executive directors are permitted, subject to approval of the Board, to have up to one external non-executive directorship, unrelated to Charles Taylor, and are allowed to retain the fees earned in relation to this. No executive directors had an external directorship unrelated to Charles Taylor during the year under review.

Dilution

The ABI guidelines permit the Company to issue options and awards of shares of up to 10% of the issued share capital on a ten year rolling basis, of which, 5% can be applied against discretionary schemes (LTIP, Deferred Annual Bonus Plan and ESOS). As at 31 December 2014, there were 907,963 shares available for such awards, of which 571,518 shares were available for discretionary schemes. The following table sets out the calculation:

	All shares	Discretionary (LTIP, DABP & ESOS)
Issued shares	43,429,610	43,429,610
ABI Limits	4,342,961	2,171,481
Issued (exercised and outstanding)	3,434,998	1,599,963
Available	907,963	571,518

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2015

Base salary

The base salaries of executive directors were increased by 1.9% at 1 January 2015, as detailed in the table below:

		Base salaries	
		1 January 2015	1 January 2014
David Marock	GCEO	335,862	£329,600
Damian Ely	GCOO	224,608	£220,420
Mark Keogh	GCFO (Appointed 16 June 2014)	239,465	Not applicable
Joe Roach	Executive director	US$636,481	US$624,613

Annual bonus awards

Under the annual bonus arrangement for 2015, the Committee has approved the level of bonus opportunity and set individual performance objectives for each executive director as part of the Company's performance management process. These objectives are tailored to the roles of each executive director and consist of both financial and non-financial goals. 75% of the weighting of objectives are financial. Consistent with 2014 the key financial targets will be growth in Group adjusted PBT and Group adjusted EPS but 25 % of the objectives weighting relate to specific operational, people and client related objectives, which are personal to the executives. The Committee believes these objectives to be commercially sensitive and has chosen not to disclose them in advance. Retrospective disclosure will be provided in next year's Annual Report on these objectives.

For 2015, the bonus opportunities for the executive directors will be as follows:

	On-Target % of salary	Maximum % of salary
David Marock	100%	150%
Mark Keogh	50%	75%
Damian Ely	35%	52.5%
Joe Roach	27.5%	41.25%

If the bonus awarded is more than the on-target opportunity, the portion above this will be delivered entirely in deferred Charles Taylor plc shares, which will be released in three equal tranches after one, two and three years.

Long-term incentive arrangements

The Committee will award performance shares under the LTIP in 2015 worth 75% of base salary for David Marock, 50% of base salary for Damian Ely and 31% of base salary for Joe Roach. Mark Keogh will receive an LTIP award of 50% of base salary plus an additional 25% of base salary that was due in September 2014 under his contract of employment, but which was unable to be awarded at the time due to him being in a prohibited period under the Company's share dealing code. These awards will be subject to two performance metrics. Half of the award will be subject to the Company's Total Shareholder Return (TSR) relative to the constituent companies of the FTSE Small Cap Index ("the comparator Group") in accordance with the following table:

Ranking of the Company against the comparator Group by reference to TSR	Percentage of shares which may vest
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata on a straight-line basis between 25% and 100%
Upper quartile	100%

The other half of the award will be subject to Earnings Per Share (EPS) growth relative to UK RPI (Retail Price Index) inflation. There will be zero vesting of this element if performance is below RPI+3 percentage points per annum, 25% vesting for RPI+3 percentage points per annum, and 100% vesting for RPI+9 percentage points per annum (linear interpolation between threshold and maximum).

Reward scenarios

Under the Company's remuneration policy, a significant portion of the remuneration received by executive directors is dependent on Company performance. The chart below illustrates how the total pay opportunities for the executive directors vary under three different performance scenarios: fixed pay only (minimum), on-target performance and maximum performance. The chart is only indicative, as the effect of share price movements and dividend accrual have been excluded. All the assumptions used are noted below the chart.

Assumptions:

– Fixed pay = salary + benefits + pension contribution

– Target = 67% of the annual bonus and 25% of the LTIP awards vesting

– Maximum = 100% of the annual bonus and LTIP awards vesting

Base salary levels are based on those to applying on 1 January 2015. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2014. The remuneration of Joe Roach has been converted from US$ into £sterling using an exchange rate of 0.60506.

The on-target bonus potential used for David Marock, Mark Keogh, Damian Ely and Joe Roach is 100%, 50%, 35% and 27.5% of base salary respectively. The maximum bonus potential used for David Marock, Mark Keogh, Damian Ely and Joe Roach is 150%, 75%, 52.5% and 41.25% of base salary respectively. The LTIP awards used for David Marock is 75% of base salary. Whilst under this policy the awards can be higher, the customary award sizes used for Mark Keogh, Damian Ely and Joe Roach are 50%, 50% and 31% of base salary respectively.

The executive directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts.

Non-executive directors

The non-executive directors have individual letters of engagement and their remuneration is determined by the Board in accordance with the Articles of Association and based on surveys of the fees paid to non-executive directors of similar companies. Following a review the basic fees paid to the non-executive directors were increased from £35,000 to £41,000. This is the first increase since 1 January 2010. There was no change to the fees paid to the Board Chairman or the additional fees paid to the Senior Independent Director or Committee Chairman. A summary of the current fees is as follows:

	2015	**2014**	% Increase
Board Chairman	£90,000	**£90,000**	0%
Basic fee	£41,000	**£35,000**	17.1%
Additional fee for Senior Independent Director	£5,000	**£5,000**	0%
Additional fee for Committee Chairman	£10,000	**£10,000**	0%

Approval

This report was approved by the Board of Directors on 17 March 2015 and signed on its behalf by:

Gill Rider
Chairman of the Remuneration Committee
17 March 2015

Directors' Report

for the year to 31 December 2014

The Report of the Directors should be read in conjunction with the Strategic Report on pages 3 to 27 and the Corporate Governance Report on pages 28 to 66, both of which form part of this Directors' Report.

Strategic Report

The Strategic Report, which can be found on pages 3 to 27, sets out the development and performance of the Company's business during the financial year, the position of the Company at the end of the year, a commentary on likely future developments and a description of the principal risks and uncertainties facing the Company.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report sets out the financial position of the Company as well as providing a description of the principal risks facing the Company and the processes by which they are managed. In addition to this, financial risks and uncertainties are explained in note 25 to the financial statements. Details of the Company's financial instruments are also provided in note 25.

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.

Dividends

An interim dividend for the year to 31 December 2014 of 3.25p (2013: 3.25p) per share was paid on 28 November 2014. A second interim dividend for the year to 31 December 2014 of 7.50p (2013 Final dividend: 6.75p) per share will be paid on 24 April 2015 to those shareholders whose names are on the register on 27 March 2015. The second interim dividend replaces the final dividend. The Company operates a Dividend Reinvestment Plan. This gives shareholders the opportunity to use their cash dividends to buy additional shares through a special dealing arrangement with the Company's Registrars.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

As at 31 December 2014 the issued share capital of the Company was 43,429,610 ordinary shares and the average monthly trading volume was 430,058 ordinary shares (2013: 1,198,408 ordinary shares).

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Group's shares that may result in restrictions on the transfer of securities or on voting rights.

Options over 591,021 ordinary shares under Part A of the Charles Taylor Sharesave Scheme were granted on 9 October 2014 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2017 and 31 May 2018 at a price of 193.16p per share. Options over 16,209 ordinary shares under Part B of the Charles Taylor Sharesave Scheme were granted on 9 October 2014 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2017 and 31 May 2018 at a price of 193.16p per share. Options over 31,687 ordinary shares under Part C of the Charles Taylor Sharesave Scheme were granted on 9 October 2014 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares on 9 January 2017 at a price of 210.375p per share.

Awards over 282,939 ordinary shares under the Charles Taylor Long Term Incentive Plan 2007 ("LTIP") were granted on 20 March 2014 to the executive directors and a member of the Executive Committee. Full details of the awards are set out in the Directors' Remuneration Report on page 52.

As at 31 December 2014, the Charles Taylor Employees' Share Ownership Plan ("ESOP") held 299,123 shares. On 7 October 2011, the ESOP Trustees entered into a share supply agreement with the Company, whereby awards made under the LTIP can be settled from shares held in the ESOP.

Full details of the Company's employee share schemes are set out in the Directors' Remuneration Report on pages 40 to 61 and note 24.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Resolutions approved at the last AGM will be proposed again at this year's AGM – see resolutions 14, 15 and 16 in the Notice of the AGM. Those resolutions authorise the directors to purchase or issue shares in the capital of the Company within certain limits.

Substantial shareholdings

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules and Section 793 Companies Act 2006) as at 31 December 2014 and 17 March 2015:

	Number of shares held at 31 December 2014	% of voting rights held	Number of shares held at 17 March 2015	% of voting rights held
Delta Lloyd Asset Management	**6,880,000**	15.84	6,480,000	14.09
Legal & General Investment Management	**4,659,009**	10.73	4,659,009	10.13
The Standard Club Ltd	**N/A**	N/A	3,607,506	7.84
Columbia Wanger Asset Management	**3,577,220**	8.19	3,577,220	7.77
Kabouter Management LLC	**3,328,511**	7.66	3,661,479	7.96
The Diverse Income Trust plc	**1,917,927**	4.42	1,917,927	4.17
Mawer Investment Management Ltd	**1,667,632**	3.84	1,780,211	3.87

Save for the above, the directors are unaware of any person, other than the directors whose interests are shown on page 53 and 54, having a disclosable interest in the issued ordinary share capital of the Company.

Directors

The following directors served during the year ended 31 December 2014 and as at the date of this report:

Name	Appointment
Rupert Robson	Chairman and Chairman of the Nomination Committee
Julian Cazalet	Senior Independent Non-executive Director (resigned 6 October 2014)
Edward Creasy	Independent Non-executive Director (appointed 1 January 2014)
Damian Ely	Executive Director
Alistair Groom	Executive Director (resigned 28 February 2014)
Barnabas Hurst-Bannister	Non-executive Director (appointed 8 October 2014)
Mark Keogh	Executive Director (appointed 16 June 2014)
David Marock	Executive Director
Gill Rider	Senior Independent Non-executive Director and Chairman of the Remuneration Committee
Joseph Roach III	Executive Director
Tito Soso	Executive Director (resigned 29 August 2014)
David Watson	Independent Non-executive Director and Chairman of the Audit Committee

Brief biographies of the current directors, indicating their experience and qualifications are given on pages 29 to 31. All the directors have elected to retire from the Board at the forthcoming AGM and offer themselves for re-election except for Mark Keogh and Barnabas Hurst-Bannister, who are standing for election having been appointed since the last AGM.

Details of the directors' notice periods are given on page 47.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Code, the Companies Act and related legislation. The Articles of Association themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles of Association, copies of which are available on request, and in the Corporate Governance report on pages 46 to 47.

A statement of directors' interests in the shares of the Company and their remuneration is set out on pages 53 and 54.

Employees

Full details of arrangements relating to employees are described in the Strategic report on page 26.

Environmental policy

The Company's Environmental policy is determined by the Board and Damian Ely is the Executive Director responsible for the Group's environmental policy. Further details can be found in the Strategic Report on page 26.

Greenhouse gas (GHG) emissions

Our emissions have been calculated based on the GHG Protocol Corporate Standard. Included are emissions from both our owned and leased assets for which we are responsible in the UK and overseas. No material emissions are omitted and the following are reported on:

– Scope 1 emissions: Direct emissions from sources owned or operated by the Company; and

– Scope 2 emissions; Indirect emissions attributable to the Company due to its consumption of purchased electricity, heat or steam.

CHG emissions for period 1 January 2014 to 31 December 2014

	Global tonnes of CO_2e	
	2014	2013
Scope 1	—	—
Scope 2	**2,588,509**	2,056,342

The increase in Scope 2 emissions is due to additional buildings and square footage acquired during 2014.

There are no Scope 1 emissions to report as the owned properties utilise the latest refrigerant approved R-410a, which contains only fluorine and does not contribute to ozone depletion.

Political donations

It is the Company's policy not to make political donations.

Auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

– so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and

– each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) Companies Act 2006.

The Company's auditor, Deloitte LLP, has confirmed that they are willing to continue in office. Accordingly, a resolution is to be proposed at the AGM for the reappointment of Deloitte LLP as auditor of the Company at a rate of remuneration to be determined by the directors.

Annual General Meeting

The Annual General Meeting will be held at 10.00am on Thursday 7 May 2015 at the offices of Peel Hunt, Moor House, 120 London Wall, London, EC2Y 5ET. The notice convening the AGM, together with details of the special business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders. It is also available to be viewed on the Company's website.

Events after the balance sheet date

The following material events took place after the balance sheet date:

Acquisition of Scottish Widows International Limited

On 8th January 2015, the Group announced its intention to acquire Scottish Widows International Limited (SWIL), a Jersey life insurer in run-off, from Scottish Widows plc. SWIL provides unit-linked life insurance policies and portfolio bonds to individual investors.

It is intended that SWIL will be re-domiciled to the Isle of Man following the acquisition and that its policies will subsequently be transferred into Charles Taylor's wholly-owned Isle of Man life insurance subsidiary LCL International Life Assurance Company Limited, subject to court approval.

It is expected that the initial consideration will be £2.0m, met from existing cash resources. Subsequent payments of £3.0m will be made after re-domiciliation and £7.5m payable following the long-term business transfer, or after 18 months at the latest. The total consideration will be £12.5m. The gross assets of SWIL were £95.0m and net assets were £16.0m as at 30 June 2014.

The acquisition is subject to regulatory approval by The Jersey Financial Services Commission.

Acquisition of Almond One Limited (subsequently renamed Charles Taylor Managing Agency Holdings Limited (CTMAH)) and Almond Two Limited

On 26 February 2015, the Group made two related acquisitions. These acquisitions will enable the Group to offer managing agency services to new syndicates at Lloyd's on a 'turnkey' basis subject to regulatory approval by Lloyd's, the Prudential Regulatory Authority and the Financial Conduct Authority. The managing agency's first client is anticipated to be The Standard Club's planned new syndicate 1884.

The Group acquired a 50.1% stake in CTMAH and 100% of Almond Two Limited (the acquisitions) from The Standard Club. CTMAH had gross and net assets of £1.5m as at 19 February 2015. Almond Two Limited had gross assets and net assets of £3.0m as at 19 February 2015.

The total consideration was £6.29m, met by the issue of 2,504,781 ordinary shares in Charles Taylor plc. The acquisitions will commence trading on receipt of regulatory approval.

Acquisition of SC Management

On 3 March 2015, the Group acquired three of the SC Management group's (SC Management) operating companies from its shareholders, SCE Establishment Liechtenstein and S.C. Management (Bermuda) Ltd (the acquisition).

SC Management is the independent third-party manager of The Strike Club group (The Strike Club), a group of mutual insurance companies. The Strike Club is a marine mutual insurance group that is fully owned by its members. It is the only dedicated mutual insurer covering the running costs of vessels delayed by strikes, shore delays, collisions, groundings and other incidents outside an owner's or charterer's control. In addition to mutual delay cover, it also offers war and loss of earnings cover on a fixed premium basis.

The consideration for the acquisition was US$2.44m in cash, spread equally over ten years from 1 February 2016, subject to a completion account adjustment. The gross assets of the acquired companies were US$1.13m and net assets US$0.73m.

Approved by the directors and signed on behalf of the Board.

Ivan Keane
Group Company Secretary and General Counsel
17 March 2015

Charles Taylor plc is registered in England No. 3194476.

Directors’ Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ responsibility statement
We confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

By order of the Board

David Marock
Group Chief Executive Officer

Damian Ely
Group Chief Operating Officer

Mark Keogh
Group Chief Financial Officer

17 March 2015

Independent Auditor's Report
to the members of Charles Taylor plc

Opinion on financial statements of Charles Taylor plc
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Cash Flow Statements, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1 to the group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Going concern
As required by the Listing Rules we have reviewed the directors' statement that the Group is a going concern. We confirm that: we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement
The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of pension scheme obligations The Group's net pension liability as at 31 December 2014 is £41.5million. The valuation of this liability involves actuarial modelling and is dependent on judgmental assumptions. Those key judgments include those around the discount rate, price inflation, asset yields and long term life expectancy.	We obtained the valuation report prepared by the Group's external pension actuary. As part of our review of the pension scheme disclosure in note 29 we have: • utilised our internal actuarial specialists in the valuation of pension schemes to assess and challenge the assumptions used in calculating the liabilities and understand the changes from prior periods and consistency with market benchmarks; • tested the valuation of assets in the Group's schemes by agreeing these to external confirmation of market value and • held discussions with management and reviewed legal correspondence, in order to determine whether any further liabilities needed to be recognised.
Valuation of goodwill The Group balance sheet includes £42.2m of goodwill resulting from past acquisitions in the Group as at 31 December 2014. The Group's assessment of impairment of goodwill is a judgmental process which requires estimates concerning the future cash flows and associated discount rates and growth rates based on management's view of future business prospects at the time of the assessment. Refer to note 13 in the financial statements.	We reviewed management's goodwill paper and impairment review. In order to test the goodwill valuation we have: • performed a detailed review of management's forecasts, with a focus on the implied growth rates and assessed the reasonableness of such forecasts by assessing the prior year forecasting against the actual out-turn in the current year.; • assessed the discount rates applied to the expected cash flows with focus on the sensitivity analysis to assess the level of headroom that existed in the business; we have recalculated the weighted average cost of capital, which represents the basis for the discount rate used.

<table>
<tr><th>Risk</th><th>How the scope of our audit responded to the risk</th></tr>
<tr><td></td><td>reviewed the structure and allocation of the company’s goodwill model to determine this complied with accounting standards.</td></tr>
<tr><td>Valuation of intangibles
The Group has £8.6m of internally generated intangible assets as at 31 December 2014.
Intangible assets are recognised based upon management’s models which rely upon judgements including actuarial assumptions, estimated useful lives and discount rates.

Refer to note 14 in the financial statements.</td><td>We reviewed management’s analysis on the treatment of intangibles. In order to test the valuation of intangible we have:
substantively tested the recognition of capitalised expenses to determine whether this was in line with the applicable accounting policy;
reviewed and challenged management assumptions (i.e. pattern of future economic benefits generation, estimated useful life) regarding the valuation of intangibles and performed sensitivity analysis to assess the level of headroom;
obtained management’s models for the amortisation of intangibles and tested the integrity of the model along with ascertaining that amortisation was in line with management’s policy and prior year treatment
performed analytical review testing to compare amortisation expense to our expectation.</td></tr>
<tr><td>Recoverability of WIP and Debtors
The Group has £26.2m of trade debtors and of £23.5m accrued income recognised as at 31 December 2014.

Due to the nature of the adjusting business the final settlement of revenue often takes place significantly after work has been performed. Valuation of WIP and debtors is therefore judgmental as a result of management’s estimates of the recoverability of WIP and debtor amounts and the discounting assumptions applied to the recoverable amounts. Due to the time taken between the initial recording of accrued income and its ultimate billing and the time taken to collect outstanding fee receivables, a discount is applied to the amounts shown to reflect the time value of money.

Refer to note 18 in the financial statements.</td><td>We have assessed the design, implementation and operating effectiveness of controls implemented over the WIP and debtors cycle

We obtained the client’s model for discounting WIP and debtors. As part of our testing of these balances we:
utilised our IT specialists to perform testing on the key systems and controls utilised in the recording of loss adjusters time, which is the basis for WIP,
reviewed the ageing of debtors and WIP at a group level to identify those balances that are static for long periods.
Testing the discount: The discount rate is based on the interest rate on the overdraft facilities which are financing the working capital. We have agreed the discount rates used to the interest rates as per the respective financing facilities.</td></tr>
<tr><td>Revenue recognition
In accordance with ISA 240 The auditor’s responsibility to consider fraud in the audit of financial statements, there is a presumed risk of fraud around revenue recognition in our audit.

We have assessed the design, implementation and operating effectiveness of controls surrounding all revenue streams, as well as performed detailed substantive testing procedures across all revenue balances. We concluded that the risk predominantly affected accrued income in the Adjusting and Insurance Support Services (“ISS”) divisions.</td><td>Under IFRS “work-in-progress” (“WIP”) within the Adjusting division is valued at sales value rather than at cost and is classified as “accrued income”. Our substantive work on the Adjusting division focussed on reviewing and challenging management’s over-recovery and discounting model, in terms of both the reasonableness of the model but also the accuracy of the data inputs. Our review concluded that the model is reasonable.

We performed a detailed review of management’s methodology of determining accrued income for the static claims business within the ISS division. We challenged management’s key assumptions and judgements and consider them to be in line with our expectations. This is consistent with prior year discussions and recommendations.
We have audited the calculation of the management fees earned from the mutuals and we have assessed the reasonableness of the adjustment related to Signal, as this fee is “trued up” to reflect the actual increments in the level of service rendered.</td></tr>
</table>

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £640,000, which is below 7.5% of adjusted profit for the year, and below 1.5% of equity. Adjusted profit for the year is used by the Group for reporting adjusted earnings per share and we determined this to be the underlying profit that is of most interest to investors and the entity. This excludes one-off restructuring costs and amortisation of customer relationships intangibles. Materiality has increased by £40,000 from 2013, driven by increased adjusted profit before tax of the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £25,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at twelve locations. Three of these locations were subject to a full scope audit, whilst the remaining nine were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

These twelve locations account for 94% of the Group's assets, 81% of the Group's revenue and 86% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 12 locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality. The materiality instructed for specified audit procedures was in the range of £310,000 to £558,000.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the group audit team visits each of the locations where the group audit scope requires a full audit to be completed; nevertheless, as the majority of the group's operations are located in the UK, no visits have been deemed necessary for the purpose of the current year audit. In years when we do not visit a significant component, we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Alex Arterton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 March 2015

Financial Statements

Consolidated Income Statement

	Note	Year to 31 December 2014 £000	2013 £000
Continuing operations			
Revenue from Professional Services		**118,607**	108,544
Revenue from Owned Insurance Companies			
Gross revenue		**5,211**	6,495
Outward reinsurance premiums		**(1,059)**	(1,461)
Net revenue	27	**4,152**	5,034
Total revenue	3	**122,759**	113,578
Expenses from Owned Insurance Companies			
Claims incurred		**(5,812)**	(10,082)
Reinsurance recoveries		**676**	1,533
Other gains from insurance activities		**6,835**	10,478
Net operating expenses		**(4,438)**	(5,564)
Net losses		**(2,739)**	(3,635)
Administrative expenses	4	**(109,038)**	(101,528)
Share of results of associates	16	**121**	69
Operating profit		**11,103**	8,484
Investment and other income	6	**64**	92
Finance costs	7	**(1,601)**	(1,668)
Profit before tax		**9,566**	6,908
Income tax expense	8	**(1,165)**	(1,369)
Profit for the year from continuing operations		**8,401**	5,539
Attributable to:			
Owners of the Company		**8,211**	5,807
Non-controlling interests	23	**190**	(268)
		8,401	5,539
Earnings per share from continuing operations			
Statutory basic (p)	11	**19.48**	14.22
Statutory diluted (p)	11	**19.31**	14.11

Adjusted earnings per share figures are shown on page 96.

Consolidated Statement of Comprehensive Income

	Note	Year to 31 December 2014 £000	2013 £000
Profit for the year		**8,401**	5,539
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	29	**(16,936)**	3,039
Tax on items taken directly to equity		**2,978**	(1,929)
		(13,958)	1,110
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**450**	(1,925)
(Losses)/gains on cash flow hedges		**(135)**	320
		315	(1,605)
Other comprehensive loss for the year, net of tax		**(13,643)**	(495)
Total comprehensive (loss)/income for the year		**(5,242)**	5,044
Attributable to:			
Owners of the Company		**(5,473)**	5,381
Non-controlling interests		**231**	(337)
		(5,242)	5,044

Consolidated Balance Sheet

	Note	At 31 December 2014 £000	2013 £000
Non-current assets			
Goodwill	13	**42,196**	41,536
Other intangible assets	14	**12,898**	11,205
Property, plant and equipment	15	**4,011**	4,090
Investments	16	**748**	668
Deferred tax assets	17	**8,613**	5,811
Total non-current assets		**68,466**	63,310
Current assets			
Total assets in insurance businesses	27	**795,628**	319,248
Trade and other receivables	18	**60,061**	53,850
Cash and cash equivalents		**52,185**	48,757
Total current assets		**907,874**	421,855
Total assets		**976,340**	485,165
Current liabilities			
Total liabilities in insurance businesses	27	**756,057**	281,114
Trade and other payables	19	**24,097**	20,907
Deferred consideration	12	**4,032**	4,284
Current tax liabilities		**326**	335
Obligations under finance leases	20	**112**	434
Borrowings	20	**5,345**	5,302
Client funds	20	**41,886**	39,990
Total current liabilities		**831,855**	352,366
Net current assets		**76,019**	69,489
Non-current liabilities			
Borrowings	20	**37,402**	35,255
Retirement benefit obligation	29	**41,534**	26,671
Provisions	21	**308**	411
Obligations under finance leases	20	**60**	150
Deferred consideration	12	**10,505**	9,639
Total non-current liabilities		**89,809**	72,126
Total liabilities		**921,664**	424,492
Net assets		**54,676**	60,673
Equity			
Share capital	22	**434**	415
Share premium account		**35,650**	32,704
Merger reserve		**6,872**	6,872
Capital reserve		**662**	662
Own shares		**(223)**	(433)
Retained earnings		**(10,699)**	(1,378)
Equity attributable to owners of the Company		**32,696**	38,842
Non-controlling interests	23	**21,980**	21,831
Total equity		**54,676**	60,673

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2015.

Mark Keogh
Director
17 March 2015

Company Balance Sheet

	Note	At 31 December 2014 £000	2013 £000
Non-current assets			
Investments	16	**72,926**	78,843
Current assets			
Trade and other receivables	18	**179,370**	145,150
Cash and cash equivalents		**2,025**	1,991
Total current assets		**181,395**	147,141
Total assets		**254,321**	225,984
Current liabilities			
Trade and other payables	19	**159,188**	135,757
Borrowings	20	**1,192**	1,401
Total current liabilities		**160,380**	137,158
Net current assets		**21,015**	9,983
Non-current liabilities			
Borrowings	20	**37,370**	35,163
Total liabilities		**197,750**	172,321
Net assets		**56,571**	53,663
Equity			
Called up share capital	22	**434**	415
Share premium account		**35,650**	32,704
Retained earnings		**20,487**	20,544
Total equity		**56,571**	53,663

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2015.

Mark Keogh
Director
17 March 2015

Cash Flow Statements

	Note	Year to 31 December 2014 £000	2013 £000
Group			
Net cash from operating activities	28	**9,835**	12,937
Investing activities			
Interest received		**30**	70
Proceeds on disposal of property, plant and equipment		**91**	117
Purchases of property, plant and equipment		**(1,534)**	(1,161)
Acquisition of other intangible assets		**(2,774)**	(1,678)
Purchase of investments		**(957)**	(542)
Acquisition of subsidiaries		**—**	(2,078)
Net cash acquired with subsidiary		**440**	33
Net cash used in investing activities		**(4,704)**	(5,239)
Financing activities			
Proceeds from issue of shares		**487**	205
Dividends paid	10	**(4,167)**	(4,043)
Repayments of borrowings		**(29,125)**	(15,444)
Repayments of obligations under finance leases		**(477)**	(687)
New bank loans raised		**31,061**	28,681
Increase/(decrease) in bank overdrafts		**48**	(13,736)
Net cash used in financing activities		**(2,173)**	(5,024)
Net increase in cash and cash equivalents		**2,958**	2,674
Cash and cash equivalents at beginning of year		**48,757**	47,758
Effect of foreign exchange rate changes		**470**	(1,675)
Cash and cash equivalents at end of year		**52,185**	48,757
Company			
Net cash from operating activities	28	**1,896**	1,132
Investing activities			
Interest received		**22**	66
Net cash from investing activities		**22**	66
Financing activities			
Proceeds from issue of shares		**487**	205
Dividends paid	10	**(4,167)**	(4,043)
Repayments of borrowings		**(29,064)**	(15,223)
New bank loans raised		**31,061**	28,681
Decrease in bank overdrafts		**(201)**	(9,382)
Net cash (used in)/from financing activities		**(1,884)**	238
Net increase in cash and cash equivalents		**34**	1,436
Cash and cash equivalents at beginning of year		**1,991**	555
Cash and cash equivalents at end of year		**2,025**	1,991

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	Non-controlling interests £000	Total £000
At 1 January 2014	**415**	**32,704**	**6,872**	**662**	**(433)**	**(1,378)**	**21,831**	**60,673**
Issue of share capital	**19**	—	—	—	—	—	—	**19**
Share premium arising on issue of share capital	—	**2,946**	—	—	—	—	—	**2,946**
Profit for the financial year	—	—	—	—	—	**8,211**	**190**	**8,401**
Dividends paid (note 10)	—	—	—	—	—	**(4,167)**	—	**(4,167)**
Actuarial losses on defined benefit pension schemes (note 29)	—	—	—	—	—	**(16,936)**	—	**(16,936)**
Tax on items taken to equity	—	—	—	—	—	**2,978**	—	**2,978**
Foreign currency exchange differences	—	—	—	—	—	**410**	**40**	**450**
Movement in own shares	—	—	—	—	**210**	—	—	**210**
Movement in share-based payments	—	—	—	—	—	**371**	—	**371**
Losses on cash flow hedges	—	—	—	—	—	**(135)**	—	**(135)**
Other movements	—	—	—	—	—	**(53)**	**(81)**	**(134)**
At 31 December 2014	**434**	**35,650**	**6,872**	**662**	**(223)**	**(10,699)**	**21,980**	**54,676**
At 1 January 2013	403	30,635	6,872	662	(385)	(3,684)	22,108	56,611
Issue of share capital	12	—	—	—	—	—	—	12
Share premium arising on issue of share capital	—	2,069	—	—	—	—	—	2,069
Profit for the financial year	—	—	—	—	—	5,807	(268)	5,539
Dividends paid (note 10)	—	—	—	—	—	(4,043)	—	(4,043)
Actuarial gains on defined benefit pension schemes (note 29)	—	—	—	—	—	3,039	—	3,039
Tax on items taken to equity	—	—	—	—	—	(1,929)	—	(1,929)
Foreign currency exchange differences	—	—	—	—	—	(1,856)	(69)	(1,925)
Movement in own shares	—	—	—	—	(48)	—	—	(48)
Movement in share-based payments	—	—	—	—	—	968	—	968
Gains on cash flow hedges	—	—	—	—	—	320	—	320
Other movements	—	—	—	—	—	—	60	60
At 31 December 2013	415	32,704	6,872	662	(433)	(1,378)	21,831	60,673

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

Own shares comprise 299,123 (2013: 258,453) shares held by the Charles Taylor Employee Share Ownership Plan Trust (ESOP). The market value of these shares was £747,808 (2013: £651,302) at the balance sheet date.

The trustee of the ESOP is Summit Trust International SA, an independent professional trust company registered in Switzerland. 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 incentive 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.

Company Statement of Changes in Equity

	Share capital £000	**Share premium account £000**	**Retained earnings £000**	**Total £000**
At 1 January 2014	**415**	**32,704**	**20,544**	**53,663**
Issue of share capital	**19**	**—**	**—**	**19**
Share premium arising on issue of share capital	**—**	**2,946**	**—**	**2,946**
Profit for the financial year	**—**	**—**	**4,245**	**4,245**
Dividends paid (note 10)	**—**	**—**	**(4,167)**	**(4,167)**
Losses on cash flow hedges	**—**	**—**	**(135)**	**(135)**
At 31 December 2014	**434**	**35,650**	**20,487**	**56,571**

	Share capital £000	Share premium account £000	Retained earnings £000	Total £000
At 1 January 2013	403	30,635	10,251	41,289
Issue of share capital	12	—	—	12
Share premium arising on issue of share capital	—	2,069	—	2,069
Profit for the financial year	—	—	14,016	14,016
Dividends paid (note 10)	—	—	(4,043)	(4,043)
Gains on cash flow hedges	—	—	320	320
At 31 December 2013	415	32,704	20,544	53,663

Notes to the Financial Statements

1. Accounting policies

General information

Charles Taylor plc (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 129. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in note 31 and in the Strategic Report on pages 3 to 27. These financial statements are presented in pound sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Structure of accounting policies

The accounting policies below are structured as follows:

(a) Application of new and revised IFRSs.

(b) Basis of consolidation.

(c) Group-wide policies.

(d) Accounting for insurance contracts and investment contracts business

  (i) Non-life business.

  (ii) Life business.

The most material estimates and judgements management have made in applying the accounting policies are described in note 2.

(a) Application of new and revised IFRSs

(i) Amendments to IFRSs and the new Interpretations that are mandatorily effective for the current year

In the current year the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Amendment to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments. The amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. The amendments introduce additional disclosure requirements, in line with the disclosures required by IFRS 13 *Fair Value Measurements*.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances.
Amendments to IFRS 10, IFRS 12, and IAS 27 *Investment Entities*	The amendments to IFRS 10 define an investment entity and require such an entity not to consolidate its subsidiaries but instead measure them at fair value through profit or loss. IFRS 12 and IAS 27 introduce new disclosure requirements for investment entities.

The application of these amendments has had no material impact on the amounts recognised and disclosures made in the Group's consolidated financial statements.

(ii) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual improvements to IFRSs 2010-2012 Cycle*
Amendments to IFRSs	*Annual improvements to IFRSs 2011-2013 Cycle*

The directors do not expect that the application of the IFRSs listed above will have a significant impact on the Group's financial statements of the Group in future periods, except in the case of IFRS 15 which sets out extensive prescriptive guidance to deal with specific scenarios and in additions, extensive additional disclosures.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group 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 financial statements.

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

The analysis between current and non-current assets and liabilities is not useful for insurance companies. The assets and liabilities of the insurance companies have been classified as current rather than non-current for practical purposes and to conform with the presentation used in these financial statements, although in practice an element is expected to be settled in more than one year.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed as appropriate to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee Benefits* respectively; and

- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS39 *Financial Instruments: Recognition and Measurement*, or IAS37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected that amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Where a Group company transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(c) Group-wide policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from time contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities. Exchange differences arising are recognised in other comprehensive income.

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates and joint ventures but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in the period of the scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs within cost of sales and administrative expenses in its consolidated income statement. Curtailment gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Share-based payments

The Group operates three share-based payment schemes: an executive scheme, a long-term incentive scheme (LTIP) for senior employees and a share-save (SAYE) scheme open to all qualifying employees.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are as follows:

- Fair values for the executive scheme and the SAYE scheme are measured by use of the Black-Scholes-Merton pricing model. The expected option life used in the model is based on management's best estimates, taking behavioural considerations into account.
- Fair values for the LTIP are determined using a stochastic (Monte Carlo simulation) pricing model which calculates the fair value of the market-related element of the LTIP awards by comparing the company's TSR performance against the constituent companies of the FTSE Small Cap Index.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

For cash-settled share-based payments, a liability is recognised for the services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Further information on the Group's schemes is provided in note 24 and in the report of the Directors' Remuneration Report.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets less their residual values over their useful lives, using either the straight-line method, on the bases shown below, or if more appropriate, another more systematic basis which is more representative of the time pattern over which economic benefits are consumed.

Buildings	2.5% pa
Fixtures and equipment	20%–25% pa
Leasehold buildings	Over the shorter of lease term and expected useful life
Computers	25% pa
Motor vehicles	25% pa

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally-generated intangible assets

An internally-generated intangible asset arising from the Group's expenditure on IT system development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

The value of customer relationships is measured and recorded as an intangible asset when businesses are acquired.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held to maturity investments

Debt securities that the Group has the positive intent and ability to hold to maturity (held-to-maturity debt securities) are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

Investments at fair value through profit or loss (FVTPL)

Investments classified as FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the income statement.

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collective payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying value of financial assets is reduced by the impairment loss except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, bank overdrafts and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Amounts of this nature held in insurance companies have been shown within assets in insurance businesses and are not generally available for use by the Group.

Client funds under group control outside the insurance companies are included in the balance sheet under cash and cash equivalents with a corresponding liability recognised. Client funds are not available for use by the Group.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and margin paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are initially measured at fair value. They are not interest-bearing.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 25.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking such hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in the cash flows of the hedged item.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognised and recorded as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(d) Accounting for insurance contracts and investment contracts businesses

(i) Non-life business

Revenue from insurance contracts

Revenue from insurance contracts represents premiums earned. Premiums are earned pro-rata on a time apportioned basis. Unearned premiums, representing unexpired periods of indemnity, are deferred and included in the balance sheet as a liability under insurance technical balances. The treatment of associated acquisition costs and reinsurance premiums follows that of the underlying premium. If it is likely that the unearned premium will not be sufficient to cover future losses, then further provision is made.

Claims

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims. The treatment of associated reinsurance recoveries follows that of the underlying claim.

Insurance technical provisions

These include outstanding claim provisions and unearned premium as liabilities and their associated reinsurance recoveries as assets, as well as any deferred acquisition costs.

Outstanding claims provisions

Provisions are made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of claims already notified to the Group.

In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Provisions are calculated gross of any reinsurance recoveries. Potential reinsurance recoveries are calculated as a function of claims, and shown separately in the balance sheet as "amounts receivable under reinsurance contracts".

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement for the period.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss through profit or loss in the period.

Non-life run-off provision for future non-operating losses

At the date of acquisition a provision is made for the expected operating losses to be incurred over the run-off period. This provision is released to profit or loss over the expected life of the run-off.

Discount on reserves

At the date of acquisition the expected value of claims are discounted to their present value and an asset is recognised reflecting this discount. This asset is amortised through profit or loss over the expected life of the run-off.

(ii) Life business

Insurance and investment contracts – classification

The policy holders own contracts with the Group that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. The majority of the insurance risk arises on contracts where optional insurance benefits were applied for at outset by the insured. The Group practice is to treat the insurance element as a separate unbundled contract.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Further contract distinctions are Unit Linked and Discretionary Participation Features (DPF). Unit-linked contracts are those linked to specific assets, such that the value of contracts moves in line with the value of assets. DPF contracts are those where the policy holders may receive a bonus, generally based on investment performance. Unit and non-unit linked policies may or may not have DPF.

Revenue recognition

For investment contracts, amounts collected as “premiums” are not included in the income statement. They are reported as deposits in the balance sheet (under investment contract assets).

Insurance premiums on insurance policies and fees charged on investment contracts are included as revenue in the income statement and are recognised as services are provided.

Claims

Claims under insurance contracts are recognised when payments are due. Claims costs include claims handling costs.

“Claims” under investment contracts are not reflected in the income statement. They are deducted from investment contract liabilities in the balance sheet.

Provisions for liabilities

The provisions for insurance contract liabilities are established using methods and assumptions approved by management based on advice from actuaries. This is based initially on the reserves required for regulatory purposes and adjusted to eliminate undistributed surplus income and various regulatory or contingency reserves. This basis is commonly referred to as the “modified statutory solvency basis”. Provisions are shown gross of reinsurance recoveries.

Investment contracts consist mainly of unit-linked contracts. Unit-linked liabilities are determined by reference to the value of the underlying matched assets.

Value of business acquired

On acquisition of a portfolio of contracts, either directly from another insurer or through the acquisition of a subsidiary, the Group recognises an intangible asset representing the value of business acquired (VOBA). VOBA represents the present value of future profits embedded in acquired contracts. The Group amortises VOBA over the effective life of the acquired contracts.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical areas of management judgement and estimation

The following are the critical judgements and estimates that the directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition in the adjusting businesses

Revenue is recognised when there is a contractual right to be paid in relation to past performance of contractual obligations. In practice, the Group maintains time recording systems to capture time chargeable to clients and specified hourly rates are ascribed to the hours recorded by the case handlers. Hourly rates are usually agreed in advance in the form of pre-engagement contractual terms or are based on standard hourly rates applicable to the type of work and country in which the work is performed.

Regular periodic reviews are performed by case handlers, and by management, to ensure the carrying value of work on unfinished cases reflects management’s view of its ultimate realisable value. Provisions against irrecoverable work in progress (accrued income) and outstanding fees are made where the realisable value is expected to be lower than the carrying value and conversely upwards revaluations of work-in-progress are made where management considers the carrying value is lower than the amount ultimately recoverable.

Accrued income and fee receivables are shown in these accounts at their fair value. Because of the time taken between the initial recording of accrued income and its ultimate billing and the time taken to collect outstanding fee receivables, a discount is applied to the amounts shown to reflect the time value of money. The discount rate used is a significant judgement.

Fair valuation of acquisitions

The Group has included the assets and liabilities of the entities acquired during the period in its consolidated balance sheet at the date of acquisition at their fair values. The fair values of assets and liabilities acquired are different in a number of instances from the values shown in the entities' own financial statements. This is due to the application of different accounting policies in these financial statements or the application of fair valuation principles to assets and liabilities recorded by the entities under other bases such as historical cost (for instance due to discounting requirements of acquisition accounting). Bargain purchase gains have arisen where the fair value of net assets acquired exceeds the purchase consideration. Bargain purchase gains are recognised in profit or loss at the date of acquisition.

Intangible assets acquired separately

Goodwill and intangibles have arisen in relation to the Group's acquisitions of subsidiaries and are represented by the difference between the estimated cost of the acquisitions and the fair value of the net assets acquired in those acquisitions. The Company is required to assess annually, or more often if there is an indication of impairment, the carrying value of goodwill and intangibles. It does this by assessing the future cash flows generated by the business units to which the goodwill and intangibles have been allocated and by discounting those cash flows to assess whether the discounted value is higher or lower than the carrying value of the related goodwill and intangibles. Management judgement is applied, in particular, in the initial allocation of goodwill to cash-generating units, in assessing future cash flows and in determining appropriate discount rates.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Insurance reserves

Insurance reserves are set to reflect management's best estimate of the ultimate cost of settling claims incurred under insurance policies previously written by the insurance companies acquired. A number of actuarial estimation techniques have been used in arriving at the insurance reserves recorded in these financial statements.

Pensions

The Group sponsors a number of defined benefit retirement schemes for employees. The scheme assets and the obligation to provide future benefits are included in the group balance sheet. The cost of providing benefits to employees is reflected as a charge through profit or loss. The respective scheme actuaries are engaged by the Company to assist management in determining the amounts to be recorded in these financial statements. In this regard, management is responsible for determining the assumptions to be used in the actuarial calculations, further details of which are given in note 29.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves a degree of estimation and judgement until tax returns have been filed and agreed. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items.

The recognition of deferred tax assets is based upon whether it is probable that future taxable profits will be available, against which they can be utilised. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3. Segmental information

Identification of segments

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

- Management Services business – mutual management service.
- Adjusting Services business – energy, aviation, non marine and marine (including average) adjusting.
- Insurance Support Services business – non-life and life insurance support services, including captive management, investment management and risk management.
- Owned Insurance Companies business – non-life and life insurance companies.

Management information about these businesses 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 businesses correspond with the Group's operating segments under IFRS 8 *Operating Segments*. Businesses forming part of each business 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 business, a higher proportion of revenue arises in the second half of the financial year. There is no significant seasonality or cyclicality in the other businesses.

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 businesses and excludes non-recurring adjusting costs. The prior year operating segment profits and assets have been adjusted to conform to the current year's presentation. Reconciliations of segmental results to the group profit before tax are set out below.

Information about major customers

The Group derived revenue of £35.4m (31 December 2013: £29.8m) from one external customer which accounts for more than 10% of group revenue, and is included within both the Management Services and Insurance Support Services businesses.

	Professional Services businesses					Owned Insurance Companies	Other	Group
Year to 31 December 2014	**Management Services £000**	**Adjusting Services £000**	**Insurance Support Services £000**	**Unallocated £000**	**Total £000**	**Insurance Companies £000**	**Inter-segment eliminations £000**	**Total £000**
Revenue from external clients	43,864	56,067	18,655	21	118,607	4,152	—	122,759
Revenue from other operating	—	—	3,147	—	3,147	—	(3,147)	—
Total revenue	43,864	56,067	21,802	21	121,754	4,152	(3,147)	122,759
Depreciation and amortisation	(984)	(1,160)	(536)	—	(2,680)	(367)	—	(3,047)
Other expenses	(35,145)	(52,678)	(19,286)	224	(106,885)	(3,254)	3,147	(106,992)
Operating segment profit	7,735	2,229	1,980	245	12,189	531	—	12,720
Share of results of associates								121
Amortisation of acquired intangible assets								(1,527)
Non-recurring costs (note 32)								(211)
Operating profit								11,103
Investment and other income								64
Finance costs								(1,601)
Profit before tax								9,566
Amortisation of acquired intangible assets								1,527
Non-recurring costs (note 32)								211
Non-controlling interests before tax								(225)
Profit before tax – adjusted								11,079

	Professional Services businesses					Owned Insurance Companies	Other	Group
Year to 31 December 2013	Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000	Total £000	Insurance Companies £000	Inter-segment eliminations £000	Total £000
Revenue from external clients	41,069	54,922	12,536	17	108,544	5,034	—	113,578
Revenue from other operating segments	—	—	3,337	—	3,337	—	(3,337)	—
Total revenue	41,069	54,922	15,873	17	111,881	5,034	(3,337)	113,578
Depreciation and amortisation	(1,062)	(1,238)	(919)	—	(3,219)	(524)	—	(3,743)
Other expenses	(33,379)	(48,840)	(15,832)	(170)	(98,221)	(3,728)	3,337	(98,612)
Operating segment profit	6,628	4,844	(878)	(153)	10,441	782	—	11,223
Share of results of associates								69
Amortisation of acquired intangible assets								(1,181)
Non-recurring costs (note 32)								(1,627)
Operating profit								8,484
Investment and other income								92
Finance costs								(1,668)
Profit before tax								6,908
Amortisation of acquired intangible assets								1,181
Non-recurring costs (note 32)								1,627
Non-controlling interests before tax								240
Profit before tax – adjusted								9,956

	At 31 December 2014 £000			At 31 December 2013 £000		
	Professional Services businesses	**Owned Insurance Companies**	**Group**	Professional Services businesses	Owned Insurance Companies	Group
Management Services business	**2,961**	**—**	**2,961**	2,021	—	2,021
Adjusting Services business	**121,278**	**—**	**121,278**	109,535	—	109,535
Insurance Support Services business	**31,651**	**—**	**31,651**	31,265	—	31,265
Unallocated assets and eliminations	**22,140**	**—**	**22,140**	20,096	—	20,096
Owned Insurance Companies business	**—**	**798,310**	**798,310**	—	322,248	322,248
Total assets	**178,030**	**798,310**	**976,340**	162,917	322,248	485,165
– Non-current assets	**65,784**	**2,682**	**68,466**	60,310	3,000	63,310
– Current assets	**112,246**	**795,628**	**907,874**	102,607	319,248	421,855
Total assets	**178,030**	**798,310**	**976,340**	162,917	322,248	485,165
Current liabilities	**(71,766)**	**(756,057)**	**(827,823)**	(66,968)	(281,114)	(348,082)
Deferred consideration payable within 1 year	**(646)**	**(3,386)**	**(4,032)**	(102)	(4,182)	(4,284)
Net current assets	**39,834**	**36,185**	**76,019**	35,537	33,952	69,489
Non-current liabilities	**(79,304)**	**—**	**(79,304)**	(62,487)	—	(62,487)
Deferred consideration payable in more than 1 year	**(1,758)**	**(8,747)**	**(10,505)**	(980)	(8,659)	(9,639)
Total liabilities	**(153,474)**	**(768,190)**	**(921,664)**	(130,537)	(293,955)	(424,492)
Net assets	**24,556**	**30,120**	**54,676**	32,380	28,293	60,673
Non-controlling interests	**(1,046)**	**(20,934)**	**(21,980)**	(1,057)	(20,774)	(21,831)
Equity attributable to owners of the Company	**23,510**	**9,186**	**32,696**	31,323	7,519	38,842

	Revenue Year to 31 December		Non-current assets[1] At 31 December	
Geographical information	**2014 £000**	2013 £000	**2014 £000**	2013 £000
United Kingdom	**34,107**	29,241	**48,310**	45,975
Europe & Middle East	**9,239**	9,573	**3,013**	3,297
North America	**15,577**	14,896	**6,166**	6,038
Asia Pacific	**15,666**	16,704	**1,546**	1,315
Bermuda	**48,170**	43,164	**818**	874
	122,759	113,578	**59,853**	57,499

1 Excluding deferred tax.

4. Administrative expenses

	Year to 31 December	
	2014 £000	2013 £000
Administrative expenses are as follows:		
Staff costs	**78,774**	76,686
Depreciation and other amounts written off tangible fixed assets	**1,660**	2,253
Other operating charges	**28,604**	22,589
Total administrative expenses	**109,038**	101,528
Operating profit is stated after charging:		
Rentals under operating leases:		
Land and buildings	**5,008**	4,925
Hire of other assets	**134**	94
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	**1,267**	1,678
Assets held under finance leases	**393**	575
Amortisation of other intangible assets (Professional Services)	**2,595**	2,210
Amortisation of other intangible assets (Owned Insurance Companies)	**318**	461
Gain on foreign exchange	**(445)**	(13)
Auditor’s remuneration:		
Audit fees payable to:		
– Main auditor	**560**	588
– Other auditors	**3**	—
Total audit fees	**563**	588
Fees paid for other services:		
– Main auditor	**129**	53
– Other auditors	**177**	218
Total other fees	**306**	271

The audit fee in respect of the Company was £65,000 (2013: £65,000). Fees paid to the main auditor for other services are principally for overseas tax compliance services.

5. Information regarding directors and employees

Staff costs incurred during the year in respect of employees were:

	Year to 31 December	
	2014	2013
	£000	£000
Wages and salaries	**68,028**	66,248
Social security costs	**5,610**	5,010
Other pension costs	**5,136**	5,428
	78,774	76,686

The emoluments and interests of the directors of the Company are set out in detail in the Directors' Remuneration Report.

Employees

The average number of people, including directors, employed by the Group in the year was:

	Year to 31 December	
	2014	2013
	No.	No.
Executive and administration	**1,072**	986

6. Investment and other income

	Year to 31 December	
	2014	2013
	£000	£000
Profit on sale of fixed assets	**19**	22
Interest receivable and similar income	**45**	70
	64	92

7. Finance costs

	Year to 31 December	
	2014	2013
	£000	£000
Bank loans and overdrafts repayable within five years	**1,045**	1,205
Deferred consideration discount unwind	**530**	384
Other loans	**21**	71
Finance leases	**5**	8
	1,601	1,668

8. Income tax expense

	Year to 31 December	
	2014	2013
	£000	£000
Corporation tax:		
Current year	**879**	1,347
Adjustments in respect of prior years	**103**	(79)
	982	1,268
Deferred tax	**183**	101
	1,165	1,369

UK Corporation tax is calculated at 21.5% (2013: 23.3%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate on statutory profit was 12.2% (2013: 19.8%).

The charge for the year can be reconciled to the profit per the income statement as below.

	Year to 31 December	
	2014	2013
	£000	£000
Profit on ordinary activities before tax	**9,566**	6,908
Tax at the UK corporation tax rate of 21.5% profit (2013: 23.3%)	**2,057**	1,606
Effects of:		
Expenses not deductible	**146**	379
Taxable items excluded from profit	**(362)**	(92)
Non-taxable items included in profit	**(250)**	(90)
Lower tax rates on overseas earnings	**(458)**	(473)
UK insurance company results	**(41)**	118
Prior years' adjustments – corporation tax	**73**	(79)
Income tax expense	**1,165**	1,369

9. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's result for the year amounted to £4.2m profit (2013: £14.0m profit).

10. Dividends paid

	Year to 31 December	
	2014	2013
	£000	£000
Ordinary dividends paid comprise:		
Final dividend paid (2013: 6.75p; 2012: 6.75p per share)	**2,788**	2,705
Interim dividend paid (2014: 3.25p; 2013: 3.25p per share)	**1,379**	1,338
	4,167	4,043

A second interim dividend, which replaces the final dividend, of 7.50p per share, will be paid on 24 April 2015. Dividends paid have been shown as a movement in shareholders' funds.

11. 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 year 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	
	2014	2013
	£000	£000
Earnings		
Earnings for the purposes of adjusted earnings per share being adjusted profit after tax attributable to owners of the Company	**9,765**	8,185
Amortisation of acquired intangible assets	**(1,527)**	(1,181)
Non-recurring costs	**(211)**	(1,627)
Tax on non-recurring costs	**183**	430
Earnings for the purposes of statutory basic and diluted earnings per share being net profit attributable to owners of the Company	**8,210**	5,807

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**42,139,271**	40,835,149
Effect of dilutive potential ordinary shares:		
Share options	**380,219**	329,128
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**42,519,490**	41,164,277

12. Acquisition of subsidiaries

KLA Group

On 14 May 2014, the Group acquired 100% of the issued share capital of KLA Holdings Limited and its subsidiary Knowles Loss Adjusters Limited (Knowles). Knowles is a UK loss adjusting business focused on UK property and casualty (P&C) claims, complementing the existing loss adjusting services provided by the Group.

The business contributed £2.4m revenue and £0.1m profit before tax to the Group since the acquisition date. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	KLA Group		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Identifiable intangible assets	—	2,025	2,025
Property, plant and equipment	44	—	44
Trade and other receivables	569	—	569
Cash and cash equivalents	440	—	440
Trade and other payables	(416)	—	(416)
Tax liabilities	(83)	—	(83)
Identifiable assets and liabilities	554	2,025	2,579
Goodwill			593
Consideration			3,172
Satisfied by:			
Ordinary shares of the Company			1,631
Deferred consideration			1,541
Consideration			3,172

Nordea Life & Pensions Limited

On 21 November 2014, the Group acquired 100% of the issued share capital of Nordea Life & Pensions Limited Holdings Limited (NLP), an Isle of Man life insurer which provides personalised life insurance products primarily to high net worth individuals, from Nordea Life and Pensions S.A., Luxembourg. The acquisition is part of the Group's strategy to make tactical acquisitions in the international life insurance sector and thereby grow its life insurance business in the Isle of Man. It is intended that the NLP business will be transferred into LCLI, subject to court approval, which would enable surplus reserves to be released.

The business contributed £0.3m revenue and £0.0m profit before tax to the Group since the acquisition date. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Nordea Life & Pensions Limited		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Investment contract assets	243,776	—	243,776
Life Insurance contracts assets	338,789	—	338,789
Cash and cash equivalents	4,995	—	4,995
Insurance technical balances	(331,854)	—	(331,854)
Investment contracts unit linked liabilities	(245,295)	—	(245,295)
Other creditors	(5,698)	—	(5,698)
Provisions	(575)	—	(575)
Deferred acquisition costs	15	—	15
Fixed assets	18	—	18
Identifiable assets and liabilities	4,171	—	4,171
Goodwill			–
Consideration			4,171
Satisfied by:			
Initial cash consideration			1,769
Deferred consideration			2,402
Consideration			4,171

If the two acquisitions had been completed on the first day of the financial year the combined revenue for the Group and profit before tax would have been £126.6m and £10.2m respectively.

Deferred consideration relating to acquisitions is set out below:

	At 31 December	
	2014	2013
	£000	£000
LCL Group	**5,473**	6,738
Beech Hill Insurance Limited	**6,660**	6,103
Noble Inspection and Loss Adjustment Company	**117**	131
KnowledgeCenter	**703**	951
KLA Group	**1,584**	—
	14,537	13,923
Within insurance company liabilities:		
Nordea Life & Pensions Limited	**2,232**	—
Global Life Assurance Limited	**379**	750
	17,148	14,673

LCL Group deferred consideration relates to the acquisitions of LCL International Life Assurance Company Limited and Bestpark International Limited, purchased by the Group in 2005 as part of its acquisition of various closed insurance companies and run-off service businesses.

For Beech Hill Insurance Limited, the first £6.8m of distributions are payable entirely to the vendor and then for amounts exceeding £6.8m, 75% of distributions are payable up to a maximum of £10.0m.

Noble Inspection deferred consideration payments are subject in part to working capital targets being met. KnowledgeCenter and KLA Group deferred consideration payments are subject to profitability targets being met.

The future payments for NLP are linked to management charge levels, being a maximum of €4.1m paid over two years. Future payments for Global Life Assurance Limited are a function of the actual surrender experience on the policies acquired, versus an expected surrender rate of 10%. The deferred consideration in respect of these two companies is included within the insurance company liabilities on the balance sheet.

13. Goodwill

	At 31 December	
	2014	2013
	£000	£000
At 1 January	**41,536**	41,732
Additions	**716**	—
Foreign currency exchange differences	**(56)**	(196)
At 31 December	**42,196**	41,536

The Group tests goodwill for impairment annually and for new acquisitions in the year of acquisition, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of cash-generating units are determined from value in use calculations, where the key assumptions relate to discount rates, revenue growth and cost growth. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. The discount rate used in the latest impairment review was based on 4.62% for those cash-generating units that are not subject to tax and 5.80% for those cash-generating units that are subject to tax.

The revenue and cost growth rates used are based on reasonable management expectations for the 2015 budget and the following four years, with an extrapolation using a steady growth. Revenue and cost growth rates for the five year forecast period and the subsequent extrapolation fall within the range of 2.0%–5.0% pa. In addition, for the life insurance companies, which form part of the Owned Insurance Companies CGU, an assessment is also made of the anticipated profitability arising from the ability to acquire and extract value from future businesses.

Goodwill has been allocated to the cash-generating units shown below, which reflect the way in which the business is internally managed.

	2014	2013
	£000	£000
Management Services business	**124**	—
Adjusting Services business	**20,904**	20,401
Insurance Support Services business	**11,551**	11,518
Owned Insurance Companies business	**9,617**	9,617
	42,196	41,536

14. Other intangible assets

	(i) IT assets £000	(ii) Customer relationships £000	(iii) Intellectual property £000	(iv) Life insurance VOBA £000	(v) Non-life discount on reserves £000	Total £000
Cost						
At 1 January 2014	7,005	11,373	1,670	8,027	7,200	35,275
Additions	2,774	41	—	—	—	2,815
Acquisition of subsidiaries	—	2,025	—	—	—	2,025
Disposals	—	(869)	(120)	—	(7,200)	(8,189)
Foreign currency exchange differences	2	95	—	—	—	97
At 31 December 2014	**9,781**	**12,665**	**1,550**	**8,027**	**—**	**32,023**
Accumulated amortisation						
At 1 January 2014	3,008	8,723	112	5,047	7,180	24,070
Amortisation	1,069	1,207	319	298	20	2,913
Disposals	—	(767)	—	—	(7,200)	(7,967)
Foreign currency exchange differences	—	109	—	—	—	109
At 31 December 2014	**4,077**	**9,272**	**431**	**5,345**	**—**	**19,125**
Net book value						
At 31 December 2014	**5,704**	**3,393**	**1,119**	**2,682**	**—**	**12,898**
At 31 December 2013	3,997	2,650	1,558	2,980	20	11,205

(i) IT assets are internally-generated intangible assets such as software and new processes. These assets are amortised over their expected useful lives which range between three and ten years.

(ii) Customer relationship intangible assets represent the value of expected profits arising from existing customer relationships in businesses acquired and are amortised so as to match the pattern of expected profits.

(iii) Intellectual property represents the claims management software acquired from KnowledgeCenter Limited and is amortised over its expected useful life.

(iv) VOBA represents the present value of future profits embedded in acquired insurance contracts and is amortised based on the anticipated emergence of profits.

(v) Non-life insurance discount on reserves represents the difference between the nominal value of insurance reserves and the discounted value of those reserves. The intangible asset arising is amortised to match the anticipated cash flows arising as insurance claims are paid.

15. Property, plant and equipment

	Freehold buildings £000	Leasehold buildings £000	Computers £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 January 2014	326	1,893	9,848	5,435	944	18,446
Additions	—	73	951	389	179	1,592
Acquisition of subsidiaries	—	—	250	82	—	332
Disposals	—	—	(1,440)	(572)	(205)	(2,217)
Foreign currency exchange differences	18	9	62	56	4	149
At 31 December 2014	**344**	**1,975**	**9,671**	**5,390**	**922**	**18,302**
Accumulated depreciation						
At 1 January 2014	120	1,234	7,907	4,525	570	14,356
Charge for the year	8	153	966	355	178	1,660
Acquisition of subsidiaries	—	—	220	68	—	288
Disposals	—	—	(1,370)	(560)	(196)	(2,126)
Foreign currency exchange differences	7	6	48	48	4	113
At 31 December 2014	**135**	**1,393**	**7,771**	**4,436**	**556**	**14,291**
Net book value						
At 31 December 2014	**209**	**582**	**1,900**	**954**	**366**	**4,011**
At 31 December 2013	206	659	1,941	910	374	4,090

Included in the above are the following assets held under finance leases:

	Computers £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2014	3,527	192	278	3,997
Additions	—	—	59	59
Disposals	(234)	—	(110)	(344)
Foreign currency exchange differences	—	—	(1)	(1)
At 31 December 2014	**3,293**	**192**	**226**	**3,711**
Accumulated depreciation				
At 1 January 2014	2,989	188	194	3,371
Charge for the year	347	—	46	393
Disposals	(215)	—	(101)	(316)
Foreign currency exchange differences	—	—	1	1
At 31 December 2014	**3,121**	**188**	**140**	**3,449**
Net book value				
At 31 December 2014	**172**	**4**	**86**	**262**
At 31 December 2013	538	4	84	626

16. Investments

	At 31 December 2014			At 31 December 2013		
	Associated undertakings £000	**Other £000**	**Total £000**	Associated undertakings £000	Other £000	Total £000
Group						
Cost						
At 1 January	**605**	**63**	**668**	593	63	656
Share of profit	**121**	**—**	**121**	69	—	69
Dividends received	**(52)**	**—**	**(52)**	(55)	—	(55)
Foreign currency exchange differences	**10**	**1**	**11**	(2)	—	(2)
At 31 December	**684**	**64**	**748**	605	63	668

	At 31 December	
	2014 £000	2013 £000
Company		
Cost of group undertakings		
At 1 January	**78,843**	39,089
Acquisition of subsidiary	**3,172**	—
Disposals	**(45,215)**	—
Transfer from group companies	**39,298**	39,754
Transfer to group companies	**(3,172)**	—
At 31 December	**72,926**	78,843

17. Deferred taxation

	At 31 December	
	2014 £000	2013 £000
At 1 January	**5,811**	7,682
Retirement benefit obligation	**2,970**	(1,913)
US tax losses	**(93)**	(214)
UK tax losses	**—**	(6)
UK timing differences	**(107)**	112
Overseas timing differences	**31**	57
Foreign currency exchange differences	**1**	93
At 31 December	**8,613**	5,811
Deferred tax comprises:		
Pension liability	**8,316**	5,358
Losses	**808**	808
Other timing differences	**(511)**	(355)

	8,613	5,811

At the balance sheet date the Group has unused tax losses of £35.2m available for offset against future profits. A deferred tax asset of £0.8m has been recognised in respect of such losses. A potential deferred tax asset of £6.2m relating to these unused tax losses and a potential deferred tax asset of £1.2m relating to unused capital allowances, has not been recognised as it is not considered probable that there will be future taxable profits available. The losses may be carried forward indefinitely.

Other timing differences include £207,000 (2013: £158,000) of deferred tax liabilities relating to overseas entities.

18. Trade and other receivables

	Group At 31 December		Company At 31 December	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade debtors	**26,203**	22,807	—	—
Amounts due from subsidiaries	—	—	**179,343**	145,085
Amounts due from associates	**2**	12	—	—
Other debtors	**2,920**	2,524	**27**	65
Prepayments	**7,121**	4,962	—	—
Accrued income	**23,500**	23,278	—	—
Corporation tax	**315**	267	—	—
	60,061	53,850	**179,370**	145,150

Included within prepayments are IT assets of £2.9m (2013: £1.1m) in the course of construction.

19. Trade and other payables

	Group At 31 December		Company At 31 December	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade creditors	**4,335**	4,306	—	—
Amounts owed to subsidiaries	—	—	**158,980**	134,900
Other taxation and social security	**2,452**	2,123	—	—
Other creditors	**1,396**	939	—	8
Accruals and deferred income	**15,914**	13,539	**208**	849
	24,097	20,907	**159,188**	135,757

20. Borrowings

	Group At 31 December		Company At 31 December	
	2014 **£000**	2013 £000	**2014** **£000**	2013 £000
Total borrowings:				
Amount due for settlement within 12 months	**5,345**	5,302	**1,192**	1,401
Amount due for settlement after 12 months	**37,402**	35,255	**37,370**	35,163
	42,747	40,557	**38,562**	36,564

Bank loans and overdrafts are secured by charges on specific assets and cross guarantees between group companies.

Analysis of group finance lease commitments

	At 31 December	
	2014 **£000**	2013 £000
Minimum lease payments due:		
within one year	**113**	449
in the second to fifth years inclusive	**60**	151
less: finance charges allocated to future periods	**(1)**	(16)
	172	584
due within one year	**112**	434
due after more than one year	**60**	150
	172	584

Finance leases are secured on the leased assets.

	At 31 December	
	2014 **£000**	2013 £000
Net interest-bearing liabilities		
Cash and cash equivalents	**52,185**	48,757
Bank overdrafts	**(4,488)**	(4,440)
Current loans	**(857)**	(862)
Non-current bank loans	**(37,402)**	(35,255)
Finance leases	**(172)**	(584)
	9,266	7,616
Client funds	**(41,886)**	(39,990)
	(32,620)	(32,374)

21. Provisions

	Relocation and reorganisation £000	Premises dilapidations £000	Employee entitlements £000	Total £000
At 1 January 2014	76	100	235	411
Utilised in year	(76)	(43)	(66)	(185)
Profit and loss account charge	—	76	4	80
Foreign currency exchange differences	—	—	2	2
At 31 December 2014	**—**	**133**	**175**	**308**

22. Called up share capital

	At 31 December	
	2014 **£000**	2013 £000
Issued and fully paid		
43,429,610 ordinary shares of 1p each (2013: 41,542,943)	**434**	415

The number of allotted and fully paid shares of the Company issued under employee share schemes for the year was 924,124. A further 633,393 shares were issued to part fund the acquisition of KLA Group and under deferred consideration arrangements, 329,150 shares were issued to the former owners of LCL Group Limited.

23. Non-controlling interests

The following amounts are attributable to non-controlling interests:

	2014 **£000**	2013 £000
Profit/(loss) before tax		
Owned Insurance Companies business	**160**	(294)
Adjusting Services business	**65**	54
	225	(240)
Income tax credit/(expense)		
Owned Insurance Companies business	—	—
Adjusting Services business	**(35)**	(28)
	(35)	(28)
Profit/(loss) for the period		
Owned Insurance Companies business	**160**	(294)
Adjusting Services business	**30**	26
	190	(268)
Equity		
Owned Insurance Companies business	**20,934**	20,774
Adjusting Services business	**1,046**	1,057
	21,980	21,831

The Group owns two insurance companies with significant non-controlling interests:

Cardrow Insurance Limited

The non-controlling shareholder is entitled to future distributions and returns of capital of a fixed amount being the aggregate of the distributable reserves of the company at the date of the company's acquisition by the Group and £22.5m, plus 82.5% of distributions and returns of capital above that amount. Of the £22.5m, £13.0 was paid up in prior years.

Bestpark International Limited

The non-controlling shareholder is entitled to 49.99% of all future distributions and returns of capital.

24. Share-based awards

Share option schemes

The Company operates an executive share option scheme for eligible employees, in which options are exercisable if earnings per ordinary share increase by the Retail Price Index plus 6% over a three-year period and personal targets are attained. The options expire after tenyears from the date of grant and if the employee leaves they lapse unless exercised within six months of leaving.

The Company also operates a SAYE share option scheme for eligible employees under which options may be granted at a discount of up to 20% of market value. Savings contracts may run over two, three, five or seven years. The options lapse immediately if the employee leaves within three years of the option grant and lapse within six months of leaving if the employee leaves after three years of option grant.

Share options outstanding during the year to 31 December were as follows:

	2014		2013	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,301,671**	**£1.61**	1,323,798	£1.57
Granted during the year	**638,917**	**£1.94**	248,551	£1.70
Exercised during the year	**(423,210)**	**£1.14**	(136,932)	£1.34
Forfeited during the year	**(73,564)**	**£1.44**	(133,746)	£1.52
Expired during the year	**(247,852)**	**£2.78**	—	—
Outstanding at end of year	**1,195,962**	**£1.72**	1,301,671	£1.61
Exercisable at end of year	**123,630**	**£1.14**	300,366	£2.57

As at 31 December 2014 share-based awards outstanding were as follows:

	Option price per ordinary share (p)	Number of shares
Savings-related share option schemes		
Normally exercised in the period between:		
December 2014 and May 2015	110.48	120,630
December 2015 and May 2016	144.95	20,249
January 2015	149.89	31,906
December 2015 and May 2016	141.08	146,952
December 2015 and May 2016	140.20	3,850
January 2016	178.50	35,040
December 2016 and May 2017	168.00	195,418
January 2017	210.375	31,687
December 2017 and May 2018	193.16	607,230
Executive share option schemes		
Normally exercised in the period between:		
April 2008 and April 2015	248.50	3,000
Long-term investment plan		
Normally exercised on the third anniversary of the allocation date:		
April 2015		260,500
April 2016		234,000
March 2017		235,572
		1,926,034

The share options outstanding at 31 December 2014 had a weighted average remaining contractual life of 21 months. The options granted during 2014 had an aggregate fair value of £228,000 (2013: £63,000).

The inputs into the Black-Scholes-Merton model for options granted during the year are as follows:

	2014	2013
Weighted average share price	**£2.15**	£1.88
Weighted average exercise price	**£1.94**	£1.70
Expected volatility	**27.2%**	26.4%
Expected life	**2–3 years**	2–3 years
Risk-free rate	**0.66%–0.85%**	0.62%–0.90%
Expected dividend yield	**4.3%**	4.3%

Expected volatility was determined by calculating the historical volatility of the Company's share price since flotation in 1996. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised a total charge of £59,000 (2013: £44,000) relating to share option scheme transactions in 2014.

Long-term incentive scheme

Awards totalling 282,939 shares (2013: 420,000) were made under the LTIP during the year. These awards are subject to a three-year performance period. The Company recognised a total charge of £306,000 (2013: £369,000) in relation to the LTIP scheme. Further information on this scheme is given in the Directors' Remuneration Report.

25. Financial instruments

The disclosures below should be read in conjunction with note 27, where related information has been disclosed in relation to the Group's insurance companies.

Fair values of financial assets and liabilities

Details of the accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Financial assets and liabilities at 31 December were as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Financial assets				
Trade and other receivables (excluding prepayments)	**52,940**	48,888	**179,370**	145,150
Cash and cash equivalents	**52,185**	48,757	**2,025**	1,991
	105,125	97,645	**181,395**	147,141
Financial liabilities				
Trade and other payables	**24,097**	20,907	**159,188**	135,757
Tax liabilities	**326**	335	—	—
Obligations under finance leases	**172**	584	—	—
Bank overdrafts and loans	**42,747**	40,557	**38,562**	36,564
Client funds	**41,886**	39,990	—	—
Retirement benefit obligation	**41,534**	26,671	—	—
Provisions	**308**	411	—	—
Deferred consideration	**14,537**	13,923	—	—
	165,607	143,378	**197,750**	172,321

Included within trade and other receivables is an asset of £nil (2013: £164,000) and within trade and other payables a liability of £15,000 (2013: £44,000), relating to forward foreign exchange contracts in designated hedging relationships.

Financial risk management objectives

The Group's central treasury function secures and controls debt financing, coordinates efficient cash management within the business and monitors and manages financial risks relating to the operations of the Group. Treasury's objective is to deploy financial resources around the Group in the most efficient manner possible, ensuring that cash is available in the right place and currency at the right time to pay liabilities as they fall due. Long-term, annual, monthly, weekly and daily forecasts form the basis for treasury decisions.

Financial risks comprise market risks such as currency risk, interest rate risk and other price risks and are influenced by fluctuating changes in market prices, as well as credit and liquidity risks.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which establish principles on currency risk, interest rate risk and the use of financial derivatives and non-derivative financial instruments. Compliance with these policies is reviewed by the Group's internal auditors.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The treasury function reports to the Group's Finance Committee.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of the Group's financial assets and liabilities are determined as follows:

- For those financial assets and liabilities that are cash or short-term trade receivables or payables, carrying amount is a reasonable approximation of fair value.
- Retirement benefit obligations are valued by independent actuaries in accordance with IFRS.
- The Group's remaining financial assets and liabilities are measured, subsequent to initial recognition, at fair value, and they can be grouped into Levels 1 to 3 based on the degree to which the fair value is observable:
  - — Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy

For each of the assets in the table below carrying value is a reasonable approximation to fair value. Excluding insurance companies, there were no level 1 assets, no transfers between level 1 and 2 during the period, nor were there any valuation changes. All movements in the asset or liability values below, except deferred consideration, are through profit or loss.

Deferred consideration held outside insurance company liabilities has increased by £0.6m, being £1.6m arising on the acquisition of KLA Group (see note 12) offsetting a distribution of £0.9m of loan notes convertible to share to former owners of the LCL Group. Other movements in deferred consideration are through profit or loss.

	At 31 December 2014			At 31 December 2013		
	Level 2 £000	**Level 3 £000**	**Total £000**	Level 2 £000	Level 3 £000	Total £000
Trade debtors	—	**26,203**	**26,203**	—	22,807	22,807
Accrued income	—	**23,500**	**23,500**	—	23,278	23,278
Deferred consideration	—	**14,537**	**14,537**	—	(13,923)	(13,923)
FX forward contracts	**(15)**	—	**(15)**	120	—	120
Interest rate swaps	—	—	–	(61)	—	(61)
	(15)	**64,240**	**64,225**	59	32,162	32,221

The fair values of the financial assets and liabilities included in the Level 2 category have been independently valued by the Royal Bank of Scotland and HSBC based on observable market conditions prevailing at the valuation date, including relevant foreign exchange rates and the zero-coupon yield curve.

The fair values of the financial assets and liabilities included in the Level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects substantially the same terms and characteristics including the credit quality of the instrument:

- Trade debtors are reduced by a discount to reflect the time value of money at a discount rate of 2.75% (2013: 2.75%) that reflects the Group's debt funding rate over the relevant maturities.
- Accrued income is uplifted by 7.9% for anticipated unrecorded income, which is based on average over-recovery of unrecorded income during 2014, and then discounted for the time value of money at 2.75% (2013: 2.75%) that reflects the Group's debt funding rate over the relevant maturities.
- Deferred consideration is reduced by a discount to reflect the time value of money at a discount rate of 3.36% (2013: 4.63%) that reflects the Group's debt funding rate over the relevant maturities.

The sensitivity of the fair values of trade debtors and accrued income to changes in the discount rate is negligible, irrespective of the change in discount rate. The sensitivity of the fair value of deferred consideration to reasonably likely changes in the discount rate is immaterial.

Currency risk

The Group has significant overseas subsidiaries which operate mainly in North America, Bermuda and the Asia Pacific region and whose revenues and expenses are denominated mainly in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange and options contracts.

The carrying amounts of the Group's monetary assets and liabilities, held by entities with a functional currency other than £sterling, at the reporting date are as follows:

	Assets At 31 December		Liabilities At 31 December	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Group				
US$	**12,830**	10,750	**8,855**	6,790
Other	**23,513**	29,446	**8,053**	15,374
	36,343	40,196	**16,908**	22,164
Company				
US$	**1,666**	4,079	**6,451**	4,994
Other	**4,408**	6,914	**2,640**	4,042
	6,074	10,993	**9,091**	9,036

The Group issues invoices denominated in US$, and Canadian$ to customers within the Adjusting business with typical payment periods of five months. The Group has entered into forward foreign exchange contracts to hedge the foreign exchange rate risk arising on the future cash receipts relating to these invoices, which are designated as cash flow hedges.

The following table details the Group's forward foreign currency contracts outstanding at the year end:

	Currency value		Contract value		Fair value	
	2014 Local '000	2013 Local '000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Sell US$						
Less than 3 months	—	2,262	—	1,500	—	132
3 to 6 months	—	—	—	—	—	—
6 to 9 months	—	—	—	—	—	—
	—	2,262	—	1,500	—	132
Buy Singapore$						
Less than 3 months	**1,128**	1,332	**557**	681	**(15)**	(44)
3 to 6 months	—	—	—	—	—	—
6 to 9 months	—	—	—	—	—	—
	1,128	1,332	**557**	681	**(15)**	(44)
Sell Canadian$						
Less than 3 months	—	471	—	300	—	32
3 to 6 months	—	—	—	—	—	—
6 to 9 months	—	—	—	—	—	—
	—	471	—	300	—	32

The average strike price rates achieved for the above trades are £sterling : Singapore$2.0612 and US$: Singapore$1.2735.

As at 31 December 2014, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these anticipated future cash flows is £15,000 (2013: gains of £120,000). Upon maturity of the contracts and the realisation of the anticipated cash flows, the amount deferred in equity will be reclassified to profit or loss. The anticipated future cash flows relating to the forward foreign exchange contracts held at 31 December 2014 are expected to be realised throughout the first three months of 2015.

The amount reclassified to profit or loss in the year to 31 December 2014 relating to matured forward foreign exchange contracts designated as cash flow hedge instruments is £147,000 gain (2013: £46,000 gain). As at 31 December 2014, no ineffectiveness has been recognised in profit or loss arising from hedging the anticipated future cash flows.

The policy of the Group permits the use of foreign currency option contracts for a proportion of its foreign currency liquidity risk to protect against a weakening of the US$ against £sterling. There were no options open at 31 December 2014 or at 31 December 2013.

Currency sensitivity

As the Group is mainly exposed to the US$, the following table details the Group's sensitivity to a 10% increase in the value of £sterling against the US$. 10% represents management's assessment of a reasonably possible change in foreign exchange rates, although this cannot be predicted with certainty. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in US$ rates. A negative number below indicates a decrease in profit or equity where the US$ weakens 10% against £sterling. For a 10% strengthening of the US$ against £sterling, there would be an equal and opposite impact on profit and equity, and the signs below would be reversed.

	Year to 31 December	
	2014	2013
	£000	£000
Impact on profit before tax	**(424)**	(382)
Impact on equity	**(361)**	(360)

The results of overseas subsidiaries are translated into £sterling using the average rate of exchange for the year. A 10% weakening of the US$ average rate for the year has been assumed in the sensitivity analysis and the impact is shown in the table below:

	Year to 31 December	
	2014	2013
	£000	£000
Profit before tax	**(491)**	(325)

Non-sterling currencies of primary importance to the Group moved as follows in the year:

	2014 Year end	2013 Year end	% Change	**2014 Average**	2013 Average	% Change	**Impact on 2014 operating profit £000**
US$	**1.558**	1.643	(5.2)	**1.645**	1.569	4.9	**(263)**

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The interest rate risk profile of financial assets and financial liabilities at 31 December, was as follows:

	2014				2013			
	Floating rate £000	**Fixed rate £000**	**Non-interest bearing £000**	**Total £000**	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Total £000
Group								
Financial assets								
£sterling	**40,758**	—	**28,024**	**68,782**	31,649	—	25,800	57,449
US$	**3,224**	—	**9,606**	**12,830**	2,467	—	8,283	10,750
Other	**8,203**	—	**15,310**	**23,513**	14,641	—	14,805	29,446
	52,185	—	**52,940**	**105,125**	48,757	—	48,888	97,645
Financial liabilities								
£sterling	**76,177**	**115**	**72,407**	**148,699**	65,222	554	55,438	121,214
US$	**2,595**	—	**6,260**	**8,855**	2,219	—	4,571	6,790
Other	**5,860**	**57**	**2,136**	**8,053**	13,106	30	2,238	15,374
	84,632	**172**	**80,803**	**165,607**	80,547	584	62,247	143,378

	2014				2013			
	Floating rate £000	**Fixed rate £000**	**Non-interest bearing £000**	**Total £000**	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Total £000
Company								
Financial assets								
£sterling	**1,600**	—	**173,721**	**175,321**	558	—	135,590	136,148
US$	**123**	—	**1,543**	**1,666**	980	—	3,099	4,079
Other	**302**	—	**4,106**	**4,408**	453	—	6,461	6,914
	2,025	—	**179,370**	**181,395**	1,991	—	145,150	147,141
Financial liabilities								
£sterling	**38,552**	—	**150,107**	**188,659**	36,067	137	127,081	163,285
US$	—	—	**6,451**	**6,451**	—	—	4,994	4,994
Other	**5**	—	**2,635**	**2,640**	489	—	3,553	4,042
	38,557	—	**159,193**	**197,750**	36,556	137	135,628	172,321

Interest rate sensitivity

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. An increase in interest rates of 1.0% is used and represents management's assessment of a reasonably possible change in interest rates, although this cannot be predicted with certainty.

If interest rates had increased by 1.0% and all other variables wholly been held constant, the Group's profit for the year to 31 December 2014 would have decreased by £364,000 (2013: £161,000). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Capital risk management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maximise the return to shareholders commensurate with a level of risk in each of its various businesses that management considers acceptable; and
- to ensure the Group's regulated businesses comply with requirements set by regulators in the various jurisdictions in which the Group operates.

The Group takes account of risk when considering decisions involving the allocation of capital. Changes are made to the capital structure as economic conditions and the perception of risk changes. Changes may be made by way of altering the amount of dividends payable to shareholders, issuing shares or altering the level of the Group's indebtedness e.g. by taking out or refinancing loan facilities. The Group monitors capital by reference to the level of net debt relative to equity.

The Group has a number of insurance company and investment management subsidiaries subject to capital requirements imposed by their respective regulatory authorities. Management and boards of regulated companies have processes in place to ensure that minimum capital requirements are properly calculated, regularly monitored and maintained at an appropriate level. The Group complied with externally imposed capital requirements during the year, however Bestpark International Limited's regulatory capital is below the minimal capital requirement. At the time of acquisition, the Group informed the UK regulator that no additional capital would be made available. The regulator continues to monitor the situation closely together with the directors.

Equity price risk

Changes in equity prices affect the financial assets of the Group's life insurance companies, but have no material economic impact on the Group, as explained in note 27. The Group has no material exposures to commodity price risk, prepayment risk or residual value risk.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The credit risk on liquid funds and derivative financial instruments is regarded as acceptable because the counterparties are banks with high credit ratings assigned by international credit rating agencies. However, the Group has kept its counterparties under close review because of recent solvency and liquidity problems in the banking sector and remains alert to potential risks.

The Group has no significant concentrations of credit risk relating to its clients. Credit policies, processes and management resources are designed to address and limit risk. It is not possible to measure when trade debtors in the Adjusting Services business become past due because of the role played by insurance brokers in collecting fees and the subscription nature of much of the market. Credit periods are monitored for each office in the Adjusting Services business and debtor ageing is monitored for each client and individual invoice. There are no material trade debtors outside the Adjusting Services business. The Group's exposure to credit risk is best represented by the value of trade and other receivables disclosed in note 18. No collateral is held as security for amounts due and no other credit enhancements are in place. The credit quality of trade and other receivables is overall believed to be good and commensurate with the normal commercial risks of business-to-business trading within the relevant market.

Liquidity risk

Liquidity risk is the risk of being unable to meet current and future payment obligations either as they fall due or in the full amount due. The funding risk arises when the necessary liquidity cannot be obtained on the expected terms when required.

The ultimate responsibility for liquidity risk management rests with the board of directors, which monitors the Group's short, medium and long-term funding and liquidity requirements. The relevant procedures are implemented by the treasury function.

The Group manages liquidity risk by maintaining adequate banking facilities, subject to covenant compliance and reserve borrowing facilities, by monitoring forecast cash flows and by matching the maturity profiles of financial assets and liabilities.

Maturity of financial liabilities

The maturity of the Group's financial liabilities at 31 December was as shown below:

	2014					2013				
	<1 year £000	**1–2 years £000**	**2–5 years £000**	**>5 years £000**	**Total £000**	<1 year £000	1–2 years £000	2–5 years £000	>5 years £000	Total £000
Group										
Trade and other payables	**24,097**	—	—	—	**24,097**	20,907	—	—	—	20,907
Tax liabilities	**326**	—	—	—	**326**	335	—	—	—	335
Obligations under finance leases	**112**	**60**	—	—	**172**	434	150	—	—	584
Bank overdrafts and loans	**5,345**	**1,320**	**36,082**	—	**42,747**	5,302	854	34,401	—	40,557
Client funds	**41,886**	—	—	—	**41,886**	39,990	—	—	—	39,990
Retirement benefit obligation	**1,786**	**1,786**	**5,358**	**32,604**	**41,534**	1,902	1,902	5,706	17,161	26,671
Provisions	**308**	—	—	—	**308**	411	—	—	—	411
Deferred consideration	**4,032**	**4,159**	**3,142**	**3,204**	**14,537**	4,284	1,471	6,597	1,571	13,923
	77,892	**7,325**	**44,582**	**35,808**	**165,607**	73,565	4,377	46,704	18,732	143,378

	2014				2013			
	<1 year £000	**1–2 years £000**	**2–5 years £000**	**Total £000**	<1 year £000	1–2 years £000	2–5 years £000	Total £000
Company								
Trade and other payables	**159,188**	—	—	**159,188**	135,757	—	—	135,757
Bank overdrafts and loans	**1,192**	**1,288**	**36,082**	**38,562**	1,401	793	34,370	36,564
	160,380	**1,288**	**36,082**	**197,750**	137,158	793	34,370	172,321

Sterling denominated bank borrowings and overdrafts bear interest at LIBOR and bank base rate respectively. US$ denominated borrowings bear interest at rates based on the US Prime Rate.

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December in respect of which all conditions precedent had been met were as follows:

	At 31 December	
	2014 £000	2013 £000
Expiring in one year or less	**9,248**	12,296

The Group has a senior facilities agreement with the Royal Bank of Scotland and HSBC for a five year term, which expires on 7 November 2018. The facilities comprise a £10.0m term loan with scheduled repayments every six months (starting with £0.5m, then rising to £0.75m in 2016 and 2017, and then £2.5m in 2018) and a £30.0m revolving credit facility (RCF). £9.0m of the term loan balance was outstanding at 31 December 2014 and the RCF was fully drawn. The senior 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).

Other group facilities are:

- $1.0m US term loan with scheduled quarterly repayments; $0.2m of the term loan balance was outstanding at 31 December 2014;
- Uncommitted overdraft of £5.0m in the UK;
- Uncommitted overdraft US$4.0m in Hong Kong and Canadian$1.8m in Canada; and
- Committed overdraft of US$5.0m in USA.

26. Operating leases

	Year to 31 December	
	2014	2013
	£000	£000
Lease payments under operating leases recognised as an expense in the year	**5,142**	5,019

At 31 December, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	2013
	£000	£000
Within one year	**3,508**	3,562
In the second to fifth years inclusive	**9,330**	9,836
After five years	**5,300**	7,445
	18,138	20,843

27. Insurance company disclosures

The directors believe the Group's exposure to material adverse risk from the valuation of the assets or liabilities of the Group's insurance companies is limited. This is because the acquisition cost in each case comprised of either a nominal or refundable upfront payment followed by deferred consideration based on future cash distributions by the insurance companies, or the former owners being entitled to the majority of such distributions by the way of non-controlling interests in the companies' shares. The Group's net investment in insurance companies is summarised on page 115.

There is no material risk to the Group arising from the investment portfolios held by the life insurance business as the majority of policyholder liabilities are directly linked to the value of investments held.

Although there is some uncertainty over the ability of the non-life insurance company, Bestpark International Limited, to pay all its future liabilities, and consequently a possibility that the company may become insolvent, the directors believe that there would be no material disadvantage to the Group in that event. The Group is under no obligation to contribute further capital and does not intend to do so. A prospective reduction in net assets will only have a limited effect on the Group for the reason set out above and also because the Group has reduced its shareholding in the company from 100% to 50.01% since it was acquired. Insolvency of any of the owned insurance companies may impact future service revenue and may result in an impairment of goodwill.

Insurance reserves are set to reflect management's best estimate of the ultimate cost of settling claims incurred under insurance policies previously written by the insurance companies acquired. A number of actuarial estimation techniques have been used in arriving at the insurance reserves recorded in these financial statements.

Further details of the amounts included in the consolidated financial statements in respect of the Group's insurance companies are disclosed below to assist readers in understanding their impact on the consolidated income statement and balance sheet.

Consolidated income statement for group insurance companies

	Year to 31 December 2014			Year to 31 December 2013		
	Non-life business £000	**Life business £000**	**Total £000**	Non-life business £000	Life business £000	Total £000
Gross premiums written	**319**	**980**	**1,299**	531	1,042	1,573
Outward reinsurance premiums	**(164)**	**(819)**	**(983)**	(228)	(853)	(1,081)
Net written premiums	**155**	**161**	**316**	303	189	492
Change in the gross provision for unearned premiums	**206**	—	**206**	989	—	989
Change in the provision for unearned premiums, reinsurers' share	**(76)**	—	**(76)**	(380)	—	(380)
Unearned premiums	**130**	—	**130**	609	—	609
Fees from investment contracts	**(3)**	**3,407**	**3,404**	—	3,806	3,806
Fees from insurance contracts	—	**302**	**302**	—	127	127
Other fees	**(3)**	**3,709**	**3,706**	—	3,933	3,933
Total revenue	**282**	**3,870**	**4,152**	912	4,122	5,034
Other gains from insurance activities	**125**	**6,710**	**6,835**	467	10,011	10,478
Claims paid, gross amount	**(3,125)**	**(30,990)**	**(34,115)**	(4,108)	(1,997)	(6,105)
Claims paid reinsurers' share	**702**	**1,309**	**2,011**	199	1,648	1,847
Net claims paid	**(2,423)**	**(29,681)**	**(32,104)**	(3,909)	(349)	(4,258)
Change in provision for claims, gross amount	**4,114**	**24,189**	**28,303**	4,474	(8,451)	(3,977)
Change in provision for claims, reinsurers' share	**(671)**	**(664)**	**(1,335)**	(511)	198	(313)
Net change in provision for claims	**3,443**	**23,525**	**26,968**	3,963	(8,253)	(4,290)
Claims incurred, net of reinsurance	**1,020**	**(6,156)**	**(5,136)**	54	(8,602)	(8,548)
Net operating expenses	**(1,092)**	**(3,346)**	**(4,438)**	(1,873)	(3,691)	(5,564)
Net result	**335**	**1,078**	**1,413**	(440)	1,840	1,400

The financial assets shown in the table below and falling within the scope of IFRS 7 *Financial Instruments: Disclosures* have, where indicated, been classified as at fair value through profit or loss (and are designated as such upon initial recognition), available for sale or other. There are no financial liabilities shown in the table below which are within the scope of IFRS 7 and which have been classified as at fair value through profit or loss or measured at amortised cost.

Amounts described as debtors arising from insurance and reinsurance operations are technically past due. Amounts shown have been reduced for estimated impairment losses where applicable. Financial liabilities within the scope of IFRS 7 are shown in the table below.

Consolidated balance sheet for group insurance companies

	At 31 December 2014 £000	2013 £000
Investments at fair value through income		
– Life insurance contracts	**319,489**	16,246
– Investment contracts assets held to back unit-linked liabilities	**412,071**	237,359
Investments available for sale		
– Non-life insurance contracts	**—**	3,059
	731,560	256,664
Amounts receivable under reinsurance contracts	**3,363**	4,784
Cash and cash equivalents in insurance businesses	**58,116**	55,741
Debtors arising from insurance and reinsurance operations	**2,501**	1,789
Deferred acquisition costs	**20**	76
Amounts due from group companies	**5,165**	5,473
Other assets	**68**	194
Total assets in insurance businesses before eliminations	**800,793**	324,721
Elimination of amounts due from group companies	**(5,165)**	(5,473)
Total assets in insurance businesses	**795,628**	319,248
Insurance technical balances		
– Life insurance contracts	**318,888**	16,246
– Non-life insurance contracts	**19,386**	24,593
Investment contracts unit-linked liabilities	**410,401**	237,315
Creditors arising from insurance and reinsurance operations	**3,410**	1,484
Deferred reinsurance commissions	**2**	29
Deferred consideration	**2,611**	750
Provisions	**953**	73
Amounts owed to group companies	**444**	412
Other creditors	**406**	624
Total liabilities in insurance businesses before eliminations	**756,501**	281,526
Elimination of amounts owed to group companies	**(444)**	(412)
Total liabilities in insurance businesses	**756,057**	281,114
Net assets in insurance businesses	**39,571**	38,134

Investments held by group insurance companies

Other than £23.3m of investments included within unit trusts, investments at fair value through income are categorised as Level 1 within the IFRS 7 fair value hierarchy because their values are derived from quoted prices in active markets. Valuation techniques and assumptions applied for the purposes of measuring fair values are described in note 25.

	At 31 December 2014				At 31 December 2013			
	Non-life investments £000	**Life insurance contracts investments £000**	**Life investment contracts investments £000**	**Total £000**	Non-life investments £000	Life insurance contracts investments £000	Life investment contracts investments £000	Total £000
Corporate and government securities	**—**	**101,790**	**80,405**	**182,195**	3,059	—	15,748	18,807
Unit trusts	**—**	**142,226**	**288,961**	**431,187**	—	3,139	202,610	205,749
Promissory notes	**—**	**12,338**	**1,734**	**14,072**	—	—	1,586	1,586
Cash and cash deposits to back unit-linked liabilities	**—**	**50,910**	**38,196**	**89,106**	—	815	16,356	17,171
With profits investments held with insurance companies	**—**	**11,628**	**—**	**11,628**	—	12,292	—	12,292
Other investments	**—**	**597**	**2,775**	**3,372**	—	—	1,059	1,059
	—	**319,489**	**412,071**	**731,560**	3,059	16,246	237,359	256,664
Other cash and cash equivalents in insurance businesses	**47,023**	**11,093**	**—**	**58,116**	48,612	7,129	—	55,741

Investment contract assets are held to back unit-linked liabilities. Any increase or decrease in their value is matched by an increase or decrease or the associated liability to policyholders.

Group net investment in insurance companies

	At 31 December	
	2014	2013
	£000	£000
Total assets in insurance businesses	**795,628**	319,248
Total liabilities in insurance businesses	**(756,057)**	(281,114)
Deferred consideration payable to former shareholders	**(12,133)**	(12,841)
Other intangible assets future profits – life	**2,682**	2,980
Other intangible assets discount of liabilities – non-life	**—**	20
	30,120	28,293
Non-controlling interests	**(20,934)**	(20,774)
	9,186	7,519

28. Notes to the Cash Flow Statements

	Group Year to 31 December		Company Year to 31 December	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Operating profit	**11,103**	8,484	**(569)**	(845)
Adjustments for:				
Depreciation of property, plant and equipment	**1,660**	2,253	**—**	—
Amortisation of intangibles	**2,913**	2,671	**—**	—
Other non-cash items	**1,155**	2,253	**202**	792
Decrease in provisions	**(2,178)**	(2,193)	**—**	—
Share of results of associates and joint ventures	**(121)**	(69)	**—**	—
Operating cash flow before movements in working capital	**14,532**	13,399	**(367)**	(53)
Increase in receivables	**(5,595)**	(1,946)	**(30,802)**	(21,765)
Increase/(decrease) in payables	**2,684**	581	**(16,645)**	8,320
Decrease in insurance company assets	**109,444**	30,079	**—**	—
Decrease in insurance company liabilities	**(110,881)**	(31,761)	**—**	—
Cash generated/(used) by operations	**10,184**	10,352	**(47,814)**	(13,498)
Contributed by:				
– Professional Services	**10,524**	10,186	**(47,677)**	(12,489)
– Owned Insurance Companies	**(340)**	166	**(137)**	(1,009)
Cash generated/(used) by operations	**10,184**	10,352	**(47,814)**	(13,498)
Income taxes paid	**(1,133)**	(1,041)	**—**	—
Interest paid	**(1,112)**	(1,151)	**(1,034)**	(955)
Dividends from other group companies	**—**	—	**50,744**	15,585
Net cash before movement in client funds	**7,939**	8,160	**1,896**	1,132
Movement in client funds	**1,896**	4,777	**—**	—
Net cash from operating activities	**9,835**	12,937	**1,896**	1,132

Additions to tangible fixed assets during the year amounting to £59,000 (2013: £nil) 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. Cash includes client funds of £41.9m (2013: £40.0m).

29. Retirement benefit schemes

Certain employees of the Group are members of one of the four defined benefit schemes operated by the Group, details of which are set out below. The assets of all these pension schemes are held in separate trustee-administered funds. The defined benefit pension schemes are subject to triennial valuations by independent, professionally qualified actuaries, using the projected unit credit method. The results of the last review for each scheme shown below. The Group also operates a defined benefit scheme in respect of certain employees of the office in Jakarta, Indonesia. This scheme is not a material balance to the Group.

	Charles Taylor & Co. Limited Retirement Benefits Scheme	Wm. Elmslie & Sons 1972 Pension & Life Assurance Fund	E R Lindley & Co. Limited Pension Plan	Richards Hogg Pension & Life Assurance Scheme
The last valuation was carried out as at	1 July 2013	1 January 2012	1 July 2011	1 May 2012
Market value of scheme assets at last valuation was	£52,109,000	£3,567,000	£3,797,800	£16,935,000
Percentage coverage of actuarial value to benefits accrued to members	65%	183%	120%	64%
The following actuarial assumptions were applied: Investment returns				
– Post-retirement (male; female)	4.25%	3.3%	6.5%; 6.0%[1]	4.45%
– Pre-retirement	4.5%	5.4%	4.0%	5.75%
Salary growth	n/a	4.7%	3.0%	3.0%
Employer ongoing contribution rates for 2011 as percentage of pensionable earnings (excluding deficit funding contributions)	n/a	Nil[2]	18.0%	14.4%

1 4.0% for current pensioners paid from the fund.
2 The surplus is sufficient to offset the future service contributions.

The employer's contribution rates over the average remaining service lives of the members of each scheme take account of the surplus/deficit disclosed by the above valuations. The total expense recognised in the income statement during the year in respect of the above defined benefit schemes amounted to £1.8m (2013: £1.9m).

The total expense recognised in the income statement in respect of defined contribution schemes amounted to £3.2m (2013: £2.9m).

The defined benefit schemes are all closed to new entrants. The CT & Co Scheme was closed to future accrual from 1 July 2011 and the last active member of the WM Elmslie Scheme retired in 2013, so there is no future accrual in respect of this scheme from 2014. For the ER Lindley & Co and Richards Hogg Schemes, existing members continue to accrue benefits. The service cost in respect of existing members (expressed as an annual percentage of pensionable payroll) may therefore be expected to increase in successive years as a result of the schemes' ageing membership.

The key risks which could significantly impact the balance sheet include:

- fall in asset values;
- decrease in discount rate;
- increase in price inflation; and
- increase in longevity.

The trustees control the investment strategies of the schemes, which may affect the asset values. Sensitivity for each of the other risks listed above are shown at the end of this note.

IAS 19R *Employee Benefits*

The calculations used for IAS 19R disclosures have been based on the most recent actuarial valuations and updated by the Group's actuaries to take account of the requirements of IAS 19R in order to assess the liabilities of the Pension Plans at 31 December 2014. Plan assets for the four schemes are stated at their market value at 31 December 2014.

Similar financial assumptions have been used for each of the four schemes to calculate scheme liabilities under IAS 19R, as below. Note that the Consumer Price Index (CPI) measure of inflation has been applied where the rules of the schemes permit.

	At 31 December		
	2014	2013	2012
	%	%	%
Rate of increase in salaries	**3.10**	3.40	2.80
Rate of increase of pensions in payment			
– RPI			
– max 5%	**3.10**	3.40	3.00
– max 2.5%	**2.50**	2.50	2.50
– CPI			
– max 5%	**2.35**	2.65	2.05
– max 2.5%	**2.35**	2.50	2.05
Discount rate	**3.50**	4.60	4.50
Inflation assumption			
– RPI	**3.10**	3.40	2.80
– CPI	**2.35**	2.65	2.05

The weighted average duration of the four pension schemes is 19 years.

Combined scheme assets

	At 31 December		
	2014	2013	2012
	£000	£000	£000
Equities	**32,349**	30,497	26,167
Gilts	**16,999**	6,005	5,013
Bonds	**13,790**	25,836	24,695
Hedge fund	**13,790**	6,558	5,234
Property	**607**	395	74
Cash	**2,168**	2,686	5,234
Group pension contracts	**7,025**	7,032	7,298
Total market value of assets	**86,728**	79,009	73,715

The assets shown above are mostly held in funds which in turn may invest in quoted assets. The schemes have no material direct investments in quoted markets.

Amount recognised in the balance sheet in respect of the Group's retirement benefit obligations

	At 31 December		
	2014	2013	2012
	£000	£000	£000
Total market value of assets as shown above	**86,728**	79,009	73,715
Actuarial value of liability	**(126,124)**	(103,604)	(103,613)
Restrictions on asset recognised	**(1,955)**	(1,867)	(1,500)
Overseas retirement benefit obligation	**(183)**	(209)	(196)
Net liability recognised in the balance sheet	**(41,534)**	(26,671)	(31,594)
Related deferred tax asset	**8,316**	5,358	7,271
Pension liability net of related deferred tax asset	**(33,218)**	(21,313)	(24,323)

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. For the Charles Taylor & Co Limited Retirement Benefits Scheme and the Richards Hogg Pension & Life Assurance Scheme, the expected return reflects the long-term asset allocation of the Trustees. For the Charles Taylor & Co Limited Retirement Benefits Scheme, the composite expected return is derived from FTSE-Actuaries Gilt indices and from indices published by Merrill Lynch as at the measurement date. For the Richards Hogg Pension & Life Assurance Scheme, the Trustees' investment consultants have provided a best-estimate return assumption based on market conditions as at the measurement date. The ER Lindley & Co Ltd Pension Plan and the Wm. Elmslie & Sons 1972 Pension & Life Assurance Fund are both invested in insurance contracts. The asset that the Company can recognise in respect of the WM Elmslie & Sons 1972 Pension & Life Assurance Fund, has been restricted.

Amounts recognised in profit or loss in respect of the Group's retirement benefit obligations

	Year to 31 December	
	2014	2013
	£000	£000
Current service cost	**143**	169
Administrative expenses	**504**	355
Current service cost	**647**	524
Net interest on the defined benefit liability	**1,139**	1,378
	1,786	1,902

The charge for the year is included in administrative expenses in the income statement. The actual return on plan assets was 9.9% (2013: 8.4%).

Analysis of amount recognised in the Consolidated Statement of Comprehensive Income

	Year to 31 December	
	2014	2013
	£000	£000
Return on plan assets excluding interest expense	**4,163**	2,853
Experience losses on liabilities	**(1,996)**	(484)
Changes in financial assumptions	**(20,396)**	971
Changes in demographic assumptions	**1,296**	—
Change in effect of asset ceiling excluding interest expense	**(3)**	(301)
Actuarial (loss)/profit recognised	**(16,936)**	3,039
Movement in deferred tax	**2,978**	(1,929)
Net (loss)/gain recognised	**(13,958)**	1,110

The cumulative amount of actuarial losses recognised in other comprehensive income is £41.4m (2013: £26.5m).

Change in the present value of the defined benefit obligation

	Year to 31 December	
	2014	2013
	£000	£000
Defined benefit obligation at 1 January	**103,604**	103,613
Service cost	**143**	169
Administration cost	**504**	355
Interest cost	**4,687**	4,616
Remeasurement – financial assumptions	**20,396**	(1,090)
Remeasurement – demographic assumptions	**(1,296)**	—
Remeasurement – experience adjustments	**1,996**	484
Member contributions	**44**	55
Benefits paid	**(3,954)**	(4,598)
Defined benefit obligation at 31 December	**126,124**	103,604

Change in the fair value of plan assets

	Year to 31 December	
	2014	2013
	£000	£000
Fair value of plan assets at 1 January	**79,009**	73,715
Interest income	**3,633**	3,238
Return on assets less interest income	**4,163**	2,919
Contributions by employer	**3,833**	3,680
Member contributions	**44**	55
Benefits paid	**(3,954)**	(4,598)
Fair value of plan assets at 31 December	**86,728**	79,009

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2014 years	2013 years	2012 years
Retiring today:			
Males	**23.7**	22.2	22.1
Females	**24.9**	24.4	24.4
Retiring in 20 years:			
Males	**25.1**	23.4	23.3
Females	**26.4**	25.5	25.5

Sensitivity analysis

The key assumptions used in the IAS 19R valuation are detailed above. The sensitivities regarding these assumptions are shown below.

Assumption	**Change in assumption**	**Indicative effect on the scheme's liabilities**
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5%
Longevity	Increase by one year	Increase by 4%
Inflation rate	Increase/decrease by 0.25%	Increase/decrease by 2%

The sensitivities consider the impact of the single change shown, with the other assumptions assumed to be unchanged. The inflation sensitivities allow for the consequential impact on the salary increase, statutory deferred revaluation and pension increase assumptions. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. In practice, making two of the changes shown would not make the overall results the sum of the two sensitivities, due to the interdependence of the assumptions.

The Group expects to contribute approximately £4.6m to its defined benefit plans in 2015.

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the associate undertaking including amounts due from and owed to the undertaking are disclosed in notes 16, 18 and 19. Transactions and balances with the Charles Taylor Employee Share Ownership Trust are shown in the note below the Consolidated Statement of Changes in Equity.

The remuneration of directors is disclosed in the Directors' Remuneration Report and in note 5. Certain employees of the Group are members of one of the four defined benefit schemes operated by the Group, of which details are given in note 29.

31. Principal subsidiaries

The subsidiaries listed below are included in the consolidated financial statements.

The main trading activities are the provision of specialist insurance management services to mutual associations and captive insurance companies, claims consulting and average adjusting, third-party claims administration, risk assessment services, insurance and insurance support services. The principal place of business is the same as the place of incorporation/establishment unless otherwise indicated.

Subsidiary	Principal place of business	Place of incorporation/ establishment	Percentage of equity share capital
Charles Taylor Adjusting (Australia) Pty Limited		Australia	100
Charles Taylor & Co. (Bermuda)		Bermuda	100
Charles Taylor Consulting (Hamilton)		Bermuda	100
CTC Insurance Management (Bermuda) Limited		Bermuda	100
Charles Taylor Broker Services Limited		Bermuda	100
Lansdowne Insurance Company Limited		Bermuda	100
Wyndham Insurance Company (SAC) Limited		Bermuda	100
Charles Taylor Consultoria do Brasil LTDA		Brazil	100
Charles Taylor Consulting Services (Canada) Inc		Canada	100
Anson Adjusters & Surveyors Co. Limited		China	70
Charles Taylor S.A.S.		Colombia	100
Charles Taylor Adjusting SARL		France	100
Charles Taylor Broker Services Limited		Great Britain	100
Bestpark International Limited		Great Britain	50
Cardrow Insurance Limited		Great Britain	99
Charles Taylor & Co. Limited		Great Britain	100
Charles Taylor Adjusting Limited		Great Britain	100
Charles Taylor Administration Services Limited		Great Britain	100
Charles Taylor Aviation (Asset Management) Limited		Great Britain	100
Charles Taylor Insurance Services Limited		Great Britain	100
Charles Taylor Investment Management Company Limited		Great Britain	100
Charles Taylor KnowledgeCenter Limited		Great Britain	100
Knowles Loss Adjusters Limited		Great Britain	100
Charles Taylor Services Limited		Great Britain	100
Richards Hogg Lindley (Hellas) Limited	Greece	Hong Kong	100
Richards Hogg Lindley (India) Limited	India	Hong Kong	100
PT Radita Hutama Internusa		Indonesia	78
Beech Hill Insurance Limited		Ireland	100
Charles Taylor Insurance Services (Ireland) Limited		Ireland	100
LCL International Life Assurance Company Limited		Isle of Man	100
LCL Life & Pensions Limited		Isle of Man	100
Charles Taylor Insurance Services (IoM) Limited		Isle of Man	100
Charles Taylor (Japan) Limited		Japan	100
Charles Taylor Marine SDN Bhd[1]		Malaysia	100
Charles Taylor Consulting Mexico SA de CV		Mexico	100
Charles Taylor Holdings BV		Netherlands	100
Charles Taylor Adjusting Qatar Ltd		Qatar	49
Charles Taylor Mutual Management (Asia) Pte. Limited		Singapore	100
Charles Taylor Adjusting Saudi Arabia Limited		Kingdom of Saudi Arabia	60
Overseas Adjusters and Surveyors Co. Limited		Taiwan	85
Charles Taylor P&I Management (Americas) Inc		USA	100
CTC Americas Inc		USA	100
LAD (Aviation) Inc		USA	100
RJA Ltd		USA	100
Signal Administration Inc		USA	100

1 Direct holdings.

Associate undertakings	Activities	Principal place of business	Place of incorporation/ establishment	Percentage of equity share capital
Korhi Average Adjusters & Surveyors Limited			South Korea	30

All holdings are indirect, except where indicated.

32. Non-recurring costs

In the prior year the directors removed certain costs from the business in order to improve operational efficiency. The £0.2m cost incurred to date represents further restructuring costs arising from the reduction of headcount in certain business segments. The directors consider these costs to be of a non-recurring nature.

33. Capital commitments

There were no capital commitments at 31 December 2014 (2013: none).

34. Contingent liabilities

There are no material contingent liabilities requiring disclosure.

35. Events after the balance sheet date

These events are detailed in the Directors' Report.

Five Year Record

	Year to 31 December				
	2010 £000	2011 £000	2012 £000 (restated)	2013 £000	**2014** **£000**
Consolidated income statement					
Revenue	99,127	102,459	108,203	113,578	**122,759**
Operating profit before amortisation of goodwill and gain on bargain purchases	14,071	8,499	8,374	8,484	**11,103**
Gain on bargain purchases	543	—	—	—	**—**
Operating profit	14,614	8,499	8,374	8,484	**11,103**
Net other charges	(2,133)	(2,120)	(1,745)	(1,576)	
Profit before tax	12,481	6,379	6,629	6,908	**9,566**
Income tax expense	(1,898)	(1,813)	(1,702)	(1,369)	**(1,165)**
Profit for the year	10,583	4,566	4,927	5,539	**8,401**
Customer relationships amortisation	2,090	1,805	1,282	1,181	**1,527**
Non-recurring costs	—	1,027	—	1,627	**211**
Adjusted profit for the year	12,673	7,398	6,209	8,347	**10,139**
Attributable to non-controlling interests	(3,849)	557	1,163	268	**(190)**
Attributable to owners of the Company	8,824	7,955	7,372	8,615	**9,949**
Earnings and dividends					
Earnings per ordinary share – statutory basic	16.8p	12.8p	15.1p	14.2p	**19.5p**
– adjusted	22.0p	19.9p	18.3p	20.0p	**23.2p**
Dividends per ordinary share	10.0p	10.0p	10.0p	10.0p	**10.8p**
Cover for ordinary dividends (adjusted)	2.2x	2.0x	1.8x	2.0x	**2.1x**

	At 31 December				
	2010 £000	2011 £000	2012 £000	2013 £000	**2014** **£000**
Consolidated balance sheet					
Non-current assets	71,144	67,455	64,230	63,310	**68,466**
Net current assets	73,208	75,567	54,324	69,489	**76,019**
Non-current liabilities and provisions	(66,912)	(74,253)	(61,943)	(72,126)	**(89,809)**
Net assets	77,440	68,769	56,611	60,673	**54,676**
Share capital and share premium	31,038	31,038	31,038	33,119	**36,084**
Capital and merger reserves	7,534	7,534	7,534	7,534	**7,534**
Retained earnings	2,432	(6,340)	(3,684)	(1,378)	**(10,699)**
Own shares	(310)	—	(385)	(433)	**(223)**
Non-controlling interests	36,746	36,537	22,108	21,831	**21,980**
Total equity	77,440	68,769	56,611	60,673	**54,676**

2012 figures have been restated for IAS 19R.

This Annual Report and Accounts 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.

Shareholder information

Analysis of shareholdings

The tables below show an analysis of ordinary shareholdings as at 31 December 2014.

	Shares	Percentage	Holdings	Percentage
Individuals	5,510,922	12.7%	527	64.0%
Bank or Nominees	34,486,451	79.4%	272	33.0%
Other corporations	3,432,237	7.9%	24	3.0%
	43,429,610	100.0%	823	100.0%
Number of shares held:				
1 to 5,000	733,473	1.7%	539	65.5%
5,001 to 10,000	723,489	1.7%	97	11.8%
10,001 to 50,000	2,423,359	5.6%	108	13.1%
50,001 to 250,000	6,134,373	14.1%	49	6.0%
250,001 to 1,000,000	10,549,303	24.3%	20	2.4%
1,000,001 to 2,000,000	6,005,451	13.8%	4	0.5%
2,000,001 to 5,000,000	16,860,162	38.8%	6	0.7%
	43,429,610	100.0%	823	100.0%

Shareholder enquiries

The Company's Registrar is Computershare Investor Services PLC. Enquiries relating to the following administrative matters should be addressed to the Company's Registrar: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Tel: 0870 889 4020.

- Dividend reinvestment plan.
- Dividend payment enquiries.
- Dividend mandate instructions. Dividends may be paid directly into your bank or building society account on completion of a mandate instruction form. Tax vouchers are sent to the shareholder's registered address.
- Loss of share certificates/dividend warrants/tax vouchers.
- Notification of change of address.
- Transfer of shares to another person.
- Amalgamation of accounts. If you receive more than one copy of the annual report, you may wish to amalgamate your accounts on the share register.

Internet and telephone share dealing service

www.computershare.com/sharedealingcentre

Tel: 0870 703 0084

Investor centre

As a part of our commitment to improve shareholder communications we offer a free and secure website, managed by our Registrar Computershare Investor Services PLC. Managing your shares online means you can access information quickly, securely and minimise postal communications.

To register visit www.investorcentre.co.uk – all you will need is your registered address details and your Shareholder Reference Number which you will find on your certificate/tax vouchers.

You will be given instant access to:

- View portfolio balances and the market value of all your holdings registered with Computershare
- Update your address
- Register to receive electronic shareholder communications
- Download forms

Computershare will also send a unique activation code to your registered address, which you can use to:

- Update your bank details
- View and manage your dividend payments
- Access your electronic tax vouchers
- View your holding's transactional history

For other enquiries relating to shareholder services or general enquiries about the Company, please contact: The Company Secretarial Department, Charles Taylor plc, Standard House, 12–13 Essex Street, London WC2R 3AA. Tel. 020 3320 8888.

The Charles Taylor plc website

Shareholders are encouraged to visit our website www.ctplc.com for further information about the Company. The dedicated investors section on the website contains information specifically for shareholders including regulatory announcements and copies of the latest and past accounts.

Share price information

The Company's share price appears in various UK national newspapers including the Daily Telegraph and The Independent under "Support Services" and appears on various financial websites under the sector "Business Support Services" and code CTR.

Dividends and tax on dividends

Dividend information can be found in the Directors' Report on page 62.

Non-taxpayers may be able to claim back from HMRC some or all of the tax paid by the Company on their cash dividend payments. The dividend tax voucher will be required when making a claim.

Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. To limit the amount of unsolicited mail you receive, write to the Mailing Preference Service, MPS Freepost LON 20771, London, W1E 0ZT or visit the website at www.mpsonline.org.uk/mpsr.

Financial Diary

Annual General Meeting	**Second interim dividend for 2014**		**Interim dividend for 2015**	
7 May 2015	Ex-dividend	26 March 2015	Ex-dividend	15 October 2015
	Record date	27 March 2015	Record date	16 October 2015
Half Year results announcement	Payment due	24 April 2015	Payment date	27 November 2015
28 August 2015				

These dates are indicative only and may be subject to change.

Charles Taylor offices

We have around 1,200 staff in 67 offices spread across 27 countries

Europe and Middle East		**Asia Pacific**		**Americas**
	Republic of Ireland	Australia	Philippines	Bermuda
France	Kingdom of	China	Republic of Korea[1]	Brazil
			Singapore	
Greece	Saudi Arabia	India	South Africa	Canada
Isle of Man				
Monaco	UAE	Indonesia	Taiwan	Colombia
Qatar	UK	Japan	Vietnam	Mexico
		Malaysia		USA

1. Associated undertaking

Further information about Charles Taylor can be found on our website at www.ctplc.com, or by contacting one of our offices on the telephone numbers listed below.

		Telephone No
Head Office	London Standard House	(+44) 20 3320 8888
Australia	Brisbane	(+61) 7 3839 9999
	Melbourne	(+61) 3 9653 9594
	Perth	(+61) 8 9321 2022
	Sydney	(+61) 2 9025 3532
Belgium	Brussels	(+32) 54 319 872
Bermuda	Hamilton (Mutual management)	(+1) 441 292 3103
	Hamilton (Captive management)	(+1) 441 295 8495
Brazil	Rio de Janeiro (Adjusting)	+55 (21) 37 36 36 52
	Rio de Janeiro (P&I)	+55 (21) 37 36 36 53
Canada	Calgary	(+1) 403 266 3336
	Halifax	(+1) 902 835 7600
	St. John’s	(+1) 709 726 7750
	Toronto	(+1) 416 640 6022
	Vancouver	(+1) 604 566 9907

China	Beijing	(+86) 1350 116 9022
	Hong Kong	(+852) 2399 6100
	Shanghai	(+86) 6888 3101
Colombia	Bogota	(+57) 1 746 0106
	Barranquilla	(+57) 1 746 0106
	Cali	(+57) 1 746 0106
	Medellin	(+57) 1 746 0106
France	Paris	(+33) 153 430 030
Greece	Piraeus (P&I)	(+30) 210 429 0733
	Piraeus (Adjusting)	(+30) 210 429 1300
India	Mumbai	(+91) 22 2283 5851
Indonesia	Balikpapan	(+62) 542 7213 794
	Jakarta	(+62) 21 515 2084
	Surabaya	(+62) 31 827 3240
Republic of Ireland	Dublin	(+353) 16 766 634
Isle of Man	Douglas	(+44) 1624 683 699
Japan	Tokyo	(+81) 3 5297 4700
Republic of Korea	Seoul	(+82) 2 752 1891
	Busan	(+82) 2 752 1891
Malaysia	Selangor	(+60) 3 7781 2260
Mexico	Mexico City	(+52) 55 3000 1880
Monaco	Monaco	(+377) 9999 5300
Philippines	Manila	(+44) 20 3320 2269
Qatar	Doha	(+974) 4436 8254
Kingdom of Saudi Arabia	Jeddah	(+966) 11472 4728
	Riyadh	(+966) 1 472 4728
Singapore	Singapore (P&I)	(+65) 6506 2896
	Singapore (Aviation)	(+65) 6506 2894
	Singapore (Energy)	(+65) 6506 2891
	Singapore (Marine)	(+65) 6506 2897
South Africa	Johannesburg	(+44 1425 480 333)
Taiwan	Taipei	(+886) 2 2706 6509
United Kingdom	Aberdeen	(+44) 1343 850 465
(KLA = Knowles Loss Adjusters offices)	Basingstoke (KLA)	(+44) 125 633 6241
	Belfast (KLA)	(+44) 289 067 1099
	Birmingham (KLA)	(+44) 167 546 6441
	Bury (KLA)	(+44) 161 705 4358
	Cardiff (KLA)	(+44) 292 023 6060
	Chelmsford (KLA)	(+44) 124 534 7496
	Glasgow	(+44) 141 221 2992
	Glasgow (KLA)	(+44) 141 883 8771
	Liverpool	(+44) 151 227 2175
	London Leadenhall Street	(+44) 20 7623 1819
	London Portsoken Street	(+44) 20 7767 2700
	London St John's Square (KLA)	(+44) 20 7336 8500
	London Standard House	(+44) 20 3320 8888
	Newcastle	(+44) 191 232 2745
	Newcastle (KLA)	(+44) 191 251 8279
	Ringwood, Hampshire	(+44) 1425 480 333
	Sheffield (KLA)	(+44) 114 275 7030
United Arab Emirates	Dubai	(+971) 4 335 6490

United States of America	Dallas, TX (Signal)	(+1) 972 770 1480
	Dallas, TX (Risk consulting)	(+1) 972 447 2055
	Dallas, TX (Aviation)	(+1) 972 447 2050
	Houston, TX	(+1) 713 840 1642
	Long Beach, CA	(+1) 562 437 8100
	Miami, FL	(+1) 954 447 9840
	New York, NY (P&I)	(+1) 212 809 8085
	New York, NY (Adjusting)	(+1) 212 809 8082
	North Babylon, NY	(+1) 631 285 6934
	San Francisco	(+1) 415 233 1121
	Wilton, CT	(+1) 203 761 6060

Notes

Charles Taylor is a leading provider of professional services to clients across the global insurance market. We have been providing such services since 1884 and today we employ over 1,200 permanent staff in 67 offices spread across 27 countries in the UK, the Americas, Asia Pacific, Europe and the Middle East.

Charles Taylor plc

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