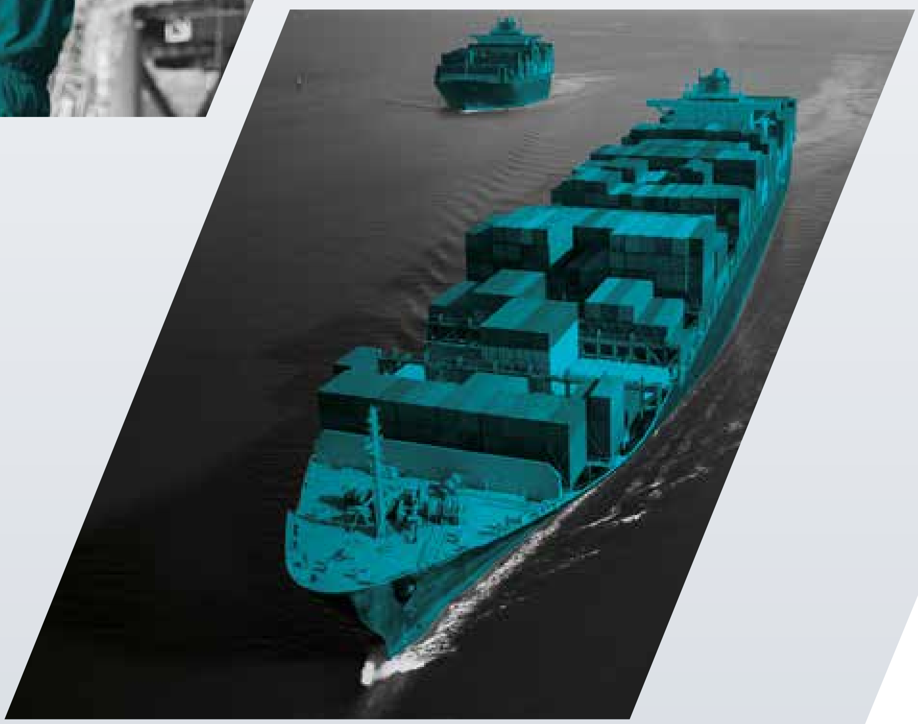
Charles Taylor

Professional Services
for global insurance markets

Annual Report and Accounts 2015



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 1,300 permanent and contract staff in 69 offices spread across 28 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

The Group offers a range of management and professional services, principally on a fee-based model, and operates through three businesses – Management, Adjusting and Insurance Support Services. We also own life insurers, creating value by undertaking targeted acquisitions and achieving operational efficiencies.

Business Highlights

Continuing business

- Increased revenue
- Increased adjusted profit before tax
- Increased statutory profit before tax
- Delivered strong Professional Services performance
- Reduced net debt significantly
- Rights Issue proceeds to be fully invested
- Delivered a wide range of growth initiatives
- Increased total dividend per share year on year[3]

Discontinued business

- Exiting the non-life Owned Insurance Companies and thereby releasing cash in 2016

Financial Highlights

Revenue

£143.4m +17.1%

(2014: £122.5m[1])

Statutory profit before tax

£12.8m +31.6%

(2014: £9.7m[1])

Adjusted profit before tax[2]

£14.2m +24.4%

(2014: £11.4m[1])

Net debt

£9.9m

reduced by 69.6%

(2014: £32.6m)

Statutory earnings per share

18.61p +4.8%

(2014: 17.75p[1])

Adjusted earnings per share[2]

19.98p +22.4%

(2014: 16.32p[3])

Dividend per share

10.00p +6.2%

(2014: 9.42p[3])

1. Restated to show continuing business. See Finance Review for more details.
2. The adjusted figures exclude the amounts in the table below (£m).

	2015	2014[1]
Acquired intangible assets amortisation	1.6	1.5
Non-recurring costs	0.1	0.2
Non-controlling interests – profit before tax	(0.3)	(0.1)
Adjustments to profit before tax	1.4	1.6
Tax on non-recurring costs	(0.1)	(0.2)
Tax on non-controlling interests	(0.0)	0.1
Adjustments to earnings	1.3	1.5

3. Restated to reflect full year impact of the Rights Issue.

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

Charles Taylor at a Glance

Charles Taylor is a leading provider of professional services to the global insurance market. We operate through three professional services businesses: Management, Adjusting and Insurance Support Services. We also own and consolidate international life insurance businesses through our Owned Insurance Companies business.

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 clients, covering every aspect of an insurance company's operations including marketing, underwriting and claims management, along with the provision of regulatory, accounting, administrative, investment management and technology services.

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

Growth opportunities
- Grow membership and scale of our existing clients
- Introduce new products and services for those clients
- Seek management contracts from new and existing mutuals, group captives, buying groups and other insurance-related associations

378 staff[1]

Revenue
£m

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' expertise is in the resolution of larger and more complex losses arising from major insured incidents and claims. We also offer a more general claims service to insurance companies.

Growth opportunities
- Expand into new territories
- Extend service offering to all offices in the Group
- Recruit additional top performing adjusters
- Develop further the skills of the next generation of adjusters

756 staff[1]

Revenue
£m

Insurance Support Services

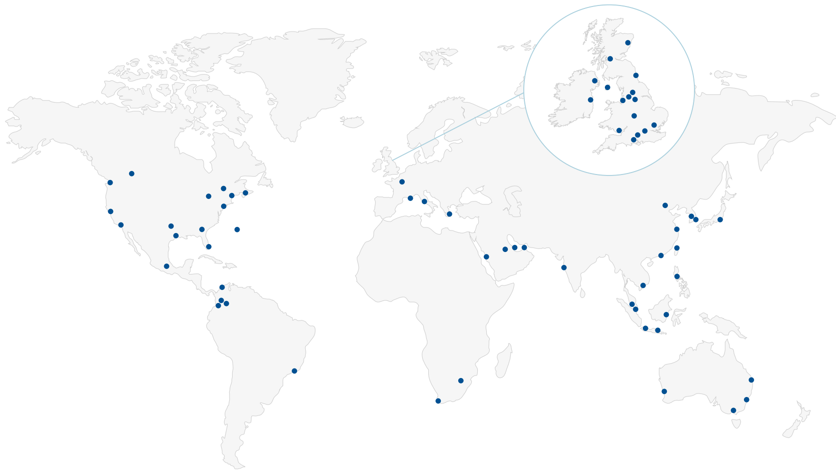
The Insurance Support Services business provides a range of professional and technology services, enabling our clients to select the specific stand-alone services they require:

Turn-key Managing Agency Services for Lloyd's syndicates

Business Process Outsourcing
- Broking and underwriting services
- Market-wide insurance services
- Financial reporting services
- Run-off management services
- Life insurance administration services
- Managing General Agency (MGA) services

Insurance Technology Services
- Specialist and bespoke insurance technology solutions
- End-to-end insurance systems for insurance companies
- System development and implementation support
- Analytics and business intelligence

1. Includes Global Business Services teams on a pro rata basis and non-permanent contract staff.



Our international office network

Insurance is a global business and we have offices located strategically around the world in order to be near our clients and to provide our services, wherever they are required. We operate from 69 offices, spread across 28 countries in the Americas, Asia Pacific, Europe, the Middle East and Africa.

Claims Management Services

- Third Party Administration (TPA) claims services
- Elective claims services
- Static claims management services

Risk Transfer Solutions

- Captive management
- Coverholder and niche/specialty insurance solutions
- Risk consulting services
- General agency services

Investment Management

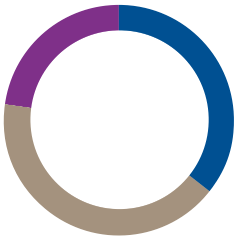
Growth opportunities

- Be appointed to manage new Lloyd's syndicates
- Expand insurance technology services
- Grow TPA claims services
- Expand claims management services
- Develop Business Process Outsourcing services
- Secure more run-off servicing contracts
- Gain new captive management mandates
- Develop risk consulting services
- Win additional investment management mandates

190 staff[1]

Revenue
£m

Professional Services revenue 2015



- 35.8% Management Services
- 41.6% Adjusting Services
- 22.6% Insurance Support Services

Professional Services operating segment profit 2015

- 58.7% Management Services
- 11.3% Adjusting Services
- 30.0% Insurance Support Services

Staff breakdown 2015

- 29% Management Services
- 57% Adjusting Services
- 14% Insurance Support Services

Our Owned Insurance Companies

Life company acquisition and consolidation

The Owned Insurance Companies business owns non-life and life insurance companies and consolidates international life insurance businesses, which are primarily in run-off, creating value by undertaking targeted acquisitions and achieving operational efficiencies. In line with the Group's strategy, the business is disposing or transferring the business of its non-life insurance companies.

Growth opportunities

- Seek out opportunities to acquire international life companies

Revenue
£m

Strategic Report

“Charles Taylor achieved particularly strong growth in 2015. Revenue and profit before tax increased strongly as we delivered a wide range of growth initiatives...”

Delivering Services to our Clients

We create value by delivering highly regarded professional services to clients across the global insurance markets.

Our competitive advantages

Strong client relationships
Charles Taylor is a people business and our clients are at the heart of everything we do. We have a partnership mind-set and 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.

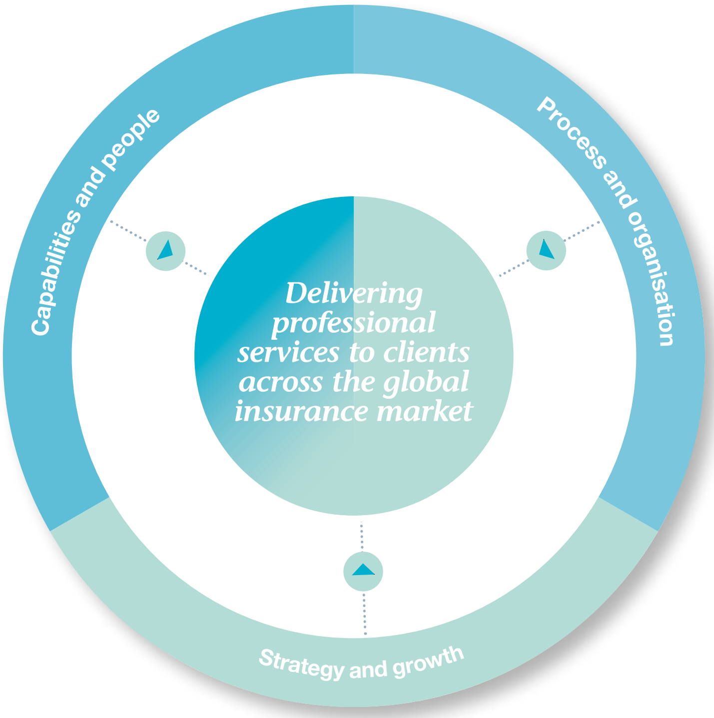
Well-regarded professional services
We deliver professional services of a proven quality to our clients across the global insurance market. The Group offers services across almost the entire insurance value chain.

Highly skilled, technically excellent people
Most of 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.

Located where and when our clients most need us
We have offices located strategically around the world in order to be near our clients and to provide our services locally, wherever they are required. We have over 1,300 staff in 69 offices spread across 28 countries in the Americas, Asia Pacific, Europe, the Middle East and Africa.

A Collaborative Business Model

We are a relationship business. It is our relationships with our clients and colleagues which underpin our business model and enable us to deliver high-quality services to our clients around the world.



Our business model

Strategy and growth

Deliver solid growth in revenue and earnings: We aim to deliver solid revenue and earnings growth each year, with limited earnings volatility. This supports our shareholders' income and growth expectations and enables us to invest in the business.

Grow organically and through targeted investments: We aim to deliver growth through numerous organic initiatives. We also seek to invest in targeted joint ventures and acquisitions which meet our structural, cultural and financial expectations.

Inspire performance: We set clear, stretching and achievable objectives for our people, that give direction, allow autonomy and inspire performance.

Capabilities and people

Have a client-centric culture: We have a Group-wide culture that promotes client service, winning business, developing people and a partnership mind-set.

Employ exceptional staff: We recruit professional staff who are innovative and entrepreneurial with high standards of technical ability, as well as being motivated, well trained and approachable.

Nurture talent: We have a meritocratic, transparent and supportive talent management approach, spanning recruitment, succession, training and development planning.

Process and organisation

Drive growth: Our businesses have a high degree of autonomy, enabling them to respond quickly to clients' needs and new opportunities. They are supported by the Group's Global Business Services (eg finance, HR, IT, legal, facilities, assurance and marketing).

Manage growth: We have a well-established business model that balances a focus on near-term profits with a long-term view.

Promote growth: We have effective business development and marketing capability, driven primarily by each business, along with the support of the wider Group.

Business Strategy

Our business strategy is to deliver growth in revenue, profit and shareholder value by focusing primarily on the provision of professional services. Our approach is to seek organic growth by:

- Capitalising on our areas of strength by offering related services to our clients.
- Realising the significant potential for cross referral and joint working across the Group.
- Building our niche businesses to leadership positions.
- Entering new closely related business lines.

We are well positioned to generate this growth and believe the demand for the professional services we offer is substantial.

We are also open to growth through targeted acquisitions, joint ventures and business investments.

Our Professional Services business strategy has three elements: ***Optimise our business operations***, ***Deliver growth in our core Professional Services businesses*** and ***Explore medium-term strategic options***.

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

See Group CEO's Review for 2015 highlights.

In 2015, we:
- Appointed a new senior management team for Charles Taylor InsureTech with strong backgrounds in insurance technology, implementation and management consultancy to drive the business' growth.
- Undertook effective succession planning by announcing the appointment of new chief executive officers for Charles Taylor Adjusting and Charles Taylor Insurance Services.
- Launched the Group's Learning and Development core curriculum to put greater emphasis on staff training and personal development.
- Undertook a staff engagement survey; the results of which were that nine out of ten Charles Taylor staff would recommend the Group as a great place to work. This score compares particularly well with other organisations.

Deliver growth in our 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 2015 highlights.

In 2015, we:
- Launched Charles Taylor Managing Agency, a Lloyd's turn-key managing agency which secured its first client.
- Established Charles Taylor InsureTech to draw together all of the Group's specialist and bespoke technology solutions, systems development and implementation solutions into a single client-focused business.
- Launched a cross-business initiative to co-ordinate better our sales and marketing activities across North America.

Explore medium-term strategic options: *develop new professional services through acquisitions, joint ventures and business investments. Any initiative of this nature needs to be a good fit strategically, culturally and financially.*

See Group CEO's Review for 2015 highlights.

In 2015, we:
- Completed a Rights Issue, raising £28.9m after expenses, in order to take greater advantage of the range of potential acquisition, joint venture and business investment opportunities available to the Group.
- Won the appointment to manage The Strike Club, a mutual maritime delay insurer.
- Acquired, with The Riverside Company, a majority stake in the owner of Fadata, a specialist provider of software solutions to the global insurance industry.

Our Owned Insurance Companies business strategy

We are seeking targeted acquisition opportunities in the international life insurance sector.

See Group CEO's Review for 2015 highlights.

In 2015, we:

- Completed the acquisition of Scottish Widows International, a closed book life insurer.
- Reached agreements to dispose or transfer the business of the Group's owned non-life insurance companies.

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 and motivated 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 genuine pride in delivering high-quality work. We stake our reputation on the provision of high-quality 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.

Group Chief Executive Officer's Review

Charles Taylor achieved particularly strong growth in 2015. Revenue and profit before tax increased strongly as we delivered numerous growth initiatives.

David Marock, Group Chief Executive Officer

These included launching the Group's turn-key managing agency business, focusing on the development of our insurance technology business and securing a new management contract from a marine mutual insurer. We also completed a Rights Issue to enable further acquisitions, joint ventures and business investments. We acquired an international life insurer along with a stake in a specialist provider of software solutions to the global insurance industry. We also reached agreements to exit the Group's owned non-life insurance companies businesses, thereby delivering on this strand of the Group's strategy.

Our performance demonstrated the strength of our diversified business model. The Management Services and Insurance Support Services businesses performed particularly well. These more than compensated for the impact of the weaker trading conditions experienced by our Adjusting Services business.

Professional Services

- The performance of our **Management Services** business was strong. The mutual insurance company clients managed by the Group performed well overall on behalf of their members. We introduced new services for our clients and were appointed manager of The Strike Club, a marine mutual insurance company.
- The **Adjusting Services** business increased revenues, partially through recruiting additional senior loss adjusters and opening new offices. Much to the surprise of the global insurance market, the claims environment continued to be benign. This, combined with the investment for growth, reduced the business' profitability. Adjusting Services is well positioned to benefit as and when global insurance claims activity returns to more normal levels.
- The **Insurance Support Services** business performed well, making a greatly improved contribution to the Group's revenues and profit. The underlying businesses delivered a sustained, improved performance.

Owned Insurance Companies

- The Group's owned life insurance companies performed steadily overall.
- We reached agreements to dispose or transfer the business of the Group's owned non-life insurance companies. Whilst generating an accounting loss, the transactions will give rise to a significant cash release. Once complete, this will also deliver a key element of our Owned Insurance Companies' business strategy.

Rights Issue

We completed a successful Rights Issue, raising £28.9m after expenses, in April 2015. Our first investment with the proceeds was to acquire a stake in the owner of Fadata AD, a specialist provider of software to the global insurance industry. The Group is now well positioned to make further investments. We are actively considering a number of opportunities, but will only invest should these meet our strict criteria of being a good fit strategically, culturally and financially.

Balance sheet

Following the Rights Issue, the Group ended 2015 with net debt of £9.9m (2014: net debt £32.6m). Free cash flow increased to £8.6m (2014: £3.8m). We are focused on managing the Group's cash while investing for growth.

The Group's pension deficit fell during the year. The reduction has been driven largely by changes in corporate bond yields. The Group's net pension liabilities were £39.6m at the year end, compared to £41.5m in 2014. See Finance Review on page 23.

The Board

As announced in the Half Year report, Rupert Robson retired as Chairman on 28 August 2015 and was succeeded by Edward Creasy, who has been an independent Non-Executive Director of Charles Taylor since 1 January 2014. Edward Creasy has had a long career in the London Market insurance industry and was formerly Chief Executive Officer of Kiln plc and latterly Chairman of the Kiln Group from 2001 to 2010. He currently holds various other senior non-executive directorships. He is a Member of the Council of Lloyd's Market Supervision and Review Committee and was previously a director of the Lloyd's Franchise Board. The Board would also like to thank Rupert for his contribution to the progress and development of Charles Taylor during his time as Chairman.

Dividend

A final dividend of 7.00p per share (2014 second interim dividend: 6.57p[1]), will be paid on 6 May 2016 to shareholders on the register on 8 April 2016. When added to the interim dividend of 3.00p per share (2014 first interim dividend: 2.85p[1]), this results in the total dividend per share for the year being 10.00p (2014: 9.42p[1]).

1. Rebased to reflect Right Issue.

Group results 2015 – continuing business

	2015	2014	%
Revenue (£m)	**143.4**	122.5	+17.1%
Adjusted profit before tax (£m)	**14.2**	11.4[1]	+24.4%
Statutory profit before tax (£m)	**12.8**	9.7[1]	+31.6%
Adjusted earnings per share (p)	**19.98**	16.32[2]	+24.4%
Statutory earnings per share (p)	**18.61**	17.75[1]	+4.8%
Dividend (p)	**10.00**	9.42[2]	+6.2%
			reduced by
Net debt (£m)	**9.9**	32.6	69.6%

1. Restated to show continuing business.
2. Rebased to reflect Right Issue.

Professional Services performance

	Revenue		Operating segment profit	
(£m)	2015	2014	2015	2014
Management Services	**50.7**	43.9	**8.8**	7.7
Adjusting Services	**59.0**	56.1	**1.7**	2.2
Insurance Support Services	**32.1**	21.8	**4.5**	2.0
Unallocated	**–**	–	**0.2**	0.3
Total	**141.9**	121.8	**15.2**	12.2

Owned Insurance Companies performance

	Revenue		Operating segment profit	
(£m)	2015	2014[1]	2015	2014[1]
Owned Insurance Companies	**4.8**	3.9	**0.2**	0.7

1. Restated to show continuing business.

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 the clients' boards of Directors. Our services cover every aspect of those companies' operations from underwriting, claims management and delivery of safety services to regulatory, technology solutions, accounting and administrative operations, investment management, customer service, corporate governance and company secretarial services. We manage four mutual insurance companies – The Standard Club, Signal Mutual, The Strike Club and SCALA. We also provide administration services to the Offshore Pollution Liability Association.

The Management Services business earns fees from our mutual insurance company and association clients. Growth in the business of the mutuals and the number and extent of services we deliver, leads to growth in our management activities and ultimately to the level of management fees.

The performance of the managed mutual insurance companies is strong overall – providing a positive long-term indicator of the performance of the Management Services business. The business also seeks to grow by developing new insurance ventures and by tendering for the management contracts of other existing mutual insurance companies and associations.

Management Services – UK & International

Our Management Services – UK & International business performed strongly in 2015. We delivered high-quality professional services to our established clients, secured a new client and launched new products and services.

Delivered services to existing clients

– The Standard Club. Charles Taylor has managed The Standard Club since it was founded in 1884. The club provides protection and indemnity (P&I) and legal defence costs insurance to approximately 10% of the world shipping market. Our work continues to deliver positive results for the club. The club achieved a stable "breakeven" underwriting performance in 2014–15, combined with conservative, selective growth in its membership. Free reserves at 20 February 2015, the club's year-end, grew by 3% to US$380m, in line with the growth in tonnage. In June 2015 ratings agency, Standard & Poor's (S&P), reaffirmed the club's "A" (Strong) credit rating. It revised its outlook from negative to stable to reflect the club's improved underwriting performance and capital strength.

– The Offshore Pollution Liability Association (OPOL). We provide financial, administrative and IT support to OPOL. OPOL is a mutual association, established to manage offshore pollution claims. OPOL provides information to the UK Government to demonstrate that its members can meet their "financial responsibility" obligations to respond to a pollution incident. In 2015, we advised OPOL on amendments to its rules to improve the quality of this information.

Secured new client

– The Strike Club. In early 2015, we were appointed manager of The Strike Club, 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 2015 we enhanced the club's business development and marketing functions, revised the club's management operations and assisted with the preparations for the club to meet the EU's Solvency II regulations.

Developed new products and services

– We supported The Standard Club in setting up a new Lloyd's syndicate, which commenced underwriting in April 2015. We helped the syndicate to develop its distribution capability by establishing a Lloyd's service company in Singapore and appointing a Lloyd's Coverholder in Scandinavia. The syndicate's launch was well received by the market.
– We supported the establishment of the Singapore War Risks Mutual. The mutual insures shipowners against war and related risks and started underwriting in February 2015. The mutual has been well supported by the Singaporean shipping community.

Management Services – Americas

The Management Services – Americas business also had a successful year. We supported the further growth of Signal Mutual and built up the membership of SafeShore.

Secured growth for our 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. Eleven new members joined the mutual in 2014–15, bringing the total membership to 245 companies. The payroll of the member companies, on which calls (premiums) are calculated, reached US$4.1bn at the end of the 2014–15 membership year, an increase of 7.3%. Signal saw a 4.1% fall in the number of claims in the 2014–15 membership year despite an increase in payroll and total man-hours worked for the year. This improvement provides strong evidence of the quality of our underwriting and loss prevention programmes. In 2015, we also helped the mutual to drive down the cost of its medical bills by a further 4.1%, by introducing new pharmacy and physical therapy management programmes.
– SafeShore: The new Longshoreman Workers' Compensation Small Account programme, backed by Signal Mutual and which we helped develop and launch in 2014, has established itself well; 100 employers had joined the programme by early 2016.
– SCALA: Charles Taylor has managed SCALA, which provides marine workers' compensation insurance to the majority of Canada's ship owners, since 1978. SCALA continued to perform well for its members, with a new member entering nine vessels in 2015.

> *"The performance of the managed mutual insurance companies is strong overall – providing a positive long-term indicator of the performance of the Management Services business."*

Case study

Widening access to affordable Longshore workers' compensation insurance.

SafeShore®
From Signal Mutual

Longshore workers' compensation insurance provides waterfront employees in ports and terminals in the USA with vital protection. Larger businesses can access their cover through Signal Mutual, the leading provider in the market, but not all employers meet the criteria necessary to join the mutual. Some small waterfront businesses employ too few staff to join; even large employers may only have a handful of Longshore workers.

We recognised this gap in the market and worked with Signal Mutual to develop SafeShore, a specialist Longshore workers' compensation insurance programme for employers with a small number of waterfront staff.

SafeShore also provides essential protection to Signal Members and other large Longshore employers who use sub-contractors at their facilities. In the past, these sub-contractors often had inadequate workers' compensation insurance, exposing their employers to an uninsured risk. Now, SafeShore gives these larger companies a means to ensure that all workers on their premises have high-quality, affordable cover.

SafeShore has made good progress in its first year of operation. Almost 100 members have signed up to the programme, widening access to affordable Longshore workers' compensation insurance.

Our people

Tim Johnston

Vice President, Underwriting & Member Services, Signal Administration, Dallas

Tim Johnston has worked in the insurance industry in the USA for over 30 years, the last 13 of which have been at Charles Taylor. "It is totally refreshing to work for an organisation that does the right thing for the right reasons and works solely for the benefit of our clients' members," he says.

Tim joined Charles Taylor in 2003 following 20 years in loss control and risk management for insurers, food and cruise line organisations. His initial role was working in loss prevention. He helped to develop safety programmes which have seen Signal Mutual's loss experience improve year on year.

In 2006, he joined the underwriting team, focusing on recruiting high quality members to join Signal. "The Longshore industry is far more complex than the traditional workers' compensation market. Over the years we have got to know exactly who's who in the market and work closely with brokers to offer members an outstanding insurance proposition."

Tim has also been involved in delivering Charles Taylor's growth strategy in North America. "There has been a tremendous development in looking for additional ways we can help our clients. The Group is very entrepreneurial and gives people the opportunity to develop ideas and deliver results without tying them up in bureaucracy."

Jason Wee

Senior Claims Executive, Management Services, Singapore

"I wanted to work in a P&I club as the clubs are far closer to the shipping industry than the legal profession and The Standard Club was my club of choice. As a practising lawyer you deal with incidents well after they happen. In a club, you support members as incidents unfold."

Jason joined Charles Taylor in 2010 from a private legal practice in Malaysia, specialising in shipping disputes. He graduated in law from University College London in 1999 and was called to the English Bar at Lincoln's Inn the following year. Additionally, he obtained a Master's degree in law from the University of Malaya in 2013.

Jason is based in Singapore and manages claims for members of The Standard Club Asia. "Working at Charles Taylor is exciting and interesting. We provide the full range of management services for Standard Asia including underwriting, claims-handling and loss prevention. I enjoy working with such a talented, committed and diverse group of people. Our team comprises 12 nationalities. I believe that the collective experience and expertise of our team is unrivalled regionally."

Charles Taylor is expanding its horizons in Asia. "I recently worked on promoting the Singapore War Risks Mutual, which has secured over 300 ships in its first year and I am actively involved in a number of other exciting new projects," he said.

Jason values the focus on continuing professional development at Charles Taylor. "When you stop learning, you atrophy. At Charles Taylor, I have been given the opportunity to pursue the P&I qualification, complete my postgraduate studies, undertake an overseas secondment and participate in training to hone both my technical and people-management skills."

Sian Dinnadge

Deputy Underwriter Offshore, Management Services, London

"I can understand why people build their long-term careers at Charles Taylor," says Sian Dinnadge. "I work with an outstanding group of people who are experts in their fields and highly supportive of each other. There are so many new opportunities and developments at Charles Taylor that the prospects for individuals and the business as a whole are outstanding."

Sian studied law at Queen Mary University of London, before joining Charles Taylor in 2011. She is a Deputy Underwriter in the Offshore Division, underwriting P&I risks for The Standard Club. The Offshore Division focuses on vessels serving the global offshore energy market. "We cover offshore supply vessels, drill ships, drilling rigs, FPSOs, heavy lift ships, wind farm installation vessels and various other ship types which engage in operations of a specialist nature."

Sian recently attended "Rig School" at the University of Texas. The highly rated course offers a complete introduction to offshore operations from the geophysics of offshore exploration through to production and drilling itself. "Charles Taylor is very supportive of education and professional development. I have been taking the P&I qualification and there are numerous opportunities for on-the-job training."

Adjusting Services

The Adjusting Services business provides loss adjusting services across the aviation, energy, marine, property & casualty and special risks sectors. We 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. We also offer a general claims service.

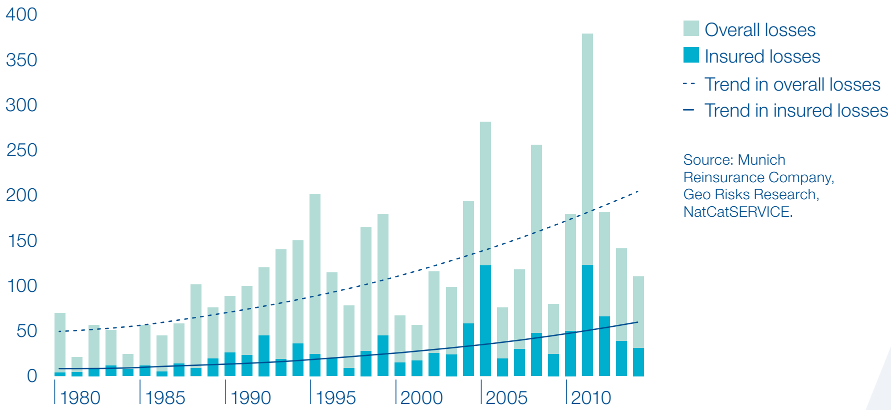
The Adjusting Services business continued to face challenging trading conditions in 2015. Although this resulted in fewer large and complex losses for our adjusters to handle, we received good overall volumes of instructions across the majority of our business lines and our international office network. This, combined with a full year's contribution from Knowles Loss Adjusters, acquired in 2014, enabled the business to increase its revenue for the year.

We invested in Adjusting Services to broaden its offering, recruiting senior adjusters with a strong market following, expanding the office network and strengthening internal operations:

- Opened offices: We opened a loss adjusting office in Rome, Italy to offer local and international insurers access to a locally based international adjusting capability. We also opened an office in Montreal, Canada to meet the growing demand by the Ontario insurance market for bilingual loss adjusting services on large and complex losses. We established a presence in Johannesburg, South Africa in early 2015 and opened an office in Cape Town, South Africa in early 2016.
- Strengthened teams: We strengthened our Property, Casualty & Special Risks loss adjusting capability in London with the appointment of a forensic accountant and a Director with extensive loss adjusting experience, gained on large-scale losses worldwide. We appointed a new Director in Singapore to build our capabilities in handling property, engineering, construction, casualty and financial lines losses.

Losses are running well below average for recent years, although the long-term trend in economic and insured losses is upwards

Overall losses and insured losses 1980–2014 (US$m)



Source: Munich Reinsurance Company, Geo Risks Research, NatCatSERVICE.

- In London, we appointed three senior aviation engineers and loss adjusters, as well as recruiting an aviation loss adjuster in Dubai. We also appointed two aviation surveyors in Johannesburg and relocated a loss adjuster to Cape Town.
- Our Yacht Practice, which provides a loss adjusting and claims management service to insurers and owners of luxury yachts worldwide, appointed a senior practice manager to support growth in the business.

We believe these investments will enable the business to perform all the more strongly when claims patterns return to more normal levels. We continue to make targeted investments where there is a strong business case, while focusing on managing the business' overall cost base effectively and efficiently.

The benign claims environment, combined with our investments for long-term growth, reduced Adjusting Services' overall profitability in 2015.

> *We will continue to make targeted investments where there is a strong business case, while focusing on managing the business' overall cost base effectively and efficiently.*

Group Chief Executive Officer's Review
continued

Continuing benign claims environment
Figures reported by major insurers and brokers show that insured losses from natural disasters are continuing to run well below the average for recent years. Statistics also show that the long-term trend in economic and insured losses is upwards.

Developed new products and services
- Cyber-attacks on business are increasing, so we have established a Cyber Risks Claims service to provide insurers and their policyholders with a full service, covering all claims arising from cyber incidents, handling the end-to-end process from initial notification through to final resolution.
- We established a catastrophe response committee and enhanced our major loss response plan to coordinate Adjusting Services' approach to major natural disasters and other catastrophic insurance losses. The plan will ensure that the business continues to be well-positioned to secure claims instructions following any major incident.

Optimised business operations
- As announced at the Half Year, Damian Ely was to be appointed as Chief Executive Officer of Adjusting Services on 1 January 2016, in succession to Arthur Clarke, who retired from the business at the end of 2015. Damian is focusing Adjusting Services' business plan on growth, people development, productivity and cost management.
- Adjusting Services is dedicated to delivering a high-quality professional and technical service to its clients. We undertook a client satisfaction survey with our UK clients in the second half of 2015, to ensure we were meeting our clients' expectations and to identify areas where we can further improve our service. Nine out of ten respondents rated our service as good or excellent. We intend to undertake further surveys of our clients served by our international offices in 2016.
- We also focused on further improving our invoicing and cash collection processes. The Head of Working Capital, appointed in 2015, has established a Fee Processing and Cash Collection team within Adjusting Services.

Insured losses are running well below average for recent years

Munich Re NatCatSERVICE, natural catastrophes – insured losses

15	US$27m
14	US$31m
10-year average	US$56m

Swiss Re Sigma estimates, natural catastrophes and man-made disasters – insured losses

15	US$32m
14	US$35m
10-year average	US$55m

Aon Benfield Impact forecasting, natural disaster event – insured losses

15	US$35m
14	US$40m
15-year average	US$51m

Case study

Effectively adjusting a complex drilling rig claim

The Deepsea Aberdeen is an ultra-deep water, harsh environment semi-submersible drilling rig. The rig's construction was very advanced at a leading South Korean shipyard when seawater was accidentally allowed to enter the pontoons. It is estimated that over 34,000 tons of water entered the vessel in under an hour. The rig sank in 18 metres of water and almost every machinery space below that level was filled with seawater. Fortunately, despite almost 1,000 workers being on board, there were no fatalities or significant injuries.

Charles Taylor Adjusting was appointed to survey the damage and oversee repairs. The claim needed to be handled carefully as the shipyard would suffer financial penalties due to delayed delivery and needed the works to be completed quickly. Speed of repairs had to be balanced against the need for the works to be completed cost-effectively.

Damage below the water line was extensive. The rig's high technology equipment could not be economically restored. Over US$40m of specialist marine equipment, comprising some 9,000 items and over 250km of cabling had to be replaced. In a period of eight months, over 900,000 man-hours of labour were needed to repair the damage.

Regular and detailed reporting from Charles Taylor Adjusting enabled a fair, fact-based settlement of this complicated claim, just 18 months after the incident occurred. The Deepsea Aberdeen has been completely repaired and delivered to its owners. Charles Taylor Adjusting won the "Loss Adjuster of the Year" award at the Commercial Insurance Awards 2016 for our work on the Deepsea Aberdeen claim.

Our people

Laurie Andrews

Loss Adjuster, Charles Taylor Adjusting, Toronto

Mike McMahon

Director, Charles Taylor Adjusting – Energy, London

Zulfiandri Chairul

Average Adjuster, Charles Taylor Adjusting – Marine, Jakarta

"The biggest difference working at Charles Taylor is the support you receive from colleagues and the fantastic team working environment," says Laurie Andrews. Laurie has over ten years' experience in loss adjusting. She joined Charles Taylor Adjusting in early 2015 from another international loss adjusting business, specialising in marine claims. Laurie's early career was working in quality control at a specialist pleasure craft manufacturer.

Laurie handles a wide range of major marine hull and machinery claims and cargo losses. Recent cases in the Toronto office have also included repairs to pleasure craft, damage to a dry dock and an underwater storage facility claim. "Charles Taylor has huge experience in handling marine claims. Our global network and expertise means we can handle claims from right around the globe. In one recent case we handled a marine claim for an insurer in Toronto where the insured was based in China. We were able to work closely with our Chinese colleagues in Beijing to deliver an outstanding result for our client."

Laurie values Charles Taylor's commitment to professional development. "We have regular learning opportunities via Lunch and Learns and The Toronto Insurance Risk Forum with experts from a wide range of different market disciplines. These are open to our clients and brokers to support education in the wider market."

Mike McMahon joined Charles Taylor in 2011 after 15 years in industry as a mechanical engineer. His experience includes working for one of the world's most respected design, engineering and project management consultancies as well as time in the Middle East in the oil and gas industry. His early career was with Lloyd's Register of Shipping as a marine engineer.

"Loss adjusting is a fascinating profession. It brings together a great many disciplines, including technical engineering, people management and contract interpretation. At Charles Taylor, we handle some of the world's largest energy losses, working in close partnership with the industry's leading oil and gas professionals and lawyers. It is rewarding to work with people at the top of their game on the global stage."

Mike has handled major international claims including losses in South Korean shipyards, land rigs in Libya and power stations in Nigeria, all requiring travel to the loss location. "You have to understand and work effectively with people from multiple different cultural backgrounds. On one power station claim we were working with an Austrian owner, on a plant located in Turkey, built by a Greek contractor and insured in Britain."

Mike says that Charles Taylor is a great place to work. "It is a grown-up organisation. Our people are given the professional freedom to do what they need to do, to deliver the best possible result for our clients."

Charles Taylor's Jakarta office is one of the Group's fastest growing loss adjusting offices. Zulfiandri Chairul joined in 2012, on the completion of his master's degree in international relations, to work in marine adjusting. "I wanted to work for an international business which gave me the opportunity to learn and develop and to work with experts in their field. Charles Taylor gives me all of that and more."

Zulfiandri works in a team of ten handling marine insurance claims – largely on behalf of the insurers of Indonesian-owned ships. "Indonesian waters cover a vast area and we handle many claims for tugs, coastal trading vessels and tankers. We act as a bridge between insurer and insured. Our duty as an adjuster is to provide accurate reports which ensure that valid claims are paid. Indonesian marine insurance is a rapidly developing market and at times this means we need to educate ship owners about what constitutes a valid claim under their policy."

Education also plays an important part of Zulfiandri's work. "As Charles Taylor is the world's leading average adjuster firm, I can call on expert technical support from colleagues in Liverpool and London as well as in Jakarta. I have also been given the opportunity to study for the Association of Average Adjusters' professional qualifications."

Insurance Support Services

The Insurance Support Services business provides a range of professional and technology services, enabling our clients to select the specific stand-alone services they require. These include turn-key managing agency services and technical services for clients in the Lloyd's, London and international insurance markets. It provides insurance technology services designed, developed and delivered by insurance technology experts. The business manages life and non-life insurance run-off from London, Dublin and the Isle of Man. It is also a leading provider of third-party insurance administration services to international life insurers. Insurance Support Services includes our investment management, third-party claims administration, captive management, risk consulting and specialty risks business lines. The Insurance Support Services business also acts as the Group's business incubator where we can develop and test new business initiatives.

The Insurance Support Services business performed very well, making a greatly improved contribution to Group revenue and profit. The underlying businesses performed steadily, supported by a significantly increased contribution from the new business initiatives introduced as part of the Group's growth strategy.

Insurance Support Services – Non-life
The Non-life Insurance Support Services business includes Charles Taylor Insurance Services (CTIS), Charles Taylor Managing Agency, Charles Taylor InsureTech and the Group's captive management, and risk consulting business lines.

Charles Taylor Insurance Services provides outsourced back-office insurance services to the Lloyd's, London and international insurance markets. The business performed steadily in 2015, building on the progress made in 2014.

Charles Taylor Managing Agency, the Group's Lloyd's turn-key managing agency, secured the management of its first syndicate, Syndicate 1884, which commenced underwriting on 1 April 2015. We are marketing our syndicate management services actively to entities wishing to establish syndicates at Lloyd's.

Charles Taylor InsureTech draws together the Group's specialist and bespoke technology solutions, systems development and implementation solutions into a single client-focused business and brings together the Group's technology expertise, experience and knowledge of global insurance markets.

Other non-life business lines: The Group's other non-life insurance business lines performed solidly in 2015. Charles Taylor Third Party Administration had a good year. It was appointed by a major US port and terminal to provide third party administration services to manage workers' compensation insurance claims. The Group's Risk Consulting, Captive Management and Investment Management businesses performed steadily.

Developed new products and services

– Charles Taylor participated in a Lloyd's market-wide initiative to integrate claims management software services into Electronic Claims Files; over half of all early adopters were users of Charles Taylor's TRAX claims management software.
– Our static claims service, which enables Lloyd's Managing Agents to manage insurance claims which have not progressed in the previous 12 months, is evolving to provide additional services. Since the service was launched four years ago, we have closed out or have under management in excess of 180,000 claims.
– We obtained a Lloyd's broker licence for Charles Taylor Broking Services, which provides a range of services to our clients. These include sourcing MGA clients, assisting broker start-ups and providing broker replacement services.
– The London Market Expert's database, established on behalf of the Lloyd's Market Association in 2013, continues to grow and now includes records of over 150 third party administrators.
– We developed a Claims Audit and Review Management service for Lloyd's and London market insurers. This draws upon the Group's extensive expertise of conducting class of business and loss specific claims audits.

Optimised business operations

– We appointed a new Chief Executive Officer of Charles Taylor Insurance Services to lead the business into its next stage of growth.

Insurance Support Services – Life

Charles Taylor Insurance Services in the Isle of Man administers retail life insurance and protection products for open and run-off insurers. The business performed well in 2015. We were appointed to administer specialist protection products for a Caribbean life insurer and commenced operations for that client in 2015.

> *"Charles Taylor Insurance Services provides outsourced back-office insurance services to the Lloyd's, London and international insurance markets."*

Case study

Establishing a specialist Insurance Technology business

Our ever-more connected world is transforming the way the insurance business works. We established Charles Taylor InsureTech, the Group's new insurance technology business, to meet this challenge. Charles Taylor InsureTech combines our deep insurance expertise with leading-edge technical knowledge to deliver agile, future-proof solutions to our clients.

Jason Sahota was appointed as Chief Executive Officer of Charles Taylor InsureTech in July 2015. He joined from KPMG, where he was a Director with responsibility for delivering business transformation advisory services to KPMG's clients. A senior leadership team has been recruited with strong backgrounds in insurance technology, implementation and management consultancy to drive the business' growth.

Charles Taylor InsureTech has got off to a good start, assembling a network of IT partners to provide technology platforms, securing insurance technology assets to take to market and winning new business.

The business plans to be an implementation partner of Fadata, the specialist provider of insurance software solutions acquired by Charles Taylor and The Riverside Company in December 2015. We are already undertaking joint marketing initiatives with Fadata, which we anticipate will lead to projects to implement its highly regarded end-to-end policy administration system (INSIS).

Charles Taylor InsureTech has also agreed terms with a market partner to sell and support an insurance broking software system and has been appointed by its first client, a Lloyd's broker, to implement the system.

Our people

Amy Mathisen

Senior Claims Adjuster, Charles Taylor Third Party Administration, Charleston

"Being in on the ground floor of something so exciting was too good an opportunity to miss," said Amy Mathisen on her decision to join Charles Taylor's Third Party Administration (TPA) business in October 2014. The TPA business had been launched in 2013, with an initial focus on managing Longshore workers' compensation insurance claims. "Charles Taylor has a fantastic reputation in the workers' compensation market in the US, so it was an easy decision to join."

Amy previously practised as an attorney handling state workers' compensation claims in South Carolina on behalf of various employers, insurance carriers, and self-insureds. "Longshore workers' compensation is a specialised market and is very different from handling state claims. It has been fascinating to learn about the Longshore market; Charles Taylor employs so many seasoned professionals which gives me a great opportunity to learn from the experts."

The TPA business is growing fast and already acts for a major US terminals operator with eight US terminals. Soon after she joined Charles Taylor, Amy was directly involved in on-boarding two other major new US clients for the TPA business.

"Charles Taylor is a business that sets very high standards and delivers on them for its clients. It is also an organisation that values its employees, so it is a great place to work."

Robert Andrews

Chief Risk Officer, Charles Taylor Managing Agency, London

"I jumped at the opportunity to join Charles Taylor, to be involved in a new Lloyd's turn-key managing agency start-up. We're developing a new approach to running a Lloyd's business, unmatched in the market," said Robert Andrews. Robert is responsible for risk management at Charles Taylor Managing Agency and for Charles Taylor's Management Services business in London.

"Combining our risk management strategy across the managing agency and our Management Services teams gives us the critical mass to deliver outstanding risk management services to our clients," he says. Robert is an ACA qualified accountant, with over 17 years' experience in the insurance industry. He joined Charles Taylor from KPMG where he advised leading insurers on capital modelling, governance and risk. He has also worked as a specialty risks underwriter, focusing on niche financial lines and at Equitas, Lloyd's successful "lifeboat" reinsurer, where he was responsible for financial analysis supporting its successful exit strategy.

"There are some great people working at Charles Taylor. The Management Services business in London is a high quality outfit, delivering exceptional services in the marine and energy insurance market. As a start-up business, Charles Taylor Managing Agency has brought together a diverse group of experts with strong CVs from the consulting, insurance and industry backgrounds. We're working together to create and build a new, and better, managing agency for the Lloyd's market."

Paul Rowlands

Chief Integration Officer, Charles Taylor Insurance Services, Isle of Man

Paul Rowlands has led the operational and systems integration for nine life company acquisitions completed by Charles Taylor in the Isle of Man over the last ten years. As Chief Integration Officer, his role is to make sure that systems, operations and staff are smoothly and efficiently integrated into Charles Taylor's business. "I get involved right at the outset, to understand and input into the operational implications of acquisitions, when the deals are being negotiated."

Paul has over 30 years' experience in the life industry. His early career was in broker support and direct sales with a major UK life office, before moving into life administration and systems. He relocated to the Isle of Man in 1994, working for the specialist international life businesses of two leading UK insurers, delivering the systems to support business growth. In 2004, he joined a specialist life administration business which was subsequently acquired by Charles Taylor.

Paul is excited by the prospects for Charles Taylor's life acquisition and administration business. "Charles Taylor's ambition has grown significantly in recent years. The breadth of the Group's businesses and its diversity, gives us a great platform to significantly expand our business in the offshore life insurance market."

Owned Insurance Companies

The Owned Insurance Companies business owns and consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and the achievement of operational efficiencies. In line with the Group's business strategy, we are disposing or transferring the business of our non-life insurance companies, which have been in run-off for some time.

The Owned Insurance Companies business made good progress overall.

Life insurance
In line with our strategy to seek targeted acquisitions in the international life insurance sector, we completed the acquisition of Scottish Widows International life business in April 2015. The Scottish Widows International business was re-domiciled to the Isle of Man in July 2015. We anticipate that we will receive court approval to transfer two life companies, acquired in 2014 and 2015, into our wholly owned life insurance business during 2016.

Non-life run-off insurance
We made the decision in early 2012 to review our strategic options and concluded that the ownership of non-life run-off insurance companies should no longer be a core activity for the Group. In October 2015, we announced that LCL Acquisitions Limited had entered into an agreement to sell its holding in Bestpark International Limited, to Ashbrooke Financial Group Limited. This disposal was completed in February 2016. We also announced that Cardrow Insurance Limited and Beech Hill Insurance Limited had entered agreements to transfer their insurance businesses to Tenecom Limited, a subsidiary of Berkshire Hathaway Inc. Once these transactions are completed and the latter two companies are liquidated, Charles Taylor will not own any non-life run-off insurance companies and will have successfully fulfilled this objective of our overall business strategy.

Cash release: Selling and closing the non-life insurance businesses will deliver a cash release of £1.75m to the Group in 2016. The loss on these transactions, post non-controlling interests, is £2.8m and is considered exceptional, one-off in nature, and is not included in adjusted earnings. In accordance with IFRS 5, the results of this business activity have been separately disclosed and the comparative results re-presented on this basis. During the year, the discontinued activities generated an operating segment loss, before non-controlling interests, of £5.7m (2014: £0.2m loss).

Other business strategy initiatives

In addition to the initiatives to optimise business operations already highlighted, we also took a number of steps to further strengthen and increase the efficiency of our Global Business Services:

- We appointed a Group Corporate Development Director, a new role, which replaces the role of Group Chief Operating Officer. The Group Corporate Development Director is responsible for driving business results, the further development and delivery of the Group's growth strategy and supporting the Group when undertaking acquisitions, joint ventures and business investments.
- We appointed a Director of Compliance and Risk to oversee and advise on compliance monitoring, compliance-related projects and broader risk management across the Group.
- Charles Taylor offers a wide range of professional insurance services to clients across North America. In 2015, we focused on developing an integrated approach to sales and marketing activities and appointed a Vice President, Strategy & Performance and a Vice President, Business Development & Sales to lead these initiatives.
- In early 2015, we undertook a Group-wide staff engagement survey. This reported that nine out of ten Charles Taylor staff would recommend the Group as a great place to work. This is an excellent result, which compares particularly well with other organisations and demonstrates that the overwhelming majority of staff are fully committed to the businesses and the work we deliver to our clients.
- We launched a Learning and Development core curriculum, to put more emphasis on training and personal development of the Group's staff.

Current trading and outlook

Charles Taylor has had a steady start to 2016. Management Services is performing well. Insurance Support Services is consolidating on its improved 2015 performance and Adjusting Services is well positioned to capitalise as and when claims patterns return to normal levels. We have completed both the disposal of Bestpark International Limited and the business transfers of one of our other two non-life insurers; we are, however, continuing to seek actively new acquisitions in the international life insurance sector.

We are focused on building our professional services businesses organically and through targeted acquisitions, joint ventures and business investments. Following the Rights Issue, we are well prepared to develop new professional services business lines through such means. We are actively considering a number of opportunities, but will only invest if these meet our strict criteria of being a good fit strategically, culturally and financially.

Charles Taylor achieved particularly strong growth in 2015. We view 2016 as being a period to consolidate our gains while putting further building blocks in place for future growth.

Our result has been achieved thanks to the 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
9 March 2016

How we Measure Performance

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 segment profit, driven by a strong performance in Management Services and a good contribution from Insurance Support Services, more than offsetting a challenging year for Adjusting Services.

Group KPIs

Adjusted profit before tax[1] (£m)

15	14.2
14	11.4
13	10.3

+24.4%

Adjusted profit before tax is profit before tax after allowing for acquired intangible charges, pre-tax non-controlling interests and non-recurring costs.

Adjusted earnings per share[1] (pence)

15	19.98
14	16.32
13	14.10

+22.4%

Adjusted earnings per share is explained in note 11 to the Financial Statements.

Net debt (£m)

15	9.9
14	32.6
13	32.4

reduced by 69.6%

Net debt is explained in note 24 to the Financial Statements.

Interest cover (times)

15	12.8
14	8.2
13	7.2

+4.6 times

Interest cover is adjusted profit from operations plus interest receivable and similar income divided by finance costs.

Free cash flow (£m)

15	8.6
14	3.8
13	5.5

+128.1%

Free cash flow is net cash from operating activities less movement in client monies, deferred consideration payments to third parties, expenditure on acquisition of tangible and intangible assets, plus disposal proceeds and interest received.

Headcount permanent staff

15	1,175
14	1,061
13	980

+5.5%

Headcount includes all permanent members of staff.

Professional Services KPIs

Revenue (£m)

15	141.9
14	121.8
13	111.9

+16.5%

Our policy for revenue recognition is explained in note 1 to the Financial Statements.

Operating segment profit (£m)

15	15.2
14	12.2
13	10.4

+24.6%

Operating segment profit is operating profit excluding acquired intangible changes and non-recurring costs.

Operating segment profit margin (%)

15	10.7
14	10.0
13	9.4

+0.7 %pts

Operating segment profit margin is operating segment profit as a percentage of revenue.

Adjusting Services debtor months

15	5.2
14	4.9
13	4.9

+0.3 months

Adjusting Services work in progress (months)

15	4.9
14	4.8
13	5.2

+0.1 month

1. 2013 and 2014 figures restated to show continuing business. See Group CEO's Review on page 21 for more details.

Finance Review

The results for the year, which exclude the non-life insurance businesses which we have sold or are in the process of transferring, are summarised in the table below and explained in more detail in the Group Chief Executive Officer's Review.

Adjusted profit before tax was £14.2m (2014: £11.4m[1]) as a result of the Management Services and Insurance Support Services businesses performing particularly well. This more than compensated for the impact of the weaker trading conditions experienced by our Adjusting Services business.

Net debt, cash flow and financing

Following the Rights Issue in April 2015, the Group ended 2015 with net debt of £9.9m (2014: £32.6m) and free cash flow increased to £8.6m (2014: £3.8m). We are continuing to focus on managing our debt while investing for growth.

The Group's senior banking facilities 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 £3.4m and committed overseas facilities of the local currency equivalent of £3.4m. Interest rates are mostly linked to three-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 2015 was £39.6m, compared to £41.5m at the previous year-end. The decrease in net obligation has been driven by a change in discount rates driven by a rise in corporate bond 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.

Continuing operations	2015	2014
Revenue (£m)	**143.4**	122.5
Operating segment profit (£m)	**15.5**	12.9
Finance costs/other (£m)	**(0.9)**	(1.4)
Non-controlling interests before tax (£m)	**(0.3)**	(0.1)
Adjusted profit before tax (£m)	**14.2**	11.4
Tax (£m)	**(1.2)**	(1.3)
Adjusted earnings (£m)	**13.0**	10.1
Adjusted earnings per share (p)	**19.98**	16.32

The above financial measures are adjusted as set out in the table below:

Continuing operations	2015 (£m)	2014 (£m)
Statutory profit before tax	**12.8**	9.7
Amortisation of acquired intangible assets	**1.6**	1.5
Non-recurring items – restructuring cost	**0.1**	0.2
Non-controlling interests before tax	**(0.3)**	(0.1)
Adjusted profit before tax	**14.2**	11.4

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

Dividend

The final dividend for 2015 is 7.0p (2014 second interim dividend: 6.57p[2]) making the total dividend for the year 10.00p.

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 the US$ and Sterling. The US$ profits of the Group were translated at US$1.53 in 2015 (2014: US$1.65). The sensitivity of the Group's results to movements in exchange rates is explained in note 29 to the Financial Statements. Results were not materially affected by movements in exchange rates between 2014 and 2015.

Taxation

During 2015, the effective tax rate on statutory profit was 8.1% compared to 12.0% in 2014. The statutory tax rate in 2015 is lower than 2014 because a larger proportion of profits were generated in lower tax countries, and because the Group utilised unrecognised brought forward UK tax losses.

Mark Keogh
Group Chief Financial Officer
9 March 2016

1. Restated to show continuing business.
2. Rebased to reflect Right Issue.

How we Manage Risk

The Group's risk management processes are designed to identify, evaluate and manage the risk of the Group not achieving its business objectives.

Our internal control functions, which include risk management, compliance, legal and internal audit, report to the plc Board through the Audit Committee.

The Board, Executive Committee and senior management of the Group's businesses review the risks and controls set out in the Group Risk Register on a regular basis. They are supported by the internal audit function, which undertakes regular reviews of the risks highlighted in the risk register and inspects systems, controls, processes and practices across the Group's offices on an ongoing basis, through a rolling programme of specific reviews agreed by the Audit Committee. The Board requires risk mitigation actions to be completed appropriately and in a timely manner.

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 legal/regulatory risk.

1. Business risks

Type of risk	Risk description	Management action
Service commitment risks	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 or to properly and consistently manage all parts of our business. Business development can sometimes make additional demands on key staff outside their day-to-day job specification. Failing to meet the high standards our clients demand in the delivery of our services could expose us to the loss of clients, or claims for damages. It could also expose the Group and our clients to reputational damage which could adversely affect our competitive position.	– We have comprehensive policies and procedures in place in our main business areas to ensure that we maintain service standards and monitor compliance through peer review and our internal audit function. In addition, we carry out training to ensure that our service commitments are fulfilled. – Our Management Services clients monitor service levels through their boards and corporate governance processes. The long-term relationship and deep connections we have with them enables any potential issues to be identified and addressed swiftly. – Contracts are in place for our major client relationships and standard terms and conditions are widely used across our businesses. – Periodic client surveys provide important feedback to senior management and careful business planning, performance management and peer review reduce this risk further. – We maintain professional indemnity insurance to mitigate the financial impact should we suffer a claim against the Group.
Concentration of revenue risks	The Management Services business is a material part of the Group; Management Services is reliant upon three high-value and growing client relationships. Where a small number of key clients purchase an increasing number of services, the risk of conflicts of interests 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 these important clients expect. Senior management takes responsibility for ensuring that high standards of service can be set for new clients and ventures, without reducing the quality of existing commitments. – Diversification of the business and the client base is a key objective of the Group, which has been achieved through the establishment of Charles Taylor Managing Agency, Charles Taylor TPA, Charles Taylor InsureTech, the management of The Strike Club, the investment in Fadata and the expansion of the Adjusting business. We have completed, and will continue to consider, organic growth initiatives and targeted acquisitions to further diversify our sources of revenue. – Mutual management involves a long-term relationship with deep connections between the manager and the mutual, through the mutual's board, which provides opportunities to identify and address satisfactorily any potential issues, whether of service, conflict or otherwise, at an early stage.

1. Business risks continued

Type of risk	Risk description	Management action
Failure to deliver growth initiative risks	There are both external and internal drivers for Charles Taylor to achieve sustainable growth in the business. These drivers put potential added pressure on the Group to develop and market new services and initiatives and consider M&A deals and joint ventures. By their very nature, the latter are likely to be more risky than simply growing the existing businesses as the new acquisition or venture could fail, leading to loss of investment or reputational damage.	– The Board sets the overall direction and approves major initiatives. – The Group's strategy is to pursue growth through multiple initiatives, rather than a small number of "big bets", reducing the potential impact of failure of any one initiative. – The proceeds of the Rights Issue in 2015 provide additional resource to fund profitable growth. – Thorough due diligence on a target or potential joint venture partner is conducted prior to commitment and contractual protections set out in documentation for the benefit of the Group. – The Group's financial forecast processes have been further developed over the last year. – Acquisitions and joint ventures are monitored regularly during the course of the year. – Various discussions are held throughout the year with M&A advisors together with potential targets, partners and clients in an effort to identify opportunities for further growth.
External events risks	The Group is at risk that external events which are unanticipated, or the ramifications of which cannot be foreseen, have an adverse effect on the business of Charles Taylor. These could be either sudden or gradual in nature.	– 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 that may impact its main areas of business and, where appropriate, assists its clients with lobbying on behalf of their respective clients. – It is more likely that there will be some warning of a risk materialising, allowing time to plan mitigation.
People risks	As a service business which relies on the skill and expertise of its people, the Group faces various staff-related risks. These include the failure to attract and retain suitable personnel and risks that they do not perform their duties as required. Such risks could damage our ability to manage the business effectively. Loss of key staff could impact service levels and might lead to loss of revenue or clients.	– We aim to attract and retain high-quality staff by providing competitive remuneration and benefits packages and offering career development. – Our working conditions and recruitment processes are carefully planned and implemented and our procedures are reviewed regularly. – The implementation of the Group HR strategy has improved the control environment (for example, through enhancements to compensation, talent management, learning and development and the Group engagement survey).
Material errors risks	Our business is complex, operates in a number of countries and offers a diverse range of insurance services. As a result, the Group presents a number of management and technical challenges, and relies on consistently competent performance of staff at all levels. There are risks of material errors associated with controlling and monitoring the number of business units across various time zones.	– The organisation structure is planned to ensure oversight and control is maintained and business units are managed by personnel of suitable quality and experience. – We embed procedures to reduce the risk of failure to provide services to a high standard. Compliance with procedures is monitored through management oversight, peer review and internal audit reviews, as appropriate. – Where possible, the Group's standard business terms are used as the basis for contracting; these include contractual protections. – Financial control processes, including budgetary control and financial reports, are designed to produce timely and accurate financial information from across the Group businesses. – Care is taken in placing and renewing insurance cover to ensure appropriate coverage and limits.

How we Manage Risk continued

2. Financial risks

Type of risk	Risk description	Management action
Poor operational cash flow risk	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.	– We have clearly defined procedures for the management and monitoring of financial risks. – Senior management is focused on containing/reducing costs and on making the cost base more flexible (eg through its purchasing of services and through remuneration structures) without adversely affecting either the delivery of services or participation in opportunities for growth. – The Group has made improving WIP and debtor ageing a key priority and significant resources are being dedicated to improving the Group's credit control processes. – We have established relevant performance indicators which are monitored regularly.
Pensions funds deficit risks	The Group operates four defined benefit pension schemes. We face the risk that outstanding pension scheme deficits may need to be funded within a short time scale.	– The financial position of the Group's defined benefit pension schemes is regularly monitored. – There is regular dialogue between the Trustees and their investment managers covering investment policy and 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. – We have an agreed programme of deficit funding. We monitor pension regulations to ensure compliance with the latest requirements.
Banking covenant breaches, cash cover and liquidity risks	The Group maintains banking facilities. These 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.	– The funding position has materially improved over the last few years as the Group has grown, providing much greater financial flexibility and covenant headroom. In addition, the Rights Issue in 2015 has ameliorated the position which will continue until such time as the proceeds of the Rights Issue have been deployed in driving further growth. – 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. – 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.

3. Legal and regulatory risks

Type of risk	Risk description	Management action
Legal and regulatory risks	The Group has to comply with a wide range of legal and regulatory requirements across its businesses and has an indirect obligation to ensure its mutual clients comply with their legal and regulatory requirements. Breach of these requirements could affect adversely the Group's relationship with regulators and clients and expose us to additional risks including reputational damage, loss of client confidence, financial penalties, or the withdrawal of the regulatory approvals we require to conduct our business.	– The Group Assurance and Compliance and Risk Committees monitor 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 legal, compliance and risk functions across the Group have been bolstered during the course of 2015. – The Group regularly reviews its policies and procedures in relation to regulatory matters and to ensure appropriate training is conducted. – The Audit Committee oversees the Group's assurance, risk management and compliance activities. This includes challenge and recommendation, where appropriate. It reports to the Board.

Long-term Viability Statement

The Directors have determined that a three-year period is an appropriate period over which to provide its viability statement.

In making their assessment, the Directors have taken account of the Group's robust solvency position, its ability to raise new finance in forseeable market conditions and key potential mitigating actions.

The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite, the Group's principal risks and how those risks are managed.

The Group's business strategy and associated principal risks underpin the Group's three-year plans which the Directors review at least annually as part of the strategy review process. Once approved by the Board, these three-year plans provide the basis for setting both the business' strategic priorities and the more detailed annual plans and budgets that are subsequently agreed and used by the Board to monitor performance.

The Board is briefed regularly by Executive Committee members and other senior business leaders on progress against the three-year plans, and any new strategies undertaken, in its normal course of business.

The annual budget process has a greater level of certainty and is used to set performance targets at all levels across the Group; it is also used by the Remuneration Committee as the basis to set annual bonus targets. The three-year planning period generates projections with a lower certainty of outcome, but provides an appropriate planning tool against which strategic decisions can be made.

After review of the business' strategic plans, the risks associated therewith (as set out on pages 24 to 26 of this report) and the mitigating risk management actions taken by management, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Corporate Social Responsibility and Diversity

Corporate Social Responsibility (CSR) initiatives are an important part of our business activities. 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 core values (see page 9), 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 our local communities.

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 our 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. At 31 December 2015, the Group had 1,174 permanent employees compared to 1,061 permanent employees at 31 December 2014.

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 cooperate 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 practical, 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 all-staff emails, 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 SAYE share option schemes, details of which are set out in the Directors' Remuneration Report on page 56. 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 2015, there were four Executive and four Non-Executive Directors of the Company, of which seven were male and one female. 11 people were senior managers of the Company during 2015, of which 10 were male and 1 female; these are the Executive Directors and members of the Executive Committee. At 31 December 2015, the Company employed 680 male members and 494 female permanent 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 fundraising activities during 2015. During the year the Group made charitable contributions of £31,975 (2014: £12,904), principally to local charities serving the communities in which the Group operates. It is the Group's policy not to make political donations and no political contributions were made during the year (2014: £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.

I Keane.

Ivan Keane
Group Company Secretary and
General Counsel
9 March 2016

Corporate Governance

Corporate Governance Report

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.

I succeeded Rupert Robson as Chairman on his retirement on 28 August 2015. My appointment followed a thorough process, which was led by the Senior Independent Non-Executive Director, Gill Rider. On behalf of the Board, I would like to thank Rupert for his contribution to the progress and development of Charles Taylor during his time as Chairman for the last eight years.

We have again undertaken a formal, internal evaluation of the Board's effectiveness. The results of this exercise are summarised on page 39. The Nomination Committee reviewed the appropriateness of each of the Directors putting themselves forward for 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 re-elected at the 2016 AGM.

During 2015, 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, we also contacted our largest shareholders, constituting around two-thirds of our register, prior to the Rights Issue in March 2015 and we have been able to have useful and constructive conversations and meetings with the majority of these investors. We intend to continue this policy of engagement with our shareholders in the coming year, to ensure that the Board stays abreast of shareholder views on strategic direction, governance and other key issues.

The Directors, whose names and details are set out on pages 32 and 33, 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 2014 (the "Code"), which is publicly available at www.frc.org.uk. Throughout the year ended 31 December 2015 the Board has complied with the principles and provisions recommended by the Code.

Edward Creasy
Chairman
9 March 2016

Board of Directors

Leadership

The Board is collectively responsible for the long-term success of the Company. It does this by supporting entrepreneurial leadership whilst also 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 resources and human talent are in place to deliver the Company's strategy and objectives.

The day-to-day management and leadership of the Company is delivered by the Executive Committee, which includes the Group Chief Executive Officer, the Group Chief Financial Officer, the heads of the Group's businesses, the Group Corporate Development Director, the Chief Information Officer, the Group Company Secretary and General Counsel and the Director of Human Resources.

❶ *Edward Creasy* [1, 2]
Chairman
Chairman Nomination Committee

Edward was appointed to the Board on 1 January 2014 and became Chairman on 28 August 2015. 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 Holdings 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 Chairman of Ecclesiastical Insurance Office plc, 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.

❷ *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 Chair of the University of Southampton Council and a Non-Executive Director of Intertek Group plc and Pennon Group plc. Previously, she worked for Accenture for 27 years and was a member of the global Executive Committee for seven years; she spent five years as Director General in the UK Government's Cabinet Office and as Head of the Civil Service Capability Group. She was President of the Chartered Institute of Personnel and Development (CIPD) from 2010 to 2015 and is a former Non-Executive Director of De La Rue plc.

❸ *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.

❹ *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 20 years underwriting Marine and Non-Marine classes. 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 Charles Taylor Managing Agency Limited and Price Forbes Holdings Limited and a Non-Executive Director of Price Forbes & Partners Limited, The Standard Club Limited, The Standard Club Europe Limited, Charles Taylor Managing Agency Holdings Limited and Talbot Underwriting Limited.

❺ *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 an Associate Principal 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 and Chairman of Charles Taylor Managing Agency Holding Limited.

❻ *Damian Ely*
Chief Executive Officer, Adjusting Services

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, performing that role until becoming Chief Executive Officer of the Adjusting Services business on 1 January 2016. He is a director of Signal Mutual Indemnity Association Limited. He was appointed to the Board on 14 October 2005.

❼ *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).

❽ *Joe Roach*
Chief Executive Officer, 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 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. Joe has advised the Board of his intention to retire from the Board on 31 December 2016. Thereafter, Joe intends to continue to work for the Group in a part-time capacity.

Key:
1. Nomination Committee
2. Remuneration Committee
3. Audit Committee

Executive Committee

1 *David Marock*
Group Chief Executive Officer
(See Board of Directors, page 33 for biography)

2 *Damian Ely*
Chief Executive Officer, Adjusting Services
(See Board of Directors, page 33 for biography)

3 *Mark Keogh*
Group Chief Financial Officer
(See Board of Directors, page 33 for biography)

4 *Joe Roach*
Chief Executive Officer, Management Services – Americas
(See Board of Directors, page 33 for biography)

5 *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.

6 *Jeremy Grose*
Chief Executive Officer, Management Services – UK & International
Jeremy joined in 1991 and took over as CEO of Management Services – UK and International on the retirement of Alistair Groom in February 2014. Prior to that he was Chief Operating Officer of the P&I management division.

7 *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 Management Services and other businesses, establishing and managing mutuals, and business development. He was appointed Group Company Secretary in 2005 and acts as Group General Counsel.

8 *Jeffrey More*
Chief Executive Officer, Life Insurance Support Services
Jeffrey joined in 2005 and heads up the Group's Isle of Man operations, where the Group's life businesses are situated. Jeffrey previously worked for Aberdeen Asset Management and Scottish Provident International, where he was Appointed Actuary, and trained as an actuary at Scottish Provident Institution in Edinburgh.

9 *Jason Sahota*
Chief Information Officer and Chief Executive Officer, Charles Taylor InsureTech
Jason joined in 2015 and heads up the Group's IT team and is also responsible for leading the development of the Group's strategy for the insurance technology businesses. He joined from KPMG, where he was a director responsible for delivering business transformation advisory services to clients. Prior to that he was UK Data Centre Director and Head of Programmes and Projects at Atos, the multinational IT services business.

10 *Christian Schirmer*
Chief Executive Officer, Charles Taylor Managing Agency
Christian joined in 2013 and was Head of Insurance Support Services until 2015, when he also successfully led the launch of Charles Taylor Managing Agency (CTMA) and became full-time Chief Executive Officer of CTMA in June 2015. 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.

11 *Richard Yerbury*
Group Corporate Development Director
Richard joined in 2014 as Performance and Strategy Director of Management Services – UK & International and became Group Corporate Development Director in 2015. He joined from Bain & Company, where he was a Principal in the Financial Services team, leading strategy, growth, performance improvement and M&A projects for banks, insurers and investors. Prior to that, he worked in various senior roles at Lloyds Banking Group.

Board Responsibilities

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

Nomination Committee

Edward Creasy chairs the Nomination Committee, having taken over from Rupert Robson on his retirement, on which the Non-Executive Directors, Barnabas Hurst-Bannister, Gill Rider and David Watson also sit. The Nomination Committee Report is set out on page 39.

Audit Committee

David Watson chairs the Audit Committee and Gill Rider is also a member of the Committee. Edward Creasy was a member of the Committee until he became Chairman of the Company, as was Barnabas Hurst-Bannister who stood down once his other roles for the Group meant he was no longer regarded as independent under the Code. David Watson is considered by the Board to have recent and relevant financial experience. The Audit Committee Report is set out on pages 40 and 41.

Remuneration Committee

Gill Rider chairs the Remuneration Committee. The independent Non-Executive Directors Edward Creasy and David Watson are members of the Committee. The Directors' Remuneration Report is set out on pages 42 to 61.

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

The Board carries out its role by:
– providing input into and approval of management's development of corporate strategy and performance objectives;
– agreeing and approving the Company's annual business plans;
– monitoring the Company's operations worldwide;
– 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, management accounts, 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 corporate strategy, three-year business plans and 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 judgement through the constructive challenge of proposals and recommendations from the Executive Directors made to achieve the Company's strategic objectives.

As Chairman, Edward Creasy 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 business plans; and
– managing major client relationships.

Gill Rider is the Senior Independent Non-Executive Director (SID) and 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 relating to their duties and responsibilities which may be of concern to them. In addition, new Directors are given a tailored induction and/or appropriate training on appointment to the Board. Appropriate time was also made available during the year for all Directors 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 directorships of The Standard Club) and Damian Ely and Joe Roach (in respect of their directorships 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 42 to 61.

The Non-Executive Directors, Gill Rider and David Watson, are considered by the Board to be independent of 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. Barnabas Hurst-Bannister was treated as being independent on his appointment, notwithstanding the fact that he serves as a director on two of The Standard Club's group boards in a non-executive capacity. Following the launch of Charles Taylor Managing Agency and 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, Edward Creasy, was considered independent upon his appointment in 2014, notwithstanding that he serves as a Non-Executive Director on several subsidiary boards of the Company, 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 page 33, 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.

There are five management committees: the Executive Committee, the Finance Committee, the Group Assurance Committee, the Group Compliance and Risk Committee and the Global Business Services Working Group, formed of Executive Directors and/or senior executives/managers from the businesses, which meet on a regular basis to consider commercial, financial, legal, compliance/regulatory and operational issues and matters.

Fair, balanced and understandable assessment

In relation to compliance with the Code, the Board has given consideration as to whether or not the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and concluded that this is the case. A statement to this effect is included in the Directors' Responsibilities Statement on page 65. The preparation of this document is coordinated by the Finance and Company Secretariat teams with Group-wide input and support 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 page 65.

Long-term Viability Statement (LTVS)

In relation to compliance with the Code, the Board has assessed the prospects of the Company, taking into account the Company's current position and principal risks. The LTVS and supporting assumptions are set out on page 27.

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, those risks which may result in 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 Corporate Development Director and the Director of Compliance and Risk in conjunction with the Group Compliance and Risk Committee. The Company's compliance and risk management

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 2015	10	5	5	7
Number of meetings attended in 2015:				
Edward Creasy – Non-Executive Chairman[3]	10	3	5	7
Rupert Robson – Non-Executive Chairman[1] (resigned 28 August 2015)	7	–	3	5
David Marock – Group Chief Executive Officer	10	–	–	–
Damian Ely	10	–	–	–
Mark Keogh – Group Chief Financial Officer	10	–	–	–
Joe Roach III	10	–	–	–
Barnabas Hurst-Bannister – non-executive[4]	10	1	5	2
Gill Rider – non-executive[2]	10	5	5	7
David Watson – non-executive[2]	10	5	5	7

1. Member of the Remuneration and Nomination Committees during the year.
2. Member of the Audit, Remuneration and Nomination Committees during the year.
3. Member of the Audit, Remuneration and Nomination Committees during the year, but ceased to be a member of the Audit Committee on appointment as Chairman of the Company.
4. Member of the Audit, Remuneration and Nomination Committees during the year, but ceased to be a member of the Audit and Remuneration Committees on no longer being treated as independent under the Code.

Board Responsibilities continued

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 carried out 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 24 to 26. The Audit Committee and the Board monitor and review the Company's principal risks regularly along with the relevant risk mitigation actions, controls and processes to ensure they are up to date and remain appropriate, always taking into account the changing circumstances in which the Company operates.

Further information on financial risks is given in note 29.

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 with respect to data management and processing, 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 systems of internal control; these are managed by the internal audit, compliance and risk management teams, who ensure that various control systems and procedures in each of the Company's business units are operating effectively. 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 ensure that internal control, compliance and risk management processes and procedures are established as normal and necessary 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 Audit Committee. The Audit Committee and the Board receive 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 programme 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 ensuring that appropriate plans and programmes are put in place 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 Director of Compliance and Risk, the Group Assurance Committee and the Group Compliance and Risk Committee, which reports to the Group Corporate Development Director. The Director of Compliance and Risk submits reports to the Audit Committee, which include 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.

The UK regulated activities of the Company are carried out through the following subsidiaries: Charles Taylor Services Limited and Charles Taylor Broker Services Limited, which are regulated in the UK as insurance intermediaries; Charles Taylor Managing Agency Limited, which is regulated as a Lloyd's Managing Agency by both the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA); and Charles Taylor Investment Management Company Limited, which is regulated as an investment manager, by the 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. 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 requested. 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 2015 and all Directors are due to attend the AGM to be held on 17 May 2016.

Nomination Committee Report

Appointment of new Chairman

Once the Board had been advised by Rupert Robson that he intended to retire from the Company, the Committee undertook a comprehensive review and consultation process to identify a new non-executive Chairman. I led the process, which included seeking input from an external headhunter and consultation with the Company's major shareholders. The Committee unanimously agreed that Edward Creasy was the ideal person to chair the Company by virtue of his senior level board experience and extensive knowledge of the London insurance market.

As a result, Edward Creasy now also chairs the Nomination Committee, on which the Non-Executive Directors, Barnabas Hurst-Bannister, David Watson and I, also sit. In 2015 there were five meetings of the Committee.

Gill Rider
Senior Independent Director

Board composition and balance

The Board comprises the Chairman, three 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.

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 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.

Board performance and evaluation

The performance of individual Directors, the Board, its committees, and the Chairman is 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. The responses to the questionnaire 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, risk management and the conduct and effectiveness of Board meetings. Whilst there are always opportunities for development and improvement, the Directors have 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, ie 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.

Edward Creasy
Chairman of the Nomination Committee
9 March 2016

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 identifying, monitoring and overseeing the mitigation of the major internal and external risks faced by the Company, as well as reviewing the work 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), Edward Creasy, Barnabas Hurst-Bannister and Gill Rider. Barnabas Hurst-Bannister stood down from the Committee in March 2015, when he was no longer regarded as independent under the Code. Edward Creasy ceased to be a member of the Committee on his appointment as Chairman of the Company, following the retirement of Rupert Robson on 28 August 2015.

Governance
The Committee members are all independent Non-Executive Directors. The Committee Chairman is considered by the Board to have recent and relevant financial, accounting and auditing 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 management 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 Corporate Development Director, Head of Internal Audit, external auditor, and the Director of Compliance & Risk, 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 during 2015 and minor amendments were made by the Committee to reflect changes in terminology and practice.

The Committee Chairman will attend the AGM on 17 May 2016 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 on whether the Annual Report and Accounts, 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;
- to advise the Board on the appropriateness of the going concern assumption and the Long-term Viability Statement (LTVS) in the Annual Report;
- 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 ensure that there is an effective whistle-blowing policy and process available to all employees in place;
- to agree the programme and plans for, and to monitor the resourcing, findings, recommendations and effectiveness of the internal audit and compliance & risk functions; and
- to oversee the appointment, remuneration, plans, scope and relationship with the external auditor, including monitoring independence, and to consider the reports and findings of the external audit.

Activities
The Committee discharged its responsibilities as listed above and, in particular, undertook the following activities during the course of the year:

Financial reporting
- reviewed the preliminary full year and half year results, including the deliberation of key accounting issues and judgements supported by internal management and external auditor commentaries thereon;
- considered the appropriate accounting treatment of the Company's acquisitions and disposals;
- reviewed the financial statements and 2015 Annual Report and the report from the external auditor on those documents;
- considered the representations of management requested by the external auditor;
- considered material litigation in train or in prospect with regard to the Company and its subsidiaries;
- reviewed and approved the Board statement on internal control practices, principle risks and uncertainties and the Audit Committee Report in the 2015 Annual Report;
- advised and made recommendations to the Board on whether the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable and thereby provided the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- advised the Board on the approach to and the composition of the LTVS for the 2015 Annual Report and the decisions and judgements that underpin that new statement.

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 of incidents and near misses occurring in the businesses and any subsequent control recommendations;
- considered the resourcing and structure of the compliance function across the Group in the light of developing business activities;
- reviewed regular reports from the Group's compliance and risk functions; and
- held private discussions with the Director of Compliance & Risk without management present.

Internal audit
- considered the staffing and structure of the internal audit function;
- reviewed the draft annual internal audit plan for the year ahead 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 making recommendations for their improvement; and, where appropriate, requested follow-up actions or clarification;
- commissioned an external quality assessment of the internal audit function and discussed its findings; 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, whilst receiving feedback from Group and divisional management on their audit planning, focus and engagement, and considered opportunities for improvement to the year-end processes by both the finance function and external audit personnel;
- noted and discussed the proposed audit partner rotation and considered the experience and suitability of proposed succession candidates;
- considered the capability and independence of the external audit firm 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 2015 year end audit noting close alignment with the Committee's own risk assessment;
- 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 satisfied itself that audit independence was in no way compromised; 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:

- the determination of revenue for the year and in particular the determination and age profile of debtors, the valuation of work-in-progress statements and the adequacy of any related provisions;
- the funding position of the Company's defined benefit pension schemes, taking into account comparison with comparable schemes, and the primary assumptions on which the valuations were based;
- the value of goodwill, deferred consideration and internally generated intangible assets;
- 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;
- the treatment and disclosure of continuing and discontinued operations to ensure a clear, fair and balanced presentation of both segments; and
- the carrying value of deferred tax balances in the light of the expected geographic provenance of the Company's future taxable profits.

Auditor re-appointment

The Company's audit services have been provided by Deloitte LLP since the Company's flotation in 1996 with regular audit partner rotations. The lead audit partner was changed by rotation during 2015. The Committee last undertook an external tender for the 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 most efficiently 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 Chairman. 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 ensuring management's continued delivery of an effective control environment and associated assurance processes. As in prior years, the Committee considered ways to further enhance its future effectiveness, including establishing a rolling programme to review the Group's most material risks, risk mitigation plans and controls at both the Audit Committee and related executive committees in order to facilitate a more detailed discussion on risk management.

David Watson
Chairman of the Audit Committee
9 March 2016

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 2015. 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 2015 and, together with this introductory statement, is subject to an advisory shareholder vote at the 2016 AGM.

Shareholder engagement

I am pleased to report a strong level of support and engagement from shareholders. The resolution seeking approval of the 2014 Annual Report on Remuneration was supported by over 99% of the votes cast at the AGM in 2015. Before introducing the Directors' Remuneration Policy in 2014, we consulted with our major shareholders and will do so when the Directors' Remuneration Policy is reviewed and developed in future years.

We have also consulted with our major shareholders regarding the increase in the base salary of the Group Chief Executive Officer, as detailed below.

Base salary

In 2015 the Executive Directors received a base salary increase of 1.9% each, which was the same as the average increase of UK employees. After a significant review and shareholder consultation, the Committee has awarded a base salary increase of 9.7% to the Group Chief Executive Officer, David Marock, effective at the 1 January 2016 review date, which reflects the growth and strong performance of the Group since David became GCEO, and addresses the below-market position of his previous base salary. This adjustment increases his base salary to £368,500, from £335,862; the previous salary was below the FTSE SmallCap median. David joined the Group in 2011 when the business faced a number of challenges. Since then he has successfully developed and implemented a five-year strategy, leading the significant achievement of turning the business around from a potentially failing situation to one of consistently strong and credible performance, which is summarised in the table below. Against this backdrop of strong performance, the Committee carried out an extensive review of David's remuneration package as part of our normal activity cycle. We looked at market practice and identified a range of benchmarks to assist with our review from a range of remuneration consultants. After careful consideration of the information available to us on each element of remuneration, including the current bonus and LTIPs and in the context of the strong performance since 2011, in a complex, highly competitive market, we concluded that David's base salary was below market comparators. After David joined in 2011 he did not receive an increase in base salary until January 2014, which was 3% of his base salary, and then in January 2015 he received an increase of 1.9%. During the same period, Charles Taylor staff in the UK benefited from annual increases ranging from 1.9% to 7.7%. The other elements of David's remuneration package will remain unchanged as we are mindful that an increase in base salary has a multiplier effect on pension, bonus and the value of LTIPs and we have taken this into consideration in arriving at the increase in base salary.

The other Executive Directors each received a base salary increase of 1.5% at the 1 January 2016 review date.

Annual bonus

Annual bonus awards have been made in respect of the 2015 performance year to all Executive Directors. Taking account of an overall strong performance, the Committee has awarded bonuses of up to 98.5% of the maximum level. The Group Chief Executive Officer, David Marock, was awarded a total bonus payment for 2015 performance of £497,076 (148% of base salary; 98.5% of maximum bonus). The largest total bonuses paid to any other Executive Directors in respect of performance in 2015 were 73% of base salary. These bonuses are primarily a reflection of excellent financial performance with year-on-year growth in adjusted PBT (+24.4%) and adjusted EPS (+22.4%). 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 118% over the period 2012 to 2015 resulting in strong relative performance for which the 2012 LTIP awards vested in full during the year. Further details are included on page 52.

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.

Summary of performance figures

	2011	2012	2013	2014	2015	Cumulative average growth rate	Absolute growth rate
Revenue (£m)	101.4	107.0	112.7	122.5	143.4	9.1%	41.4%
Adjusted PBT (£m)	9.6	9.6	10.3	11.4	14.2	10.3%	47.9%
Adjusted EPS (p) (Notes 1, 2)	13.02	13.02	14.10	16.32	19.98	11.3%	53.5%
Market capitalisation as at 31 December (£m)	51.3	68.0	104.7	108.6	173.0	35.5%	237.1%

Notes:
1. 2011 adjusted PBT, and hence, adjusted EPS, restated downwards by £0.4m due to pension-related accounting changes effective from 2012.
2. The adjusted EPS has been rebased for the Rights Issue by applying the number of shares in issue as at 31 December 2015 to each of the years 2011 to 2014.

Additional considerations

We are mindful of two emerging practices in the market: the first being to have a two-year post-vesting holding period for shares under LTIPs; and the second being a requirement for Executive Directors to hold Company shares which represents 2x base salary. We do already have a minimum shareholding requirement for Executive Directors of 1x base salary. We have considered these practices and the extent to which they support our aim to place more emphasis on LTIPs and variable pay in the overall remuneration package. These points will be reviewed again in our deliberations next year.

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 2014 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 2016 and it is shown for information and to provide context to the 2015 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:

Directors' Remuneration Report continued

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.

Element	Purpose and link to strategy	Operation	Maximum opportunity
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.

Directors' Remuneration Report continued

Executive Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
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 an 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 regard 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 (eg 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 takes 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 (eg 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.

Directors' Remuneration Report continued

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 rule 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.

Provision	David Marock	Mark Keogh	Damian Ely	Joe Roach
Notice period from either party	12 months	12 months	12 months	12 months
Contract commencement date	1 July 2011	16 June 2014	1 October 2005	1 January 1997
Payments on termination	Base salary for period of notice plus benefits including pension, paid monthly and subject to mitigation.		Base salary for period of notice, paid monthly and subject to mitigation.	
	In addition, any statutory entitlements in connection with the termination would be paid as necessary.			
Remuneration entitlements	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.			
Change of control	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.			

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.

Directors' Remuneration Report continued

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 2015

		Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension related benefits £	Other £	Total £
David Marock	GCEO	**335,862**	**8,786**	**497,076**	**457,162**	**43,851**	**–**	**1,342,737**
Damian Ely		**224,608**	**20,596**	**111,181**	**91,430**	**31,286**	**–**	**479,101**
Mark Keogh	GCFO	**239,465**	**6,889**	**174,801**	**–**	**31,470**	**–**	**452,625**
Joe Roach		**416,921**	**21,460**	**136,991**	**152,386**	**5,732**	**–**	**733,490**
Rupert Robson*	Chairman	**59,423**	**–**	**–**	**–**	**–**	**–**	**59,423**
Edward Creasy	Chairman	**57,333**	**–**	**–**	**–**	**–**	**–**	**57,333**
Barnabas Hurst-Bannister		**41,000**	**–**	**–**	**–**	**–**	**–**	**41,000**
Gill Rider		**56,000**	**–**	**–**	**–**	**–**	**–**	**56,000**
David Watson		**51,000**	**–**	**–**	**–**	**–**	**–**	**51,000**

* Rupert Robson retired as a Director and Chairman on 28 August 2015.

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		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.

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 2015 this includes the 2012 LTIP awards which vested in full and for 2014 this includes the 2011 LTIP which also vested in full.
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.

Annual bonus for the year ended 31 December 2015

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 are 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 2015, 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%

At the end of the year, performance is assessed against objectives. Quantifiable measures are used wherever possible. The Committee assesses the performance of the Company, each business unit, the support service teams and 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. 70% of the assessment of the 2015 performance review was weighted to key financial targets, 30% to achievement of personal objectives in respect of the Executive Directors in Group roles. The split varies in respect of those that are business heads. Exceptional business performance would be required to achieve maximum performance.

The key financial targets for 2015 were:
- Grow adjusted PBT (attributable to owners of the Company) by 6%.
- Grow adjusted EPS by 6%.

The table below shows the Group's performance against these two financial targets over the last five years. Performance for 2015 significantly exceeded the target level. The Committee determined that, for the 70% of the bonus dependent on financial performance, the outcome was between target and maximum:

Year-on-year performance	2015	2014	2013	2012	2011
Adjusted PBT (attributable)	**24.4%**	11.3%	9.2%	(4.6%)	(6.1%)
Adjusted EPS	**22.4%**	15.6%	9.4%	(7.7%)	(9.8%)

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 2015 were as follows:

	Total £	% of maximum	Cash £	Shares £
David Marock	497,076	98.5%	335,862	161,214
Damian Ely	111,181	94.0%	78,613	32,568
Joe Roach	136,991	78.7%	115,915	21,076
Mark Keogh	174,801	97.0%	119,733	55,068

Vesting of LTIP awards

The LTIP awards granted on 27 April 2012 were based on performance to 26 April 2015 to vest 27 April 2015. 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 2012 awards, Charles Taylor ranked in the top 25% of the peer group and accordingly the awards vested in full. Charles Taylor was ranked 35th out of 192 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 118.54%.

LTIP awards made in 2015

LTIP awards were made on 19 March 2015 at a share price of 267.5p (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). The awards were adjusted using a TERP calculation following the rights issue.

	Basis of award granted	2015 awards (number of shares)	Face value £	TERP adjustment (new number of shares)
David Marock – GCEO	75% of £335,862	94,166	£251,896	107,438
Damian Ely – Executive Director	50% of £224,608	41,982	£112,304	47,899
Joe Roach – Executive Director	31% of $636,481	50,224	£134,351	57,303
Mark Keogh – GCFO	75% of £239,465	67,139	£179,598	76,602

The value of the award to Joe Roach was calculated using an exchange rate of £1.00 = $1.4686.

The awards are subject to a three-year performance period ending 31 December 2017 and are due to vest on 19 March 2018. The proportion of shares which may vest 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 2015.

Directors' interests and Minimum Shareholding Requirement (MSR)

There is an 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.

Directors' Remuneration Report continued

The beneficial interests of Directors in the ordinary share capital of the Company at 31 December 2015 and 31 December 2014 were as follows:

	At 31 December 2015 1p ordinary shares		At 31 December 2014 1p ordinary shares		Outstanding performance based share awards[1]	Outstanding share awards[1]	Unexercised vested option awards	Outstanding unvested option awards	**% shareholding guideline achieved at 31 December 2015**
David Marock	**204,975**	**0.31%**	462,328	1.06%	377,556	23,931	–	10,631	**100**
Damian Ely	**106,926**	**0.16%**	57,504	0.13%	131,342	7,622	–	10,631	**100**
Mark Keogh	**16,380**	**0.02%**	–	–	76,602	3,237	–	10,631	**18**
Joe Roach	**212,105**	**0.32%**	92,798	0.21%	166,475	16,988	–	4,011	**100**
Rupert Robson (retired 28 August 2015)	**–**	**–**	69,437	0.16%	–	–	–	–	**N/A**
Edward Creasy	**27,130**	**0.04%**	4,291	0.01%	–	–	–	–	**N/A**
Barnabas Hurst-Bannister	**8,602**	**0.01%**	–	–	–	–	–	–	**N/A**
Gill Rider	**3,428**	**0.01%**	1,000	0.01%	–	–	–	–	**N/A**
David Watson	**14,584**	**0.02%**	10,000	0.02%	–	–	–	–	**N/A**
Total of Directors' interests	**594,130**	**0.89%**	697,358	1.60%	751,975	51,778	–	35,904	

1 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 571,990 shares as at 31 December 2015. 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 2014	Awards and options granted during 2015	TERP adjustment during 2015	Options exercised during 2015	Options lapsed during 2015	Awards and options cancelled during 2015	Awards and options held at 31 December 2015	Exercise price (p)[1]	Exercisable dates
David Marock	c	150,000	–	**21,141**	**(171,141)**	–	–	–	Nil	27 Apr 2015
David Marock	d	140,000	–	**19,732**	–	–	–	**159,732**	Nil	23 Apr 2016
David Marock	g	96,751	–	**13,636**	–	–	–	**110,387**	Nil	20 Mar 2017
David Marock	a	9,318	–	**1,313**	–	–	–	**10,631**	169.2991	Dec 2017 – May 2018
David Marock	h	–	**94,166**	**13,272**	–	–	–	**107,438**	Nil	19 Mar 2018
David Marock	i	–	**23,931**	–	–	–	–	**23,931**	Nil	April 2016, April 2017 & April 2018
Alistair Groom**	c	30,500	–	**4,299**	**(34,799)**	–	–	–	Nil	27 Apr 2015
Alistair Groom**	e	6,945	–	**979**	**(7,924)**	–	–	–	Nil	April 2015
Alistair Groom**	f	8,889	–	**1,252**	**(5,070)**	–	–	**5,071**	Nil	April 2015 & April 2016
Alistair Groom**	d	14,000	–	**1,973**	–	–	–	**15,973**	Nil	23 Apr 2016
Damian Ely	c	30,000	–	**4,228**	**(34,228)**	–	–	–	Nil	27 Apr 2015
Damian Ely	e	4,630	–	**653**	**(5,283)**	–	–	–	Nil	April 2015
Damian Ely	f	6,482	–	**914**	**(3,698)**	–	–	**3,698**	Nil	April 2015 & April 2016
Damian Ely	d	30,000	–	**4,228**	–	–	–	**34,228**	Nil	23 Apr 2016
Damian Ely	g	43,135	–	**6,079**	–	–	–	**49,214**	Nil	20 Mar 2017
Damian Ely	a	9,318	–	**1,313**	–	–	–	**10,631**	169.2991	Dec 2017 – May 2018
Damian Ely	h	–	**41,982**	**5,917**	–	–	–	**47,899**	Nil	19 Mar 2018
Damian Ely	i	–	**3,924**	–	–	–	–	**3,924**	Nil	April 2016, April 2017 & April 2018
Joe Roach	c	50,000	–	**7,047**	**(57,047)**	–	–	–	Nil	27 Apr 2015
Joe Roach	e	6,945	–	**979**	**(7,924)**	–	–	–	Nil	April 2015
Joe Roach	f	12,592	–	**1,774**	**(7,183)**	–	–	**7,183**	Nil	April 2015 & April 2016
Joe Roach	d	50,000	–	**7,047**	–	–	–	**57,047**	Nil	23 Apr 2016
Joe Roach	b	3,516	–	**495**	–	–	–	**4,011**	156.4499	9 Jan 2016
Joe Roach	g	45,686	–	**6,439**	–	–	–	**52,125**	Nil	20 Mar 2017
Joe Roach	h	–	**50,224**	**7,079**	–	–	–	**57,303**	Nil	19 Mar 2018
Joe Roach	i	–	**9,805**	–	–	–	–	**9,805**	Nil	April 2016, April 2017 & April 2018
Mark Keogh	a	9,318	–	**1,313**	–	–	–	**10,631**	169.2991	Dec 2017 – May 2018
Mark Keogh	h	–	**67,139**	**9,463**	–	–	–	**76,602**	Nil	19 Mar 2018
Mark Keogh	i	–	**3,237**	–	–	–	–	**3,237**	Nil	April 2016, April 2017 & April 2018
		758,025	**294,408**	**142,565**	**(334,297)**	–	–	**860,701**		

* Exercise prices adjusted using a TERP calculation during the year.

** 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 pro-rated 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) 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.
(e) Bonus Share Award 2012 – shares released in three equal tranches after one, two and three years.
(f) Bonus Share Award 2013 – shares released in three equal tranches after one, two and three years.
(g) 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.
(h) Charles Taylor Long-term Incentive Plan 2007 – subject to three-year relative TSR and EPS performance conditions measured to 31 December 2017 with 25% vesting at threshold.
(i) Charles Taylor Deferred Annual Bonus Plan – shares released in three equal tranches after one, two and three years.

Directors' Remuneration Report continued

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 schemes launched in 2014 and thereafter. The Executive Directors are eligible to participate in the SAYE share option scheme.

The Company's shares were trading at £2.60 at the year-end (2014: £2.50) and traded in the range £2.05 to £2.89 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	Cash allowance	15% of base salary	None
Damian Ely	Cash allowance	15% of base salary less Employer NIC	None
Mark Keogh	Cash allowance	15% of base salary	None
Joe Roach	Defined contribution to US 401(k) plan	US$8,250 pa	US$20,500 pa

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 2014 £000	Contributions made by the Director in 2015 £000	Decrease in full transfer value in the year net of contributions £000	Transfer value 31 December 2015 £000	Cutback transfer value[1] 31 December 2015 £000
Damian Ely	2,495	–	(953)	1,542	1,218

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

The decrease in transfer value in 2015 was a result of the reassessment of the appropriate transfer value calculation basis by the Trustees following the appointment of a new Scheme Actuary. The normal retirement date under the Charles Taylor defined benefit pension scheme of 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), Edward Creasy (the non-executive Group Chairman), Barnabas Hurst-Bannister, David Watson and Rupert Robson, who was the non-executive Group Chairman. Barnabas Hurst-Bannister stood down from the Committee in March 2015 when he was no longer regarded as independent under the Code. Gill Rider and David Watson are independent Non-Executive Directors. Neither Gill Rider nor David Watson have 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 seven times during 2015. 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 into account 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.

Advisers
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 £25,149.

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

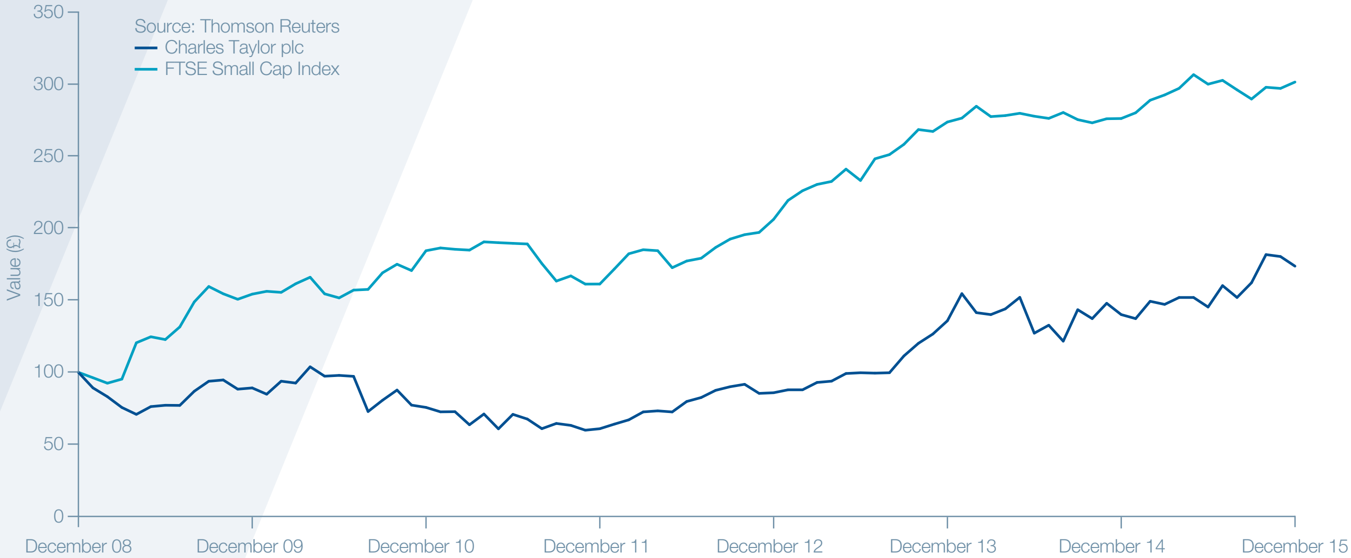
David Marock	Group Chief Executive Officer
Ivan Keane	Group Company Secretary and General Counsel
Suzanne Deery	Director of Human Resources

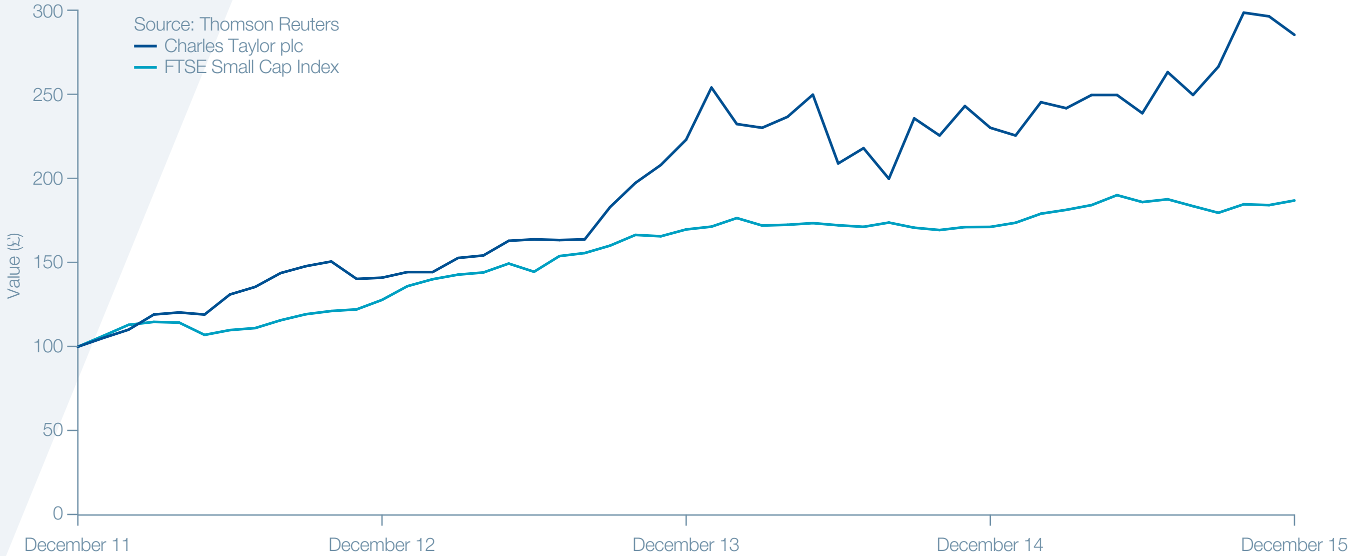
Statement of voting at last AGM
The Company remains committed to ongoing shareholder dialogue and takes a keen interest in voting outcomes. The following table sets out voting outcomes in respect of the resolutions relating to approving Directors' remuneration matters at the Company's AGM on 7 May 2015:

Resolution	Votes for/discretionary	% of vote	Votes against	% of vote	Votes withheld
Approve Remuneration Report	48,916,133	99.86	70,650	0.14	32,516

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.





The second graph reflects the performance since David Marock became Group Chief Executive Officer.

Chief Executive Officer remuneration for previous seven years

	2009 JR	2010 JR	2011 JR*	2011 DM*	2012 DM	2013 DM	2014 DM	**2015 DM**
Single figure of total remuneration (£000)	562	479	235	347	650	696	1,605	**1,343**
Annual bonus payout against maximum opportunity %	55	0	0	N/A**	57	67	78	**98.5**
LTI vesting rates against maximum opportunity %	0	0	N/A	N/A	0	0	100	**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	1.9%	3.5%
Benefits	1.6%	(0.4)%
Annual bonus	29.2%	21.2%

The 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 £4,415 to £5,354.

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):

	2014	**2015**	% change
Dividends relating to the period	£4.17m	**£4.81m**	15.3
Overall expenditure on pay	£68.0m	**£80.4m**	18.2

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 Investment Association 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 2015, there were 1,424,076 shares available for such awards, of which 767,231 shares were available for discretionary schemes. The following table sets out the calculation:

	All shares	Discretionary (LTIP, DABP & ESOS)
Issued shares	66,521,281	66,521,281
Investment Associations limits	6,652,128	3,326,064
Issued (exercised and outstanding) in last ten years	5,226,526	2,558,833
Available	1,425,602	767,231

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2016

Base salary

The base salary of the GCEO was increased by 9.7% at 1 January 2016 as explained on page 42. The base salaries of the other Executive Directors were increased by 1.5% at 1 January 2016. Details are in the table below:

		Base salaries	
		1 January 2016	1 January 2015
David Marock	GCEO	£368,500	£335,862
Damian Ely	Executive Director	£227,977	£224,608
Mark Keogh	GCFO	£243,057	£239,465
Joe Roach	Executive Director	US$646,028	US$636,481

Annual bonus awards

Under the annual bonus arrangement for 2016, 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. 70% of the weighting of objectives are financial in respect of the Executive Directors in Group roles. Consistent with 2015 the key financial targets will be growth in adjusted PBT and growth in adjusted EPS with the addition of a revenue growth target. Personal objectives are 30% of the weighting and relate to specific operational, people and client-related objectives. The split will vary in respect of Executive Directors that are in business leadership roles. The Committee

Directors' Remuneration Report continued

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.

For 2016, 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	50%	75%
Joe Roach	27.5%	41.25%

Any bonus award that is above the on-target opportunity will be delivered entirely in Charles Taylor plc shares, which are deferred and released in three equal tranches after one, two and three years.

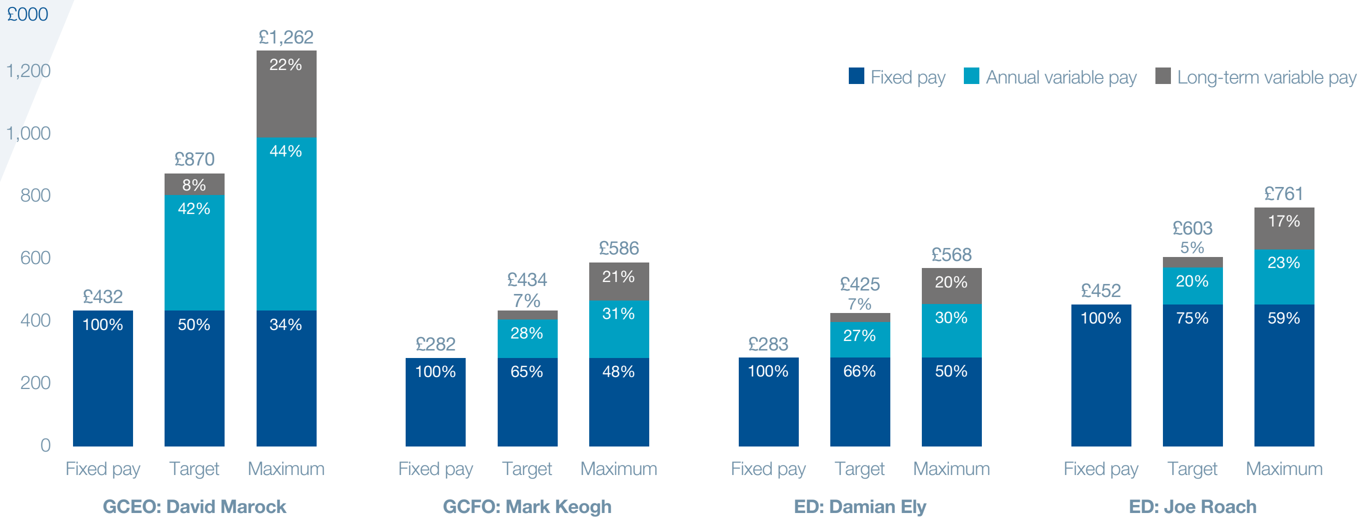
Long-term incentive arrangements
The Committee will award performance shares under the LTIP in 2016 worth 75% of base salary for David Marock, 50% of base salary for Damian Ely, 50% of base salary for Mark Keogh and 31% of base salary for Joe Roach. These awards will be subject to two performance metrics. 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.

Illustrations of total remuneration based on 2016 salaries at minimum, target and maximum levels of performance



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 2016. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2015. The remuneration of Joe Roach has been converted from US$ into £ Sterling using an exchange rate of £1.00 = $1.51.

The on-target bonus potential used for David Marock, Mark Keogh, Damian Ely and Joe Roach is 100%, 50%, 50% 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%, 75% 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. The fees paid to the Non-Executive Directors were not increased at 1 January 2016. A summary of the current fees is as follows:

	2016	**2015**	% Increase
Board Chairman	£90,000	**£90,000**	0%
Basic fee	£41,000	**£41,000**	0%
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 9 March 2016 and signed on its behalf by:

Gill Rider
Chairman of the Remuneration Committee
9 March 2016

Directors' Report

for the year to 31 December 2015

The Report of the Directors should be read in conjunction with the Strategic Report on pages 4 to 29 and the Corporate Governance Report on pages 31 to 41, both of which form part of this Directors' Report.

Strategic Report

The Strategic Report, which can be found on pages 4 to 29, 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.

Dividends

An interim dividend for the year to 31 December 2015 of 3.00p (2014: 2.85p[1]) per share was paid on 27 November 2015. The Directors recommend a final dividend of 7.00p (2014 second interim: 6.57p[1]) per share. If approved by the shareholders at the Annual General Meeting (AGM), the final dividend will be paid on 6 May 2016 to those shareholders whose names are on the register on 8 April 2016. 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.

1 2014 figures rebased to allow for the increased shares in circulation following the Rights Issue in April 2015.

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 26. 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 2015 the issued share capital of the Company was 66,521,281 ordinary shares and the average monthly trading volume was 1,285,503 ordinary shares (2014: 430,058 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 525,275 ordinary shares under Part A of the Charles Taylor Sharesave Scheme were granted on 13 October 2015 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2018 and 31 May 2019 at a price of 199.94p per share. Options over 187,152 ordinary shares under Part B of the Charles Taylor Sharesave Scheme were granted on 13 October 2015 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2018 and 31 May 2019 at a price of 199.94p per share. Options over 59,378 ordinary shares under Part C of the Charles Taylor Sharesave Scheme were granted on 13 October 2015 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares on 15 January 2018 at a price of 214.625p per share.

Awards over 253,511 ordinary shares under the Charles Taylor Long-term Incentive Plan 2007 (LTIP) were granted on 19 March 2015 to the Executive Directors. These awards were subsequently adjusted using a Theoretical Ex Rights Price (TERP) calculation following the Rights Issue and now total 289,241 shares. Full details of the awards are set out in the Directors' Remuneration Report on page 53.

As at 31 December 2015, the Charles Taylor Employees Share Ownership Plan (ESOP) held 571,990 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 42 to 61 and note 28.

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) as at 31 December 2015 and 9 March 2016:

	Number of shares held at 31 December 2015	% of voting rights held	Number of shares held at 9 March 2016	% of voting rights held
Delta Lloyd Asset Management N.V.	**9,261,549**	13.92	9,261,549	13.91
Miton Group PLC	**6,670,113**	10.03	6,670,113	10.02
Kabouter Management LLC	**5,280,891**	7.94	5,280,891	7.93
The Standard Club Ltd	**5,153,580**	7.75	5,153,580	7.74
Legal & General Group Plc	**4,531,753**	6.81	3,964,291	5.95
Ameriprise Financial, Inc	**3,991,508**	6.01	3,137,707	4.71
Artemis Investment Management LLP	**3,783,429**	5.69	3,783,429	5.68
JP Morgan Asset Management Holdings Inc.	**3,534,088**	5.31	3,534,088	5.31

It should be noted that these holdings may have changed since the Company was notified; however, notification of any change is not required until the next notifiable threshold is crossed.

Save for the above, the Directors are unaware of any person, other than the Directors whose interests are shown on pages 54 and 55, having a disclosable interest in the issued ordinary share capital of the Company.

Directors

The following Directors served during the year ended 31 December 2015 and as at the date of this report, except as indicated:

Name	Appointment
Edward Creasy	Chairman and Chairman of the Nomination Committee
Rupert Robson	Chairman and Chairman of the Nomination Committee (resigned 28 August 2015)
Damian Ely	Executive Director
Barnabas Hurst-Bannister	Non-Executive Director
Mark Keogh	Executive Director
David Marock	Executive Director
Gill Rider	Senior Independent Non-Executive Director and Chairman of the Remuneration Committee
Joseph Roach III	Executive Director
David Watson	Independent Non-Executive Director and Chairman of the Audit Committee

Joe Roach has advised the Board of his intention to retire from the Board on 31 December 2016.

Brief biographies of the current Directors, indicating their experience and qualifications, are given on page 33. All the Directors have elected to retire from the Board at the forthcoming AGM and offer themselves for re-election.

Details of the Directors' notice periods are given on page 48.

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 page 36.

A statement of Directors' interests in the shares of the Company and their remuneration is set out on pages 50 to 56.

Directors' Report continued

for the year to 31 December 2015

Employees

Full details of arrangements relating to employees are described in the Strategic Report on pages 28 and 29.

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 28.

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 I 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.

GHG emissions for period 1 January 2015 to 31 December 2015

	Global tonnes of CO_2e	
	2015	2014
Scope 1	**–**	–
Scope 2	**2,624,922**	2,588,509

The increase in Scope 2 emissions is due to additional buildings and square footage acquired during 2015.

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) of the 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 Audit Committee.

Annual General Meeting

The AGM will be held at 10.00am on Tuesday 17 May 2016 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

There have been no significant events since the balance sheet date which would have a material effect on the financial statements.

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

Ivan Keane
Group Company Secretary and General Counsel
9 March 2016

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 to 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 our 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

Mark Keogh
Group Chief Financial Officer

9 March 2016

Financial Statements

Other Information

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 2015 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 39. 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 and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 3 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 27.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 27 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 24 to 26 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 3 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the Director's explanation on page 27 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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 2015 is £39.6m. The valuation of this liability involves actuarial modelling and is dependent on judgemental assumptions. Those key judgements include the discount rate, price inflation, asset yields and long-term life expectancy. Refer to the Employee benefits significant accounting policy on page 89 and note 33 in the financial statements that refer to this matter.	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 33 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 existence and valuation of assets in the Group's schemes by obtaining external confirmation of market value; • evaluated the completeness and accuracy of underlying participant data; 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 £44.8m of goodwill resulting from past acquisitions in the Group as at 31 December 2015. The Group's assessment of impairment of goodwill is a judgemental 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 the Goodwill significant accounting policy on page 86 and note 16 in the financial statements that refer to this matter.	We reviewed management's goodwill paper and impairment review. In order to test the goodwill valuation we have: • reviewed and challenged management's forecasts, with a focus on the implied growth rates and assessed the reasonableness of such forecasts by analysing the prior year forecasts against the actual out-turn in the current year; • utilised valuation specialists to benchmark discount rates to comparable companies; • challenged differences in our independently developed discount rates to the discount rates applied to the expected future cash flows with focus on the sensitivity analysis to assess the level of headroom that existed in the business; and • reviewed the structure and allocation of the Company's goodwill model, including the allocation of directly and indirectly attributable assets and liabilities of cash generating units, to determine whether this complied with accounting standards.
Valuation of intangibles The Group has £10.8m of internally generated intangible assets as at 31 December 2015 which includes £7.0m of additions in the current year. Intangible assets are recognised based upon management's models which rely upon judgements including the probability that future economic benefits will flow to the Group. Refer to the Intangible assets significant accounting policy on page 95, Internally generated intangible assets critical accounting judgement and key source of estimation uncertainty on page 102 and note 17 in the financial statements that refer to this matter.	We reviewed management's analysis on the treatment of intangibles. In order to test the valuation of intangibles we have: • substantively tested the recognition of a sample of capitalised expenses to determine whether this was in line with the applicable accounting policy; • reviewed and challenged management assumptions (eg 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; and • performed analytical review testing to compare amortisation expense to our expectation.

Independent Auditor's Report continued

Risk	How the scope of our audit responded to the risk
Valuation of deferred consideration The Group has £15.8m of deferred consideration as at 31 December 2015 of which £1.8m is contingent on the acquired business meeting certain performance metrics. The Group recorded an additional £11.5m in the year ended 31 December 2015 related to current year acquisitions, and therefore, based on this increase in the context of materiality, we consider it appropriate to include as a new risk in our audit report. Refer to the Business combinations significant accounting policy on page 85 and note 14 in the financial statements that refer to this matter.	We reviewed management's accounting paper and analysis on the treatment of deferred consideration. In order to test the valuation of deferred consideration we have: • evaluated management's financial forecasts and projections for all instances where the deferred consideration is contingent on meeting specific performance benchmarks; • obtained management's models and tested the integrity of the model along with its consistency with the accounting policy and prior year treatment as well as with other management estimates; and • reviewed and challenged the appropriateness of applied discount rates based on observable market data from comparable companies.
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. Due to the nature of the adjusting and insurance support services divisions, there is a high degree of estimation and judgement over the recognition and collectability of revenue. 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 the Revenue recognition significant accounting policy on page 88, Revenue recognition in the adjusting businesses critical accounting judgement and key source of estimation uncertainty on page 99 and notes 5 and 22 in the financial statements that refer to this matter.	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 focused on reviewing and challenging management's recovery and discounting model, in terms of both the reasonableness of the model but also the accuracy of the data inputs, specifically performing a look-back analysis on recoverability of prior year amounts. 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. We have assessed the design, implementation and operating effectiveness of controls over the WIP and debtors cycle.

The description of the risks above should be read in conjunction with the significant issues considered by the Audit Committee, as discussed on page 40. With the exception of the valuation of deferred consideration, there have been no changes to our identified risks above.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £918,000 (2014: £640,000), which is below 7.5% of profit before tax for the year (2014: 7.5%). We also consider this measure to be suitable having compared to other benchmarks: our materiality is 0.64% of total revenue, 0.07% of total current assets, and 1.30% of equity attributable to owners of the Group. Materiality has increased by £278,000 from 2014, driven by increased profit before tax of the Group. Group materiality is used for setting audit scope and the assessment of uncorrected misstatements. Component materialities are set lower for work performed on significant components and range between £459,000 and £826,200.

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 11 locations (2014: 12). Five of these locations were subject to a full scope audit, whilst the remaining six 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 11 locations account for 85% of the Group's net assets (2014: 94%), 90% of the Group's revenue (2014: 81%) and 87% of the Group's profit before tax (2014: 86%). 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 11 locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

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. We visited our significant component in the Isle of Man in the current year given the current year acquisition of LCL Assurance Limited. For each significant component, we 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 part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent Auditor’s Report continued

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). 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.

Mark McQueen (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
9 March 2016

Consolidated Income Statement

	Note	Year to 31 December 2015 £000	2014 £000
Continuing operations			
Revenue from Professional Services		**138,640**	118,607
Revenue from Owned Insurance Companies			
Gross revenue		**5,615**	4,688
Outward reinsurance premiums		**(813)**	(818)
Net revenue	31	**4,802**	3,870
Total revenue	5	**143,442**	122,477
Expenses from Owned Insurance Companies			
Claims incurred		**(22,281)**	(6,801)
Reinsurance recoveries		**363**	645
Other gains from insurance activities		**23,072**	6,710
Net operating expenses		**(5,136)**	(3,345)
Net expenses		**(3,982)**	(2,791)
Administrative expenses	6	**(127,998)**	(108,531)
Gain on acquisition	14	**2,291**	–
Share of results of associates	19	**131**	121
Operating profit		**13,884**	11,276
Investment and other income	8	**164**	64
Finance costs	9	**(1,230)**	(1,601)
Profit before tax		**12,818**	9,739
Income tax expense	10	**(1,044)**	(1,165)
Profit for the year from continuing operations		**11,774**	8,574
Discontinued operations			
Loss for the year from discontinued operations	15	**(5,741)**	(173)
Profit for the year		**6,033**	8,401
Attributable to:			
Owners of the Company		**8,724**	8,211
Non-controlling interests	27	**(2,691)**	190
		6,033	8,401
Earnings per share			
From continuing and discontinued operations			
Statutory basic (p)	13	**14.14**	17.06
Statutory diluted (p)	13	**14.04**	16.93
From continuing operations			
Statutory basic (p)	13	**18.61**	17.75
Statutory diluted (p)	13	**18.48**	17.62

Adjusted earnings per share figures are shown on page 106.

Consolidated Statement of Comprehensive Income

	Note	Year to 31 December 2015 £000	2014 £000
Profit for the year		**6,033**	8,401
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	33	**(618)**	(16,936)
Tax on items taken directly to equity		**(1,188)**	2,978
		(1,806)	(13,958)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(412)**	450
Losses on cash flow hedges		**(7)**	(135)
		(419)	315
Other comprehensive loss for the year, net of tax		**(2,225)**	(13,643)
Total comprehensive income/(loss) for the year		**3,808**	(5,242)
Attributable to:			
Owners of the Company		**6,487**	(5,473)
Non-controlling interests		**(2,679)**	231
		3,808	(5,242)

Consolidated Balance Sheet

	Note	At 31 December 2015 £000	2014 £000
Non-current assets			
Goodwill	16	**44,844**	42,196
Other intangible assets	17	**17,428**	12,898
Property, plant and equipment	18	**3,559**	4,011
Investments	19	**1,905**	748
Financial assets	20	**5,095**	–
Deferred tax assets	21	**7,282**	8,613
Total non-current assets		**80,113**	68,466
Current assets			
Total assets in insurance businesses	31	**1,087,198**	795,628
Trade and other receivables	22	**65,545**	60,061
Cash and cash equivalents		**80,170**	52,185
Assets classified as held for sale	15	**48,161**	–
Total current assets		**1,281,074**	907,874
Total assets		**1,361,187**	976,340
Current liabilities			
Total liabilities in insurance businesses	31	**1,066,765**	756,057
Trade and other payables	23	**29,327**	24,097
Deferred consideration	14	**8,213**	4,032
Current tax liabilities		**1,018**	326
Obligations under finance leases	24	**–**	112
Borrowings	24	**6,579**	5,345
Client funds	24	**68,406**	41,886
Liabilities directly associated with assets classified as held for sale	15	**28,843**	–
Total current liabilities		**1,209,151**	831,855
Net current assets		**71,923**	76,019
Non-current liabilities			
Borrowings	24	**15,057**	37,402
Retirement benefit obligation	33	**39,555**	41,534
Provisions	25	**321**	308
Obligations under finance leases	24	**50**	60
Deferred consideration	14	**7,569**	10,505
Total non-current liabilities		**62,552**	89,809
Total liabilities		**1,271,703**	921,664
Net assets		**89,484**	54,676
Equity			
Share capital	26	**665**	434
Share premium account		**71,239**	35,650
Merger reserve		**6,872**	6,872
Capital reserve		**662**	662
Own shares		**(489)**	(223)
Retained earnings		**(8,869)**	(10,699)
Equity attributable to owners of the Company		**70,080**	32,696
Non-controlling interests	27	**19,404**	21,980
Total equity		**89,484**	54,676

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2016.

Mark Keogh
Director
9 March 2016

Company Balance Sheet

	Note	At 31 December 2015 £000	At 31 December 2014 £000
Non-current assets			
Investments	19	**131,589**	72,926
Current assets			
Trade and other receivables	22	**62,059**	179,370
Cash and cash equivalents		**822**	2,025
Total current assets		**62,881**	181,395
Total assets		**194,470**	254,321
Current liabilities			
Trade and other payables	23	**85,832**	159,188
Deferred consideration		**131**	–
Borrowings	24	**3,822**	1,192
Total current liabilities		**89,785**	160,380
Net current (liabilities)/assets		**(26,904)**	21,015
Non-current liabilities			
Borrowings	24	**15,057**	37,370
Total liabilities		**104,842**	197,750
Net assets		**89,628**	56,571
Equity			
Called up share capital	26	**665**	434
Share premium account		**71,239**	35,650
Retained earnings		**17,724**	20,487
Total equity		**89,628**	56,571

The financial statements were approved by the Board of Directors and authorised for issue on 9 March 2016.

Mark Keogh
Director
9 March 2016

Cash Flow Statements

	Note	Year to 31 December 2015 £000	2014 £000
Group			
Net cash from operating activities	32	**41,741**	9,835
Investing activities			
Interest received		**117**	30
Proceeds on disposal of property, plant and equipment		**112**	91
Purchases of property, plant and equipment		**(2,700)**	(1,534)
Acquisition of other intangible assets		**(4,192)**	(2,774)
Purchase of investments		**(7,424)**	(957)
Acquisition of subsidiaries		**(2,239)**	–
Payment of deferred consideration		**(3,251)**	–
Net cash acquired with subsidiary		**3,831**	440
Net cash used in investing activities		**(15,746)**	(4,704)
Financing activities			
Proceeds from issue of shares		**29,533**	487
Dividends paid	12	**(5,405)**	(4,167)
Repayments of borrowings		**(33,128)**	(29,125)
Repayments of obligations under finance leases		**(119)**	(477)
New bank loans raised		**11,063**	31,061
Increase in bank overdrafts		**783**	48
Net cash from/(used in) financing activities		**2,727**	(2,173)
Net increase in cash and cash equivalents		**28,722**	2,958
Cash and cash equivalents at beginning of year		**52,185**	48,757
Effect of foreign exchange rate changes		**(737)**	470
Cash and cash equivalents at end of year		**80,170**	52,185
Company			
Net cash (used in)/from operating activities	32	**(5,584)**	1,896
Investing activities			
Interest received		**105**	22
Net cash from investing activities		**105**	22
Financing activities			
Proceeds from issue of shares		**29,533**	487
Dividends paid	12	**(5,405)**	(4,167)
Repayments of borrowings		**(33,064)**	(29,064)
New bank loans raised		**11,063**	31,061
Increase/(decrease) in bank overdrafts		**2,149**	(201)
Net cash from/(used in) financing activities		**4,276**	(1,884)
Net (decrease)/increase in cash and cash equivalents		**(1,203)**	34
Cash and cash equivalents at beginning of year		**2,025**	1,991
Cash and cash equivalents at end of year		**822**	2,025

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 2015	**434**	**35,650**	**6,872**	**662**	**(223)**	**(10,699)**	**21,980**	**54,676**
Issue of share capital	**231**	**–**	**–**	**–**	**–**	**–**	**–**	**231**
Share premium arising on issue of share capital	**–**	**35,589**	**–**	**–**	**–**	**–**	**–**	**35,589**
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**8,724**	**(2,691)**	**6,033**
Dividends paid (note 12)	**–**	**–**	**–**	**–**	**–**	**(5,405)**	**–**	**(5,405)**
Actuarial losses on defined benefit pension schemes (note 33)	**–**	**–**	**–**	**–**	**–**	**(618)**	**–**	**(618)**
Tax on items taken to equity	**–**	**–**	**–**	**–**	**–**	**(1,188)**	**–**	**(1,188)**
Foreign currency exchange differences	**–**	**–**	**–**	**–**	**–**	**(425)**	**13**	**(412)**
Movement in own shares	**–**	**–**	**–**	**–**	**(266)**	**–**	**–**	**(266)**
Movement in share-based payments	**–**	**–**	**–**	**–**	**–**	**803**	**–**	**803**
Losses on cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**(7)**
Other movements	**–**	**–**	**–**	**–**	**–**	**(54)**	**102**	**48**
At 31 December 2015	**665**	**71,239**	**6,872**	**662**	**(489)**	**(8,869)**	**19,404**	**89,484**
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 12)	–	–	–	–	–	(4,167)	–	(4,167)
Actuarial losses on defined benefit pension schemes (note 33)	–	–	–	–	–	(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

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

Own shares comprise 571,990 (2014: 299,123) shares held by the Charles Taylor Employee Share Ownership Plan Trust (ESOP). The market value of these shares was £1.5m (2014: £0.7m) 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 2015	**434**	**35,650**	**20,487**	**56,571**
Issue of share capital	**231**	**–**	**–**	**231**
Share premium arising on issue of share capital	**–**	**35,589**	**–**	**35,589**
Profit for the financial year	**–**	**–**	**2,649**	**2,649**
Dividends paid (note 12)	**–**	**–**	**(5,405)**	**(5,405)**
Losses on cash flow hedges	**–**	**–**	**(7)**	**(7)**
At 31 December 2015	**665**	**71,239**	**17,724**	**89,628**
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 12)	–	–	(4,167)	(4,167)
Losses on cash flow hedges	–	–	(135)	(135)
At 31 December 2014	434	35,650	20,487	56,571

Notes to the Financial Statements

1. 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 the back cover of this Annual Report. The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are set out in note 35 and in the Strategic Report. These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The Group has applied the amendments for the first time in the current year. Prior to the amendments, the Group accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Group to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as a reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as a reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (ie independent of the number of years of service), the Group recognises the reduction in the service cost in the period in which the related services are rendered.

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

Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

The Group has applied the amendments to IFRSs included in the *Annual Improvements to IFRSs 2010-2012 Cycle* and *2011-2013 Cycle* for the first time in the current year. The application of these amendments has had no impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 & IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IFRS 10 & IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 & IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRSs	*Annual improvements to IFRSs 2012-2014 Cycle*

1. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Statements

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2. Application of new and revised International Financial Reporting Standards (IFRSs) continued

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, ie when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

2. Application of new and revised International Financial Reporting Standards (IFRSs) continued

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (eg IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The Directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Disclosure initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

1) when the intangible asset is expressed as a measure of revenue; or
2) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and, accordingly, the Directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 will not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The Directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

2. Application of new and revised International Financial Reporting Standards (IFRSs) continued

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 include specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (ie the same currency as the benefits are to be paid). For the currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

3. Significant accounting policies

Statement of compliance

The consolidated 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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or 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 goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has 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.

Notes to the Financial Statements continued

3. Significant accounting policies continued

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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income 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 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.

When 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 in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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, a gain or loss is recognised in profit or loss and 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), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant accounting policies continued

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 viability statement included in the Strategic Report on page 27.

Business combinations

Acquisitions of 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 the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests 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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquirer or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquirer are measured in accordance with IFRS 2 at the acquisition date; 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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, 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 equity interest in the acquiree is remeasured to its acquisition-date 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 at that date.

Notes to the Financial Statements continued

3. Significant accounting policies continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is 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 its carrying amount, 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 subsequent periods.

On disposal of the relevant cash-generating unit, 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 and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. Significant accounting policies continued

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture 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.

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

3. Significant accounting policies continued

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing of the product sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' right to receive payment has 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 from a financial asset 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Lease payments are apportioned between finance expenses 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.

Operating lease payments are recognised as an 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual Group entity, 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 the end of each reporting period, monetary items 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.

3. Significant accounting policies continued

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below for hedge accounting policies); 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 repayment of the monetary item.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. 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 (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (ie a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company 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 re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (ie 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 to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as 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 in profit or loss within cost of sales and administrative expenses. Curtailment gains and losses are accounted for as past service costs.

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

3. Significant accounting policies continued

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.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to the reporting date.

Contributions from employees or third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (eg contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the re-measurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

Share-based payment arrangements

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

Share-based payment transactions of the Company

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. 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, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. 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 the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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 goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period 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 28 and in the Directors' Remuneration Report.

3. Significant accounting policies continued

Share-based payment transactions of the acquiree in a business combination

When the share-based payment awards held by the employees of an acquire (acquire awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquire awards and the replacement awards are measured in accordance with IFRS 2 (market-based measure) at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquire awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquire award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquire awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquire awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for a post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquire are not exchanged by the Group for its share-based payment transactions, the acquire share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquire based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the forseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

3. Significant accounting policies continued

Current and deferred tax for the year

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.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method.

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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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 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.

3. Significant accounting policies continued

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are 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.

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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured 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 from the contract.

3. Significant accounting policies continued

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.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

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.

Financial assets

Financial assets are classified into the categories of “held-to-maturity” investments and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

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 points 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.

Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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.

3. Significant accounting policies continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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;
- breach of contract, such as a default or delinquency in interest or principal repayments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 loss recognised 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying value of financial assets is reduced by the impairment loss directly for all financial assets with the exception of 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant accounting policies continued

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are initially measured at fair value, net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 29.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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.

Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecasted foreign currency transactions (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 attributable to the hedged risk.

Note 29 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 and accumulated under the heading of cash flow hedging reserve. 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 item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and 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 when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time 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.

3. Significant accounting policies continued

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 premiums 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.

Notes to the Financial Statements continued

3. Significant accounting policies continued

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 policyholders 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 policyholders 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 to the extent purchase price exceeds the value of net assets acquired, 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company 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 the consolidated 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.

4. Critical accounting judgements and key sources of estimation uncertainty continued

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 33.

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.

5. 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, property & casualty and marine (including average) adjusting.
- Insurance Support Services business – insurance support services, including Lloyd's turn-key managing agent, captive management, investment management, insurance technology services and risk management.
- Owned Insurance Companies business – 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, and exclude amounts for operations discontinued in the current year, described in more detail in note 15. Reconciliations of segmental results to the Group profit before tax are set out below.

5. Segmental information continued

Information about major customers

The Group derived revenue of £38.5m (31 December 2014: £35.4m) from one external customer which accounts for more than 10% of Group revenue, is included within both the Management Services and Insurance Support Services businesses.

	Professional Services businesses					Owned Insurance Companies	Other	Group
Year to 31 December 2015 Continuing operations	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	**50,718**	**59,016**	**28,903**	**3**	**138,640**	**4,802**	**–**	**143,442**
Revenue from other operating segments	**–**	**–**	**3,229**	**–**	**3,229**	**–**	**(3,229)**	**–**
Total revenue	**50,718**	**59,016**	**32,132**	**3**	**141,869**	**4,802**	**(3,229)**	**143,442**
Depreciation and amortisation	**(1,348)**	**(1,689)**	**(623)**	**–**	**(3,660)**	**(385)**	**–**	**(4,045)**
Other expenses	**(40,545)**	**(55,631)**	**(27,018)**	**205**	**(122,989)**	**(4,183)**	**3,229**	**(123,943)**
Operating segment profit	**8,825**	**1,696**	**4,491**	**208**	**15,220**	**234**	**–**	**15,454**
Share of results of associates								**131**
Amortisation of acquired intangible assets								**(1,629)**
Non-recurring costs (note 36)								**(72)**
Operating profit								**13,884**
Investment and other income								**164**
Finance costs								**(1,230)**
Profit before tax								**12,818**
Amortisation of acquired intangible assets								**1,629**
Non-recurring costs (note 36)								**72**
Non-controlling interests before tax								**(324)**
Profit before tax – adjusted								**14,195**

Loss for the year from discontinued operations was £5.7m (2014: £0.2m).

Notes to the Financial Statements continued

5. Segmental information continued

Year to 31 December 2014 Continuing operations	Professional Services businesses Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000	Total £000	Owned Insurance Companies Insurance Companies £000	Other Inter-segment eliminations £000	Group Total £000
Revenue from external clients	43,864	56,067	18,655	21	118,607	3,870	–	122,477
Revenue from other operating segments	–	–	3,147	–	3,147	–	(3,147)	–
Total revenue	43,864	56,067	21,802	21	121,754	3,870	(3,147)	122,477
Depreciation and amortisation	(984)	(1,160)	(536)	–	(2,680)	(329)	–	(3,009)
Other expenses	(35,145)	(52,678)	(19,286)	224	(106,885)	(2,837)	3,147	(106,575)
Operating segment profit	7,735	2,229	1,980	245	12,189	704	–	12,893
Share of results of associates								121
Amortisation of acquired intangible assets								(1,527)
Non-recurring costs (note 36)								(211)
Operating profit								11,276
Investment and other income								64
Finance costs								(1,601)
Profit before tax								9,739
Amortisation of acquired intangible assets								1,527
Non-recurring costs (note 36)								211
Non-controlling interests before tax								(65)
Profit before tax – adjusted								11,412

5. Segmental information continued

Continuing operations	At 31 December 2015 £000 Professional Services businesses	At 31 December 2015 £000 Owned Insurance Companies	At 31 December 2015 £000 Group	At 31 December 2014 £000 Professional Services businesses	At 31 December 2014 £000 Owned Insurance Companies	At 31 December 2014 £000 Group
Management Services business	**5,380**	**–**	**5,380**	2,961	–	2,961
Adjusting Services business	**149,606**	**–**	**149,606**	121,278	–	121,278
Insurance Support Services business	**46,528**	**–**	**46,528**	31,651	–	31,651
Unallocated assets and eliminations	**21,963**	**–**	**21,963**	22,140	–	22,140
Owned Insurance Companies business	**–**	**1,089,549**	**1,089,549**	–	798,310	798,310
Assets classified as held for sale	**–**	**48,161**	**48,161**	–	–	–
Total assets	**223,477**	**1,137,710**	**1,361,187**	178,030	798,310	976,340
– Non-current assets	**77,762**	**2,351**	**80,113**	65,784	2,682	68,466
– Current assets	**145,715**	**1,135,359**	**1,281,074**	112,246	795,628	907,874
Total assets	**223,477**	**1,137,710**	**1,361,187**	178,030	798,310	976,340
Current liabilities	**(105,330)**	**(1,066,765)**	**(1,172,095)**	(71,766)	(756,057)	(827,823)
Deferred consideration payable within one year	**(875)**	**(7,338)**	**(8,213)**	(646)	(3,386)	(4,032)
Liabilities directly associated with assets classified as held for sale	**–**	**(28,843)**	**(28,843)**	–	–	–
Net current assets	**39,510**	**32,413**	**71,923**	39,834	36,185	76,019
Non-current liabilities	**(54,983)**	**–**	**(54,983)**	(79,304)	–	(79,304)
Deferred consideration payable in more than one year	**(2,537)**	**(5,032)**	**(7,569)**	(1,758)	(8,747)	(10,505)
Total liabilities	**(163,725)**	**(1,107,978)**	**(1,271,703)**	(153,474)	(768,190)	(921,664)
Net assets	**59,752**	**29,732**	**89,484**	24,556	30,120	54,676
Non-controlling interests	**(1,450)**	**(17,954)**	**(19,404)**	(1,046)	(20,934)	(21,980)
Equity attributable to owners of the Company	**58,302**	**11,778**	**70,080**	23,510	9,186	32,696

Geographical information Continuing operations	Revenue Year to 31 December 2015 £000	Revenue Year to 31 December 2014 £000	Non-current assets[1] At 31 December 2015 £000	Non-current assets[1] At 31 December 2014 £000
United Kingdom	**44,718**	33,925	**60,231**	48,310
Other Europe	**9,856**	6,814	**3,746**	2,954
Middle East	**3,720**	2,955	**114**	65
North America	**12,249**	11,342	**6,254**	5,974
Central and South America	**4,404**	4,236	**183**	192
Asia Pacific	**15,037**	15,137	**1,480**	1,540
Bermuda	**53,458**	48,068	**823**	818
	143,442	122,477	**72,831**	59,853

1 Excluding deferred tax.

Notes to the Financial Statements continued

6. Administrative expenses

Continuing operations	Year to 31 December 2015 £000	2014 £000
Administrative expenses are as follows:		
Staff costs	**91,680**	78,774
Depreciation and other amounts written off tangible fixed assets	**1,780**	1,660
Other operating charges	**34,538**	28,097
Total administrative expenses	**127,998**	108,531
Operating profit is stated after charging:		
Rentals under operating leases:		
Land and buildings	**5,288**	5,008
Hire of other assets	**133**	134
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	**1,590**	1,267
Assets held under finance leases	**190**	393
Amortisation of other intangible assets (Professional Services)	**3,576**	2,595
Amortisation of other intangible assets (Owned Insurance Companies)	**331**	318
Gain on foreign exchange	**(293)**	(445)
Auditor's remuneration:		
Audit fees payable to:		
– Main auditor	**625**	560
– Other auditors	**17**	3
Total audit fees (Group)	**642**	563
Fees paid for tax and other compliance services:		
– Main auditor	**119**	114
– Other auditors	**51**	85
Total other fees (Group)	**170**	199

The audit fee in respect of the Company was £65,000 (2014: £65,000). Fees paid to the main auditor for other services are principally for overseas tax compliance services. The Group audit fee payable to the main auditor in respect of continuing operations was £545,000 (2014: £470,000).

7. Information regarding Directors and employees

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

Continuing operations	Year to 31 December 2015 £000	2014 £000
Wages and salaries	**80,435**	68,028
Social security costs	**6,011**	5,610
Other pension costs	**5,234**	5,136
	91,680	78,774

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

7. Information regarding Directors and employees continued

Employees

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

	Year to 31 December	
Continuing operations	**2015 No.**	2014 No.
Executive and administration	**1,130**	1,072

8. Investment and other income

	Year to 31 December	
Continuing operations	**2015 £000**	2014 £000
Profit on sale of fixed assets	**35**	19
Interest receivable and similar income	**129**	45
	164	64

9. Finance costs

	Year to 31 December	
Continuing operations	**2015 £000**	2014 £000
Bank loans and overdrafts repayable within five years	**765**	1,045
Deferred consideration discount unwind	**459**	530
Other loans	**2**	21
Finance leases	**4**	5
	1,230	1,601

10. Income tax expense

	Year to 31 December	
Continuing operations	**2015 £000**	2014 £000
Corporation tax:		
Current year	**885**	879
Adjustments in respect of prior years	**–**	103
	885	982
Deferred tax	**159**	183
	1,044	1,165

UK corporation tax is calculated at 20.3% (2014: 21.5%) 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 8.1% (2014: 12.0%).

There was no tax impact relating to the loss on discontinuance, and to the profit or loss from the ordinary activities of discontinued operations for both the current and prior periods.

Notes to the Financial Statements continued

10. Income tax expense continued

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

Continuing operations	Year to 31 December 2015 £000	Year to 31 December 2014 £000
Profit on ordinary activities before tax	**12,818**	9,739
Tax at the UK corporation tax rate of 20.3% profit (2014: 21.5%)	**2,596**	2,094
Effects of:		
Expenses not deductible	**197**	146
Taxable items excluded from profit	**(353)**	(362)
Non-taxable items included in profit	**(1,860)**	(250)
Higher/(lower) tax rates on overseas earnings	**464**	(458)
UK insurance company results	**–**	(78)
Prior years' adjustments – corporation tax	**–**	73
Income tax expense	**1,044**	1,165

11. 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 £2.6m profit (2014: £4.2m profit).

12. Dividends paid

	Year to 31 December 2015 £000	Year to 31 December 2014 £000
Ordinary dividends paid comprise:		
Final dividend paid (2014: 0.0p; 2013: 6.75p per share – rebased 5.92p)	**–**	2,788
Second interim dividend paid (2014: 7.50p – rebased 6.57p; 2013: 0.0p)	**3,431**	–
Interim dividend paid (2015: 3.00p; 2014: 3.25p per share – rebased 2.85p)	**1,974**	1,379
	5,405	4,167

A final dividend, of 10.0p per share, will be paid on 22 May 2016. Dividends paid have been shown as a movement in shareholders' funds.

13. Earnings per share

	Year to 31 December 2015 pence	Year to 31 December 2014 pence
Adjusted earnings per share:		
from continuing operations	**19.98**	16.32
from discontinued operations	**(4.23)**	(0.53)
	15.75	15.79
Basic earnings per share:		
from continuing operations	**18.61**	17.75
from discontinued operations	**(4.47)**	(0.69)
	14.14	17.06
Diluted earnings per share:		
from continuing operations	**18.48**	17.62
from discontinued operations	**(4.44)**	(0.69)
	14.04	16.93

13. Earnings per share continued

The earnings and weighted average number of shares used in the calculation of earnings per share are as shown below. The shares held by the ESOP have been excluded from the calculation because the trustees have waived the right to dividends on these shares.

	Year to 31 December	
	2015 £000	2014 £000
Earnings		
Earnings for the purposes of adjusted earnings per share being adjusted profit after tax attributable to owners of the Company	**10,287**	9,765
Amortisation of acquired intangible assets	**(1,629)**	(1,527)
Non-recurring costs (note 36)	**(72)**	(211)
Tax on non-recurring and certain amortisation costs	**138**	183
Earnings for the purposes of statutory basic and diluted earnings per share being net profit attributable to owners of the Company	**8,724**	8,210
Loss for the year from discontinued operations	**2,761**	333
Earnings for the purposes of statutory basic and diluted earnings per share from continuing operations	**11,485**	8,543
Earnings for the purposes of adjusted earnings per share from continuing operations	**13,048**	10,098

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of adjusted earnings per share	**65,308,762**	61,862,033
Rebase adjustment[1]	**(3,608,860)**	(13,743,511)
Weighted average number of ordinary shares for the purposes of statutory basic earnings per share	**61,699,902**	48,118,522
Effect of dilutive potential ordinary shares:		
Share options	**440,598**	380,219
Weighted average number of ordinary shares for the purposes of statutory diluted earnings per share	**62,140,500**	48,498,741

1. The rebase adjustment allows for the full effect of the Rights Issue in each period.

14. Acquisition of subsidiaries

Vesta Group

On 26 February 2015 the Group acquired the entire issued share capital of SC Management SAM, SC Services (Monaco) SARL and SC Management (Luxembourg) S.A. (collectively “Vesta”). Vesta provides management services to The Strike Club, a marine mutual that insures ship owners and ship charterers against delays due to strikes and other incidents.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Vesta Group		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Identifiable intangible assets	–	1,414	1,414
Property, plant and equipment	43	–	43
Trade and other receivables	108	–	108
Cash and cash equivalents	327	–	327
Trade and other payables	(225)	–	(225)
Identifiable assets and liabilities	253	1,414	1,667
Consideration			1,667
Satisfied by:			
Initial cash consideration			253
Deferred consideration			1,414
Consideration			1,667

Notes to the Financial Statements continued

14. Acquisition of subsidiaries continued

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

On 19 February 2015, the Group acquired 50.1% of the issued share capital of CTMAH and 100% of the issued share capital of Almond Two Limited from The Standard Club. These acquisitions have enabled the Group to provide managing agency services to new syndicates at Lloyd's on a "turn-key" basis.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Carrying amount before acquisition			
	Almond Two Limited £000	CTMAH £000	Adjustments £000	Amount recognised at acquisition £000
Trade and other receivables	–	166	–	166
Cash and cash equivalents	3,000	252	–	3,252
Identifiable assets and liabilities	3,000	418	–	3,418
Goodwill				2,869
Consideration				6,287

Satisfied by:	
Ordinary shares of the Company	6,287
Consideration	6,287

LCL Assurance Limited

On 1 April 2015, the Group acquired 100% of the issued share capital of Scottish Widows International Limited, a Jersey registered life insurer which is closed to new business. Existing business comprises personalised and unit linked life insurance products primarily for UK residents. Scottish Widows International Limited was renamed LCL Assurance Limited (LCLAL) on 1 April 2015 immediately after acquisition. On 2 July 2015, LCLAL was redomiciled to the Isle of Man.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below. During 2015, as a result of a review of the identifiable assets acquired and liabilities assumed, the value of the identifiable net assets acquired increased by £2.8m from the estimate of £11.6m at 30 June 2015. As a result, the Group ceased to recognise goodwill on the LCLAL acquisition of £0.5m and instead recognised a gain on acquisition of £2.3m. These values are still preliminary and may be revised as additional information about the value of assets acquired, liabilities assumed and contingent consideration becomes available.

	LCL Assurance Limited		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Investment contract assets	77,645	–	77,645
Life insurance contracts assets	8,950	–	8,950
Cash and cash equivalents	9,480	–	9,480
Prepayments and accrued income	12	–	12
Loans and receivables	451	–	451
Insurance technical balances	(11,881)	–	(11,881)
Investment contracts unit linked liabilities	(70,062)	–	(70,062)
Other creditors	(204)	–	(204)
Identifiable assets and liabilities	14,391	–	14,391
Gain on acquisition			(2,291)
Consideration			12,100

Satisfied by:	
Initial cash consideration	1,986
Deferred consideration	10,114
Consideration	12,100

14. Acquisition of subsidiaries continued

The three acquisitions together contributed £13.2m revenue and £0.6m profit before tax to the Group since their acquisition dates. If the three acquisitions had been completed on the first day of the financial year the combined revenue for the Group and statutory profit before tax would have been £146.8m and £12.9m respectively.

Deferred consideration

Deferred consideration relating to acquisitions is set out below:

	At 31 December	
Within Professional Services:	**2015 £000**	2014 £000
LCL Group	**12,371**	5,473
Beech Hill Insurance Limited	**–**	6,660
Noble Inspection and Loss Adjustment Company	**–**	117
KnowledgeCenter	**721**	703
KLA Group	**1,087**	1,584
Vesta Group	**1,429**	–
Other	**174**	–
	15,782	14,537
Within Owned Insurance Companies:		
Nordea Life & Pensions Limited	**1,240**	2,232
Global Life Assurance Limited	**184**	379
	17,206	17,148

LCL Group deferred consideration relates to the acquisitions of LCL International Life Assurance Company Limited and LCL Assurance Limited. The former was purchased by the Group in 2005 as part of its acquisition of various closed insurance companies and run-off service businesses. Deferred consideration payments for LCL Assurance Limited are payable on the earlier of 1 October 2016 and one month after transfer of the business into LCL International Life Assurance Company Limited.

KnowledgeCenter and KLA Group deferred consideration payments are subject to profitability targets being met. Vesta Group deferred consideration will be spread equally over ten years from 1 February 2016.

In addition to the deferred consideration amounts in respect of the life insurance companies held within Professional Services, amounts in respect of Nordea Life & Pensions Limited and Global Life Assurance Limited are held within Owned Insurance Companies. The future payments for Nordea Life & Pensions Limited 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.

15. Discontinued operations

Sale and closure of non-life operations

The sale and closures detailed below are consistent with the Group's business strategy to reduce its exposure to the ownership of non-life insurance companies in run-off.

Bestpark International Limited

On 5 October 2015 the Group entered into an agreement with Ashbrooke Financial Limited to sell its holding in Bestpark International Limited, subject to regulatory approval. The disposal completed on 22 February 2016.

Beech Hill Insurance Limited and Cardrow Insurance Limited

On 19 October 2015 the Group's subsidiaries Cardrow Insurance Limited and Beech Hill Insurance Limited entered into agreements to transfer their insurance portfolios to Tenecom Limited, a subsidiary of Berkshire Hathaway Inc., subject to regulatory approval. The transfer of the insurance business of Beech Hill Insurance Limited to Tenecom Limited became effective 29 February 2016. The transfer of Cardrow Insurance Limited will complete during 2016.

Captive cells

On 18 December 2015, the Directors committed to dispose of the Group's captive cell business. These disposals will be effected by commutations which are expected to complete during 2016.

15. Discontinued operations continued

The combined results of the discontinued operations included in the profit for the year and cash flow are set out below, together with details of the assets and liabilities disposed of. There was no tax impact relating to this disposal. The sale and closure of the non-life insurance businesses is expected to deliver a cash release of £1.75m to the Group in 2016.

	Year to 31 December	
	2015 £000	2014 £000
Revenue	**(123)**	282
Expenses	**1,280**	(455)
Profit/(loss) for the year from discontinued operations before disposal costs	**1,157**	(173)
Costs of disposal	**(2,744)**	–
Loss on disposal of investments	**(4,154)**	–
Loss for the year from discontinued operations	**(5,741)**	(173)
Attributable to:		
Owners of the Company	**(2,761)**	(333)
Non-controlling interests	**(2,980)**	160
	(5,741)	(173)
Cash flows from discontinued operations		
Net cash inflows from operating activities	**(107)**	(184)
Assets classified as held for sale		
Amounts receivable under reinsurance contracts	**2,472**	–
Cash and cash equivalents in insurance businesses	**43,470**	–
Debtors arising from insurance and reinsurance operations	**2,150**	–
Other assets	**69**	–
Total assets in disposal group	**48,161**	–
Liabilities classified as held for sale		
Insurance technical balances – non-life insurance contracts	**14,180**	–
Creditors arising from insurance and reinsurance operations	**2,991**	–
Deferred consideration	**6,705**	–
Provisions	**563**	–
Other creditors	**4,404**	–
Total liabilities in disposal group	**28,843**	–
Net assets in disposal group	**19,318**	–
Non-controlling interest in equity	**17,954**	–

16. Goodwill

	At 31 December 2015 £000	At 31 December 2014 £000
At 1 January	**42,196**	41,536
Additions	**2,869**	716
Foreign currency exchange differences	**(221)**	(56)
At 31 December	**44,844**	42,196

Goodwill additions relate to the acquisition of CTMAH in the period.

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 rate. 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 4.67% for those cash-generating units that are not subject to tax and 5.85% 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 2016 budget and the following four years, with an extrapolation using a steady growth rate. 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.

The Group has conducted a sensitivity analysis on the carrying value of each CGU. The value-in-use calculations were re-performed for a range of scenarios based upon changes in assumptions for discount rates, revenue growth and cost growth. Based on this review, the Group has concluded that there is sufficient headroom in these assumptions to indicate that no impairment has arisen.

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

	2015 £000	2014 £000
Management Services business	**130**	124
Adjusting Services business	**20,641**	20,904
Insurance Support Services business	**14,456**	11,551
Owned Insurance Companies business	**9,617**	9,617
	44,844	42,196

Notes to the Financial Statements continued

17. 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
Additions	4,192	1,413	–	–	–	5,605
Transfer from prepayments	2,850	–	–	–	–	2,850
Disposals	(39)	–	–	–	–	(39)
Foreign currency exchange differences	1	140	–	–	–	141
At 31 December 2015	**16,785**	**14,218**	**1,550**	**8,027**	**–**	**40,580**
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
Amortisation	1,947	1,324	305	331	–	3,907
Disposals	–	–	–	–	–	–
Foreign currency exchange differences	(5)	125	–	–	–	120
At 31 December 2015	**6,019**	**10,721**	**736**	**5,676**	**–**	**23,152**
Net book value						
At 31 December 2015	**10,766**	**3,497**	**814**	**2,351**	**–**	**17,428**
At 31 December 2014	5,704	3,393	1,119	2,682	–	12,898

(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.

18. 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
Additions	–	552	1,598	399	150	2,699
Acquisition of subsidiaries	–	–	38	5	–	43
Disposals	–	–	(3,803)	(206)	(259)	(4,268)
Foreign currency exchange differences	20	(24)	34	20	(12)	38
At 31 December 2015	**364**	**2,503**	**7,538**	**5,608**	**801**	**16,814**
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
Charge for the year	9	171	1,092	338	170	1,780
Acquisition of subsidiaries	–	–	–	–	–	–
Disposals	–	–	(2,466)	(168)	(223)	(2,857)
Foreign currency exchange differences	8	(12)	25	25	(5)	41
At 31 December 2015	**152**	**1,552**	**6,422**	**4,631**	**498**	**13,255**
Net book value						
At 31 December 2015	**212**	**951**	**1,116**	**977**	**303**	**3,559**
At 31 December 2014	209	582	1,900	954	366	4,011

Notes to the Financial Statements continued

18. Property, plant and equipment continued

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
Disposals	(3,293)	(192)	(57)	(3,542)
Foreign currency exchange differences	–	–	(4)	(4)
At 31 December 2015	**–**	**–**	**165**	**165**
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
Charge for the year	158	–	31	189
Disposals	(3,279)	(189)	(48)	(3,516)
Foreign currency exchange differences	–	1	(1)	–
At 31 December 2015	**–**	**–**	**122**	**122**
Net book value				
At 31 December 2015	**–**	**–**	**43**	**43**
At 31 December 2014	172	4	86	262

19. Investments

On 15 December 2015, the Group acquired a 25% share of Fadata AD, a Bulgaria-based company which provides specialist software solutions to insurance businesses. The consideration of £3.7m consisted of £1.1m (€1,491,699) for the acquisition of the ordinary shares of an intermediary company, REF Wisdom Limited, and £2.6m (€3,636,364) of its preference shares. The investment in preference shares has been included in financial assets, see note 20.

The remaining investment in associated undertakings relates to the Group's investment in Korhi Average Adjusters & Surveyors Limited. Reconciliation of its net assets to the carrying amount of the Group's interest in the associate is shown below.

	At 31 December	
	2015 £000	2014 £000
Net assets of the associate	**2,497**	2,280
Proportion of the Group's ownership interest	**30.0%**	30.0%
Carrying amount of the Group's interest	**749**	684

	At 31 December 2015			At 31 December 2014		
	Associated undertakings £000	**Other £000**	**Total £000**	Associated undertakings £000	Other £000	Total £000
Group						
Cost						
At 1 January	**684**	**64**	**748**	605	63	668
Acquisition of associate	**1,090**	**–**	**1,090**	–	–	–
Share of profit	**131**	**–**	**131**	121	–	121
Dividends received	**(55)**	**–**	**(55)**	(52)	–	(52)
Foreign currency exchange differences	**(11)**	**2**	**(9)**	10	1	11
At 31 December	**1,839**	**66**	**1,905**	684	64	748

	At 31 December	
	2015 £000	2014 £000
Company		
Cost of Group undertakings		
At 1 January	**72,926**	78,843
Acquisition of subsidiary (note 14)	**6,287**	3,172
Acquisition of non-controlling share	**193**	–
Capital injection into subsidiaries	**52,183**	–
Disposals	**–**	(45,215)
Transfer from Group companies	**19,795**	39,298
Transfer to Group companies	**(19,795)**	(3,172)
At 31 December	**131,589**	72,926

The Company purchased the 30.0% non-controlling share of Charles Taylor (China) Limited during the year.

Notes to the Financial Statements continued

20. Financial assets

Following the acquisition of CTMAH, certain of the Group's financial assets and cash, amounting to £2.4m, have been deposited under trust deeds for use as funds at Lloyd's by the Group's corporate member subsidiary, Charles Taylor Corporate Name Limited.

The preference shares relate to the Group's investment in REF Wisdom Limited (see note 19) and have a fixed priority return of 13% per annum, which is mandatory. This return is not paid but is carried forward as a receivable to the Group until the date of redemption, which can be at any time with the investors' consent, but not within the first three years of issue and, at the latest, 20 years from the date of issue. They have no voting rights and no further rights to participate in profits.

	At 31 December	
	2015 £000	2014 £000
Funds at Lloyd's	**2,439**	–
Preference shares held to maturity	**2,656**	–
	5,095	–

21. Deferred taxation

	At 31 December	
	2015 £000	2014 £000
At 1 January	**8,613**	5,811
Retirement benefit obligation	**(1,179)**	2,970
US tax losses	**(73)**	(93)
UK timing differences	**(151)**	(107)
Overseas timing differences	**47**	31
Foreign currency exchange differences	**25**	1
At 31 December	**7,282**	8,613

Deferred tax comprises:

Pension liability	**7,135**	8,316
Losses	**808**	808
Other timing differences	**(661)**	(511)
	7,282	8,613

At the balance sheet date the Group has unused tax losses of £20.6m 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 £3.3m relating to these unused tax losses and a potential deferred tax asset of £1.0m 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, subject to no change of business.

Other timing differences include £205,000 (2014: £207,000) of deferred tax liabilities relating to overseas entities.

22. Trade and other receivables

	Group At 31 December		Company At 31 December	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Trade debtors	**29,633**	26,203	**–**	–
Amounts due from subsidiaries	**–**	–	**61,997**	179,343
Amounts due from associates	**2**	2	**–**	–
Other debtors	**5,950**	2,920	**62**	27
Prepayments	**5,093**	7,121	**–**	–
Accrued income	**23,551**	23,500	**–**	–
Corporation tax	**1,316**	315	**–**	–
	65,545	60,061	**62,059**	179,370

Included within prepayments are IT assets of £nil (2014: £2.9m) in the course of construction.

23. Trade and other payables

	Group At 31 December		Company At 31 December	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Trade creditors	**4,616**	4,335	**–**	–
Amounts owed to subsidiaries	**–**	–	**85,707**	158,980
Other taxation and social security	**2,631**	2,452	**–**	–
Other creditors	**1,466**	1,396	**–**	–
Accruals and deferred income	**20,614**	15,914	**125**	208
	29,327	24,097	**85,832**	159,188

24. Borrowings

	Group At 31 December		Company At 31 December	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Total borrowings:				
Amount due for settlement within 12 months	**6,579**	5,345	**3,822**	1,192
Amount due for settlement after 12 months	**15,057**	37,402	**15,057**	37,370
	21,636	42,747	**18,879**	38,562

Bank loans and overdrafts are secured by charges on specific assets and cross guarantees between Group companies. Further information about the Group's borrowing facilities can be found in note 29.

Notes to the Financial Statements continued

24. Borrowings continued

Analysis of Group finance lease commitments

	At 31 December 2015 £000	At 31 December 2014 £000
Minimum lease payments due:		
within one year	–	113
in the second to fifth years inclusive	50	60
less: finance charges allocated to future periods	–	(1)
	50	172
due within one year	–	112
due after more than one year	50	60
	50	172

Finance leases are secured on the leased assets.

	At 31 December 2015 £000	At 31 December 2014 £000
Net debt		
Cash and cash equivalents	80,170	52,185
Bank overdrafts	(5,271)	(4,488)
Current loans	(1,308)	(857)
Non-current bank loans	(15,057)	(37,402)
Finance leases	(50)	(172)
	58,484	9,266
Client funds	(68,406)	(41,886)
	(9,922)	(32,620)

25. Provisions

	Premises dilapidations £000	Employee entitlements £000	Total £000
At 1 January 2015	133	175	308
Utilised in year	(14)	–	(14)
Profit and loss account charge	–	29	29
Foreign currency exchange differences	–	(2)	(2)
At 31 December 2015	**119**	**202**	**321**

Current	92
Non-current	229
	321

26. Called up share capital

	At 31 December 2015 £000	2014 £000
Issued and fully paid:		
66,521,281 ordinary shares of 1p each (2014: 43,429,610)	**665**	434

The number of allotted and fully paid shares of the Company increased during the year due to:

- 19,722,762 shares issued following a Rights Issue which offered three shares for every seven held;
- 2,504,781 shares to fund the acquisition of CTMAH;
- 756,462 shares issued under employee share schemes; and
- 107,666 shares issued to former owners of the KLA Group under deferred consideration arrangements.

27. Non-controlling interests

The following amounts are attributable to non-controlling interests:

Continuing operations	2015 £000	2014 £000
Profit before tax		
Insurance Support Services business	**118**	–
Adjusting Services business	**206**	65
	324	65
Income tax expense		
Insurance Support Services business	**–**	–
Adjusting Services business	**(35)**	(35)
	(35)	(35)
Profit for the period		
Insurance Support Services business	**118**	–
Adjusting Services business	**171**	30
	289	30
Equity		
Insurance Support Services business	**534**	20,934
Adjusting Services business	**916**	1,046
	1,450	21,980

The non-controlling interests relating to discontinued operations are shown in note 15.

28. Share-based awards

Share option schemes

The Company 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 or five 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 the option grant.

Share options outstanding during the year to 31 December were as follows:

	2015		2014	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,195,962**	**£1.72**	1,301,671	£1.61
Granted during the year	**771,805**	**£2.01**	638,917	£1.94
Exercised during the year	**(309,022)**	**£1.22**	(423,210)	£1.14
Forfeited during the year	**(86,293)**	**£1.62**	(73,564)	£1.44
Expired during the year	**(3,423)**	**£2.78**	(247,852)	£2.78
TERP adjustment for Rights Issue	**147,569**	**–**	–	–
Outstanding at end of year	**1,716,598**	**£1.80**	1,195,962	£1.72
Exercisable at end of year	**21,696**	**£1.24**	123,630	£1.14

As at 31 December 2015 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 2015 and May 2016	127.044	2,431
December 2015 and May 2016	123.652	16,336
December 2015 and May 2016	122.881	2,929
January 2016	156.449	38,044
December 2016 and May 2017	147.247	198,315
January 2017	184.387	35,344
December 2017 and May 2018	169.299	656,143
January 2018	214.625	55,619
December 2018 and May 2019	199.940	711,437
Long-term investment plan		
Normally exercised on the third anniversary of the allocation date:		
April 2016		266,980
March 2017		268,774
March 2018		289,241
		2,541,593

The share options outstanding at 31 December 2015 had a weighted average remaining contractual life of 14 months. The options granted during 2015 had an aggregate fair value of £360,000 (2014: £228,000).

28. Share-based awards continued

The inputs into the Black-Scholes-Merton model for options granted during the year are as follows:

	2015	2014
Weighted average share price	**£2.22**	£2.15
Weighted average exercise price	**£2.00**	£1.94
Expected volatility	**33.8%**	27.2%
Expected life	**2–3 years**	2–3 years
Risk-free rate	**0.65%–0.83%**	0.66%–0.85%
Expected dividend yield	**3.59%**	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 £98,000 (2014: £59,000) relating to share option scheme transactions in 2015.

Long-term incentive scheme

Awards totalling 289,241 shares (2014: 268,774) 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 £428,000 (2014: £306,000) in relation to the LTIP scheme. Further information on this scheme is given in the Directors' Remuneration Report.

29. Financial instruments

The disclosures below should be read in conjunction with note 31, 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 3.

Financial assets and liabilities at 31 December were as follows:

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Financial assets				
Funds at Lloyd's	**2,439**	–	**–**	–
Preference shares held to maturity	**2,656**	–	**–**	–
Trade and other receivables (excluding prepayments)	**60,452**	52,940	**62,059**	179,370
Cash and cash equivalents	**80,170**	52,185	**822**	2,025
	145,717	105,125	**62,881**	181,395
Financial liabilities				
Trade and other payables	**29,327**	24,097	**85,832**	159,188
Tax liabilities	**1,018**	326	**–**	–
Obligations under finance leases	**50**	172	**–**	–
Bank overdrafts and loans	**21,636**	42,747	**18,879**	38,562
Client funds	**68,406**	41,886	**–**	–
Retirement benefit obligation	**39,555**	41,534	**–**	–
Provisions	**321**	308	**–**	–
Deferred consideration	**15,782**	14,537	**–**	–
	176,095	165,607	**104,711**	197,750

Included within trade and other payables is a liability of £21,000 (2014: £15,000) relating to forward foreign exchange contracts in designated hedging relationships.

Notes to the Financial Statements continued

29. Financial instruments continued

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, short-term trade receivables or payables, or funds held at Lloyd's, carrying amount is a reasonable approximation of fair value.
- The preference shares investment is held to maturity.
- 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 (ie as prices) or indirectly (ie 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 financial assets and liabilities of 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 £1.2m, being £1.4m arising on the acquisition of Vesta Group (see note 14) offsetting a payment of £0.5m to the former owners of KLA Group (50% shares), with all other movements in deferred consideration through profit or loss.

	At 31 December 2015			At 31 December 2014		
	Level 2 £000	**Level 3 £000**	**Total £000**	Level 2 £000	Level 3 £000	Total £000
Funds at Lloyd's	**–**	**2,439**	**2,439**			
Preference shares held to maturity	**–**	**2,656**	**2,656**			
Trade debtors	**–**	**29,633**	**29,633**	–	26,203	26,203
Accrued income	**–**	**23,551**	**23,551**	–	23,500	23,500
Deferred consideration	**–**	**15,782**	**15,782**	–	14,537	14,537
FX forward contracts	**(21)**	**–**	**(21)**	(15)	–	(15)
	(21)	**74,061**	**74,040**	(15)	64,240	64,225

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.

29. Financial instruments continued

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% (2014: 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 2015, and then discounted for the time value of money at 2.75% (2014: 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 3.80% (2014: 3.36%) 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	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Group				
US$	**13,681**	12,830	**9,585**	8,855
Other	**22,821**	23,513	**7,422**	8,053
	36,502	36,343	**17,007**	16,908
Company				
US$	**1,230**	1,666	**7,971**	6,451
Other	**5,315**	4,408	**3,473**	2,640
	6,545	6,074	**11,444**	9,091

Notes to the Financial Statements continued

29. Financial instruments continued

The Group has entered into forward foreign exchange contracts to hedge the foreign exchange risk arising on the future cash receipts relating to US$ and Singapore$ denominated 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	
	2015 Local '000	2014 Local '000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Sell US$						
Less than 3 months	**3,572**	–	**2,400**	–	**(8)**	–
3 to 6 months	**–**	–	**–**	–	**–**	–
6 to 9 months	**1,786**	–	**1,200**	–	**(4)**	–
9 to 12 months	**3,580**	–	**2,400**	–	**(9)**	–
	8,938	–	**6,000**	–	**(21)**	–
Buy Singapore$						
Less than 3 months	**–**	1,128	**–**	557	**–**	(15)
	–	1,128	**–**	557	**–**	(15)

The average strike price rates achieved for the above trades are £ Sterling : US$1.4897.

As at 31 December 2015, 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 £21,000 (2014: losses of £15,000). 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 2015 are expected to be realised in the next 12 months.

The amount reclassified to profit or loss in the year to 31 December 2015 relating to matured forward foreign exchange contracts designated as cash flow hedge instruments is £108,000 gain (2014: £147,000 gain). As at 31 December 2015, 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 2015 or at 31 December 2014.

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. The impact of currency hedging is not included. 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.

29. Financial instruments continued

	Year to 31 December 2015 £000	2014 £000
Impact on profit before tax	**(549)**	(424)
Impact on equity	**(372)**	(361)

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 2015 £000	2014 £000
Profit before tax	**(340)**	(491)

Non-Sterling currencies of primary importance to the Group moved as follows in the year:

	2015 Year end	2014 Year end	% Change	**2015 Average**	2014 Average	% Change	**Impact on 2015 operating profit £000**
US$	**1.475**	1.558	(5.3)	**1.527**	1.645	(7.2)	**272**

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.

29. Financial instruments continued

The interest rate risk profile of financial assets and financial liabilities at 31 December was as follows:

	2015				2014			
	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	**70,114**	**2,656**	**36,445**	**109,215**	40,758	–	28,024	68,782
US$	**3,818**	**–**	**9,863**	**13,681**	3,224	–	9,606	12,830
Other	**6,238**	**–**	**16,583**	**22,821**	8,203	–	15,310	23,513
	80,170	**2,656**	**62,891**	**145,717**	52,185	–	52,940	105,125
Financial liabilities								
£ Sterling	**82,826**	**5**	**76,258**	**159,089**	76,177	115	72,407	148,699
US$	**2,732**	**–**	**6,853**	**9,585**	2,595	–	6,260	8,855
Other	**4,484**	**45**	**2,893**	**7,422**	5,860	57	2,136	8,053
	90,042	**50**	**86,004**	**176,096**	84,632	172	80,803	165,607

	2015				2014			
	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	**210**	**–**	**56,126**	**56,336**	1,600	–	173,721	175,321
US$	**382**	**–**	**848**	**1,230**	123	–	1,543	1,666
Other	**230**	**–**	**5,085**	**5,315**	302	–	4,106	4,408
	822	**–**	**62,059**	**62,881**	2,025	–	179,370	181,395
Financial liabilities								
£ Sterling	**18,520**	**–**	**74,748**	**93,268**	38,552	–	150,107	188,659
US$	**103**	**–**	**7,868**	**7,971**	–	–	6,451	6,451
Other	**252**	**–**	**3,220**	**3,472**	5	–	2,635	2,640
	18,875	**–**	**85,836**	**104,711**	38,557	–	159,193	197,750

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 had been held constant, the Group's profit for the year to 31 December 2015 would have decreased by £263,000 (2014: £364,000). 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.

29. Financial instruments continued

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, eg 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 all externally imposed capital requirements during the year.

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 31. 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 22. 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.

Notes to the Financial Statements continued

29. Financial instruments continued

Maturity of financial liabilities

The maturity of the Group's financial liabilities at 31 December was as shown below:

	2015					2014				
	<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	**29,327**	**–**	**–**	**–**	**29,327**	24,097	–	–	–	24,097
Tax liabilities	**1,018**	**–**	**–**	**–**	**1,018**	326	–	–	–	326
Obligations under finance leases	**–**	**50**	**–**	**–**	**50**	112	60	–	–	172
Bank overdrafts and loans	**6,579**	**1,270**	**13,787**	**–**	**21,636**	5,345	1,320	36,082	–	42,747
Client funds	**68,406**	**–**	**–**	**–**	**68,406**	41,886	–	–	–	41,886
Retirement benefit obligation	**1,731**	**1,731**	**5,193**	**30,900**	**39,555**	1,786	1,786	5,358	32,604	41,534
Provisions	**92**	**229**	**–**	**–**	**321**	308	–	–	–	308
Deferred consideration	**8,213**	**1,798**	**5,076**	**695**	**15,782**	4,032	4,159	3,142	3,204	14,537
	115,366	**5,078**	**24,056**	**31,595**	**176,095**	77,892	7,325	44,582	35,808	165,607

	2015				2014			
	<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	**85,832**	**–**	**–**	**85,832**	159,188	–	–	159,188
Bank overdrafts and loans	**3,822**	**1,270**	**13,787**	**18,879**	1,192	1,288	36,082	38,562
	89,654	**1,270**	**13,787**	**104,711**	160,380	1,288	36,082	197,750

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	
	2015 £000	2014 £000
Expiring in one year or less	**23,291**	9,248

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). £8.0m of the term loan balance was outstanding at 31 December 2015. 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:

- US$1.0m term loan with scheduled quarterly repayments; US$50,000 of the term loan balance was outstanding at 31 December 2015;
- 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.

30. Operating leases

	Year to 31 December 2015 £000	2014 £000
Lease payments under operating leases recognised as an expense in the year	**5,421**	5,142

At 31 December, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 £000	2014 £000
Within one year	**2,796**	3,508
In the second to fifth years inclusive	**7,812**	9,330
After five years	**4,173**	5,300
	14,781	18,138

31. Insurance company disclosures

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.

Further details of the amounts included in the consolidated financial statements in respect of the Group's life insurance companies are disclosed below to assist readers in understanding their impact on the consolidated income statement and balance sheet.

Details of the Group's non-life, discontinued operations are shown in note 15.

Consolidated income statement for life insurance companies

	Year to 31 December 2015 £000	2014 £000
Gross premiums written	**941**	979
Outward reinsurance premiums	**(813)**	(818)
Net written premiums	**128**	161
Fees from investment contracts	**3,153**	3,407
Fees from insurance contracts	**1,521**	302
Other fees	**4,674**	3,709
Total revenue	**4,802**	3,870
Other gains from insurance activities	**23,072**	6,710
Claims paid, gross amount	**(9,986)**	(30,990)
Claims paid, reinsurers' share	**2,086**	1,309
Net claims paid	**(7,900)**	(29,681)
Change in provision for claims, gross amount	**(12,295)**	24,189
Change in provision for claims, reinsurers' share	**(1,723)**	(664)
Net change in provision for claims	**(14,018)**	23,525
Claims incurred, net of reinsurance	**(21,918)**	(6,156)
Net operating expenses	**(5,136)**	(3,345)
Net result	**820**	1,079

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.

31. Insurance company disclosures continued

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. Prior year includes balances for both the life and non-life insurance companies.

Consolidated balance sheet for insurance companies

	At 31 December	
	2015 £000	2014 £000
Investments at fair value through income		
– Life insurance contracts	**325,452**	319,489
– Investment contracts assets held to back unit-linked liabilities	**735,472**	412,071
	1,060,924	731,560
Amounts receivable under reinsurance contracts	**7**	3,363
Cash and cash equivalents in insurance businesses	**26,031**	58,116
Debtors arising from insurance and reinsurance operations	**–**	2,501
Deferred acquisition costs	**5**	20
Amounts due from Group companies	**9,701**	5,165
Other assets	**231**	68
Total assets in life insurance businesses before eliminations	**1,096,899**	800,793
Elimination of amounts due from Group companies	**(9,701)**	(5,165)
Total assets in insurance businesses	**1,087,198**	795,628
Insurance technical balances		
– Life insurance contracts	**327,035**	318,888
– Non-life insurance contracts	**–**	19,386
Investment contracts unit-linked liabilities	**736,820**	410,401
Creditors arising from insurance and reinsurance operations	**1,013**	3,410
Deferred reinsurance commissions	**–**	2
Deferred consideration	**1,424**	2,611
Provisions	**–**	953
Amounts owed to Group companies	**474**	444
Other creditors	**473**	406
Total liabilities in life insurance businesses before eliminations	**1,067,239**	756,501
Elimination of amounts owed to Group companies	**(474)**	(444)
Total liabilities in insurance businesses	**1,066,765**	756,057
Net assets in insurance businesses	**20,433**	39,571

31. Insurance company disclosures continued

Investments held by life 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 29.

	At 31 December 2015				At 31 December 2014			
	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	–	81,944	92,362	174,306	–	101,790	80,405	182,195
Unit trusts	–	155,919	604,898	760,817	–	142,226	288,961	431,187
Promissory notes	–	12,044	1,725	13,769	–	12,338	1,734	14,072
Cash and cash deposits to back unit-linked liabilities	–	55,159	34,574	89,733	–	50,910	38,196	89,106
With-profits investments held with insurance companies	–	19,848	–	19,848	–	11,628	–	11,628
Other investments	–	538	1,913	2,451	–	597	2,775	3,372
	–	325,452	735,472	1,060,924	–	319,489	412,071	731,560
Other cash and cash equivalents in insurance businesses	–	26,031	–	26,031	47,023	11,093	–	58,116

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	
	2015 £000	2014 £000
Total assets in insurance businesses	1,087,198	795,628
Total liabilities in insurance businesses	(1,066,765)	(756,057)
Deferred consideration payable to former shareholders	(12,370)	(12,133)
Other intangible assets future profits – life	2,351	2,682
Non-controlling interests	–	(20,934)
	10,414	9,186

Prior year includes balances for both life and non-life insurance companies.

Notes to the Financial Statements continued

32. Notes to the cash flow statements

	Group Year to 31 December		Company Year to 31 December	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Operating profit	**13,884**	11,276	**(630)**	(569)
Adjustments for:				
Depreciation of property, plant and equipment	**1,780**	1,660	**–**	–
Amortisation of intangibles	**3,904**	2,913	**–**	–
Other non-cash items	**446**	982	**168**	202
Decrease in provisions	**(2,582)**	(2,178)	**–**	–
Share of results of associates and joint ventures	**(131)**	(121)	**–**	–
Operating cash flow before movements in working capital	**17,301**	14,532	**(462)**	(367)
(Increase)/decrease in receivables	**(6,894)**	(5,595)	**39,111**	(30,802)
Increase/(decrease) in payables	**3,409**	2,684	**(47,192)**	(16,645)
(Increase)/decrease in insurance company assets	**(243,193)**	109,444	**–**	–
Increase/(decrease) in insurance company liabilities	**246,626**	(110,881)	**–**	–
Cash generated/(used) by operations	**17,249**	10,184	**(8,543)**	(47,814)
Contributed by:				
– Professional Services	**12,820**	10,524	**(8,543)**	(47,677)
– Owned Insurance Companies	**4,429**	(340)	**–**	(137)
Cash generated/(used) by operations	**17,249**	10,184	**(8,543)**	(47,814)
Income taxes paid	**(1,176)**	(1,133)	**–**	–
Interest paid	**(852)**	(1,112)	**(793)**	(1,034)
Dividends from other Group companies	**–**	–	**3,752**	50,744
Net cash before movement in client funds	**15,221**	7,939	**(5,584)**	1,896
Movement in client funds	**26,520**	1,896	**–**	–
Net cash from operating activities	**41,741**	9,835	**(5,584)**	1,896

Additions to tangible fixed assets during the year amounted to £nil (2014: £59,000).

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 £68.4m (2014: £41.9m).

Cash flow relating to discontinued operations is shown in note 15.

33. 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 are 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	£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 £1.7m (2014: £1.8m).

The total expense recognised in the income statement in respect of defined contribution schemes amounted to £3.4m (2014: £3.2m).

The defined benefit schemes are all closed to new entrants. The Charles Taylor & 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. Sensitivities 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 2015. Plan assets for the four schemes are stated at their market value at 31 December 2015.

Notes to the Financial Statements continued

33. Retirement benefit schemes continued

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		
	2015 %	2014 %	2013 %
Rate of increase in salaries	**3.20**	3.10	3.40
Rate of increase of pensions in payment			
– RPI			
– max 5%	**3.10**	3.10	3.40
– max 2.5%	**2.20**	2.50	2.50
– CPI			
– max 5%	**2.20**	2.35	2.65
– max 2.5%	**1.80**	2.35	2.50
Discount rate	**3.70**	3.50	4.60
Inflation assumption			
– RPI	**3.20**	3.10	3.40
– CPI	**2.20**	2.35	2.65

The weighted average duration of the four pension schemes is 19 years.

Combined scheme assets

	At 31 December		
	2015 £000	2014 £000	2013 £000
Equities	**31,622**	32,349	30,497
Gilts	**10,892**	16,999	6,005
Bonds	**19,500**	13,790	25,836
Hedge fund	**16,953**	13,790	6,558
Property	**439**	607	395
Cash	**2,020**	2,168	2,686
Group pension contracts	**6,412**	7,025	7,032
Total market value of assets	**87,838**	86,728	79,009

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		
	2015 £000	2014 £000	2013 £000
Total market value of assets as shown above	**87,838**	86,728	79,009
Actuarial value of liability	**(124,944)**	(126,124)	(103,604)
Restrictions on asset recognised	**(2,239)**	(1,955)	(1,867)
Overseas retirement benefit obligation	**(210)**	(183)	(209)
Net liability recognised in the balance sheet	**(39,555)**	(41,534)	(26,671)
Related deferred tax asset	**7,135**	8,316	5,358
Pension liability net of related deferred tax asset	**(32,420)**	(33,218)	(21,313)

33. Retirement benefit schemes continued

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 Limited 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	
	2015 £000	2014 £000
Current service cost	**210**	143
Administrative expenses	**147**	504
Current service cost	**357**	647
Net interest on the defined benefit liability	**1,374**	1,139
	1,731	1,786

The charge for the year is included in administrative expenses in the income statement. The actual return on plan assets was 1.3% (2014: 9.9%).

Analysis of amount recognised in the Consolidated Statement of Comprehensive Income

	Year to 31 December	
	2015 £000	2014 £000
Return on plan assets excluding interest expense	**(1,886)**	4,163
Experience losses on liabilities	**(529)**	(1,996)
Changes in financial assumptions	**4,784**	(20,396)
Changes in demographic assumptions	**(2,771)**	1,296
Change in effect of asset ceiling excluding interest expense	**(216)**	(3)
Actuarial loss recognised	**(618)**	(16,936)
Movement in deferred tax	**(1,188)**	2,978
Net loss recognised	**(1,806)**	(13,958)

The cumulative amount of actuarial losses recognised in other comprehensive income is £39.3m (2014: £41.4m).

Change in the present value of the defined benefit obligation

	Year to 31 December	
	2015 £000	2014 £000
Defined benefit obligation at 1 January	**126,124**	103,604
Service cost	**210**	143
Administration cost	**147**	504
Interest cost	**4,342**	4,687
Remeasurement – financial assumptions	**(4,784)**	20,396
Remeasurement – demographic assumptions	**2,771**	(1,296)
Remeasurement – experience adjustments	**529**	1,996
Member contributions	**31**	44
Benefits paid	**(4,426)**	(3,954)
Defined benefit obligation at 31 December	**124,944**	126,124

Notes to the Financial Statements continued

33. Retirement benefit schemes continued

Change in the fair value of plan assets

	Year to 31 December	
	2015 £000	2014 £000
Fair value of plan assets at 1 January	**86,728**	79,009
Interest income	**3,036**	3,633
Return on assets less interest income	**(1,886)**	4,163
Contributions by employer	**4,355**	3,833
Member contributions	**31**	44
Benefits paid	**(4,426)**	(3,954)
Fair value of plan assets at 31 December	**87,838**	86,728

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:

	2015 years	2014 years	2013 years
Retiring today:			
Males	**23.8**	23.7	22.2
Females	**25.1**	24.9	24.4
Retiring in 20 years:			
Males	**25.5**	25.1	23.4
Females	**26.9**	26.4	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	(Increase)/decrease in defined benefit obligation
Discount rate	Increase by 0.25%	(£5.5m)
Longevity	1 year increase	(£4.4m)
Inflation rate	Decrease by 0.25%	£2.1m

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 £4.0m to its defined benefit plans in 2016.

34. 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 19, 22 and 23. 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 7. 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 33.

35. Subsidiaries

The subsidiaries listed below are included in the consolidated financial statements, split between trading and non-trading entities.

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.

The non-trading entities are either holding companies or held for other purposes.

Trading 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 (Dallas) Limited		Bermuda	100
Charles Taylor Broker Services Limited		Bermuda	100
Charles Taylor Consulting (Hamilton)		Bermuda	100
Charles Taylor Mutual Management (Bermuda) Limited		Bermuda	100
CT Insurance Management (Bermuda) 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
Charles Taylor (China) Limited		China	100
Charles Taylor Consulting (Beijing) Co Limited		China	100
Charles Taylor SAS		Colombia	100
Charles Taylor Adjusting SARL		France	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
Charles Taylor Insurance Services (IOM) Limited		Isle of Man	100
LCL Assurance Limited		Isle of Man	100
LCL International Life Assurance Company Limited		Isle of Man	100
LCL Life & Pensions Limited		Isle of Man	100
Charles Taylor (Japan) Limited		Japan	100
S.C. Management (Luxembourg) S.A.		Luxembourg	100
Charles Taylor Marine SDN BHD		Malaysia	100
Richards Hogg Lindley (Malaysia) Sdn Bhd		Malaysia	100
Charles Taylor Consulting Mexico SA de CV		Mexico	100
SC Management SAM		Monaco	100
SC Services (Monaco) SARL		Monaco	100
Charles Taylor Holdings BV	United Kingdom	Netherlands	100
LAD (Aviation) PNG Limited		Papa New Guinea	100
Charles Taylor Adjusting Saudi Arabia Limited		Saudi Arabia	60
Charles Taylor Mutual Management (Asia) Pte Limited		Singapore	100
The Standard Syndicate Services Asia Pte. Ltd		Singapore	50.1
Overseas Adjusters & Surveyors Co Limited		Taiwan	85
Bestpark International Limited		United Kingdom	50
Cardrow Insurance Limited		United Kingdom	99
Charles Taylor & Co Limited		United Kingdom	100
Charles Taylor Adjusting Limited		United Kingdom	100
Charles Taylor Administration Services Limited		United Kingdom	100
Charles Taylor Aviation (Asset Management) Limited		United Kingdom	100

35. Subsidiaries continued

Trading subsidiary	Principal place of business	Place of incorporation/ establishment	Percentage of equity share capital
Charles Taylor Broker Services Limited		United Kingdom	100
Charles Taylor Insurance Services Limited		United Kingdom	100
Charles Taylor InsureTech Limited		United Kingdom	100
Charles Taylor Investment Management Company Limited		United Kingdom	100
Charles Taylor KnowledgeCenter Limited		United Kingdom	100
Charles Taylor Managing Agency Limited		United Kingdom	50.1
Charles Taylor Managing Agency Services Limited		United Kingdom	50.1
Charles Taylor Services Limited		United Kingdom	100
Knowles Loss Adjusters Limited		United Kingdom	100
The Standard Syndicate Services Limited		United Kingdom	50.1
Charles Taylor General Agency Inc.		USA	100
Charles Taylor P&I Management (Americas) Inc		USA	100
CT Insurance Management (Delaware) LLC		USA	100
LAD (Aviation) Inc		USA	100
RJA Limited		USA	100
Signal Administration Inc		USA	100

Non-trading subsidiaries			
Charles Taylor Consulting (Australia) Pty Limited		Australia	100
Charles Taylor (Bermuda) Limited	United Kingdom	Bermuda	100
Charles Taylor (Hamilton) Limited	United Kingdom	Bermuda	100
Charles Taylor (Park) Limited		Bermuda	100
Charles Taylor (Victoria) Limited		Bermuda	100
Charles Taylor Merlin Limited	United Kingdom	Bermuda	100
Dari Co. Limited		Hong Kong	50
Richards Hogg Holdings Limited		Hong Kong	100
Richards Hogg Lindley (HK) Limited		Hong Kong	100
Mulabur Limited		Ireland	100
LCL Holdings (IoM) Limited		Isle of Man	100
LCL International Nominees Limited		Isle of Man	100
Almond Two Limited		United Kingdom	100
Axiom Holdings Limited		United Kingdom	100
Axiom Services Limited		United Kingdom	100
Bateman Chapman (Holdings) Limited		United Kingdom	100
Cardrow Limited		United Kingdom	100
Charles Taylor Corporate Name Limited		United Kingdom	100
Charles Taylor Holdings Limited		United Kingdom	100
Charles Taylor Managing Agency Holdings Limited		United Kingdom	50.1
Charles Taylor Overseas Limited		United Kingdom	100
Charles Taylor Vesta Limited		United Kingdom	100
Charles Taylor Warwick Limited		United Kingdom	100
Charles Taylor Wessex Limited		United Kingdom	100
KLA Holdings Limted		United Kingdom	100
LCL Acquisitions Limited		United Kingdom	100
Metrowise Limited		United Kingdom	100
Quayside Insurance Management Limited		United Kingdom	100
Specialist Risk Underwriters Limited		United Kingdom	100
Taylor Risk Holdings Limited		United Kingdom	100
Taylor Risk Solutions Limited		United Kingdom	100

35. Subsidiaries continued

Non-trading subsidiary	Principal place of business	Place of incorporation/ establishment	Percentage of equity share capital
The Richards Hogg Lindley Group Limited		United Kingdom	100
Bateman Chapman (Americas) Inc.		USA	100
Charles Taylor Wilton Inc		USA	100
CTC Americas Inc		USA	100
RJA Acquisition LLC		USA	100
Associated undertakings			
Fadata AD		Bulgaria	25
Kohri Average Adjusters & Surveyors Limited		South Korea	30
REF Wisdom Limited		United Kingdom	31.25
REF Wisdom 2 Limited		United Kingdom	25

36. Non-recurring costs

In the prior years the Directors removed certain costs from the business in order to improve operational efficiency. The £0.1m 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.

37. Capital commitments

There were no capital commitments at 31 December 2015 (2014: none).

38. Contingent liabilities

There are no material contingent liabilities requiring disclosure.

39. Events after the balance sheet date

These events are detailed in the Directors' Report.

Five Year Record

	Year to 31 December				
	2011 £000	2012 £000 (restated)	2013 £000	2014 £000	**2015 £000**
Consolidated income statement					
Revenue	101,394	106,954	112,665	122,477	**143,442**
Operating profit before gain on bargain purchase	9,565	10,187	9,134	11,276	**11,593**
Gain on acquisition	–	–	–	–	**2,291**
Operating profit	9,565	10,187	9,134	11,276	**13,884**
Net other charges	(2,120)	(1,745)	(1,576)	(1,537)	**(1,066)**
Profit before tax	7,445	8,442	7,558	9,739	**12,818**
Income tax expense	(1,813)	(1,702)	(1,369)	(1,165)	**(1,044)**
Profit for the year from continuing operations	5,632	6.740	6,189	8,574	**11,774**
Loss for the year from discontinued operations	(1,066)	(1,813)	(650)	(173)	**(5,741)**
Profit for the year	4,566	4,927	5,539	8,401	**6,033**
Customer relationships amortisation	1,805	1,282	1,181	1,527	**1,629**
Non-recurring costs	1,027	–	1,627	211	**72**
Tax on adjustments	–	–	(430)	(183)	**(138)**
Adjusted profit for the year	7,398	6,209	7,917	9,956	**7,596**
Attributable to non-controlling interests	557	1,163	268	(190)	**2,691**
Attributable to owners of the Company	7,955	7,372	8,185	9,766	**10,287**
Earnings and dividends (rebased)					
Earnings per ordinary share – statutory basic (continuing operations)	12.1p	14.2p	13.2p	17.8p	**18.6p**
– adjusted (continuing operations)	14.0p	13.0p	14.1p	16.3p	**20.0p**
Earnings per ordinary share – statutory basic (Group)	11.2p	13.3p	12.5p	17.1p	**14.1p**
Dividends per ordinary share	8.8p	8.8p	8.8p	9.4p	**10.0p**
Cover for ordinary dividends (adjusted)	2.1x	1.9x	2.1x	2.2x	**2.0x**

	At 31 December				
	2011 £000	2012 £000	2013 £000	2014 £000	**2015 £000**
Consolidated balance sheet					
Non-current assets	67,455	64,230	63,310	68,466	**80,125**
Net current assets	75,567	54,324	69,489	76,019	**72,698**
Non-current liabilities	(74,253)	(61,943)	(72,126)	(89,809)	**(62,552)**
Net assets	68,769	56,611	60,673	54,676	**90,271**
Share capital and share premium	31,038	31,038	33,119	36,084	**71,904**
Capital and merger reserves	7,534	7,534	7,534	7,534	**7,534**
Own shares	–	(385)	(433)	(223)	**(489)**
Retained earnings	(6,340)	(3,684)	(1,378)	(10,699)	**(8,082)**
Non-controlling interests	36,537	22,108	21,831	21,980	**19,404**
Total equity	68,769	56,611	60,673	54,676	**90,271**

2012 figures have been restated for IAS 19R. Dividends for 2014 and years prior have been rebased following the Rights Issue in 2015.

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 2015.

	Shares	Percentage	Holdings	Percentage
Individuals	6,389,211	9.61%	550	64.63%
Bank or nominees	55,173,278	82.94%	274	32.20%
Other corporations	4,958,792	7.45%	27	3.17%
	66,521,281	100.00%	851	100.00%
Number of shares held:				
1 to 5,000	697,328	1.05%	527	61.93%
5,001 to 10,000	760,138	1.14%	103	12.10%
10,001 to 50,000	3,017,484	4.54%	130	15.28%
50,001 to 250,000	7,163,967	10.77%	53	6.23%
250,001 to 1,000,000	11,594,063	17.43%	22	2.59%
1,000,001 to 2,000,000	11,594,509	17.43%	8	0.94%
2,000,001 to 5,000,000	31,693,792	47.64%	8	0.94%
	66,521,281	100.00%	851	100.00%

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.
T: 0370 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
T: 0370 703 0084

Investor centre

As 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.

Shareholder Information continued

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. T: 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, such as the Daily Telegraph, 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

17 May 2016

Half year results announcement

30 August 2016

Final dividend for 2015

Ex-dividend	7 April 2016
Record date	8 April 2016
Payment due	6 May 2016

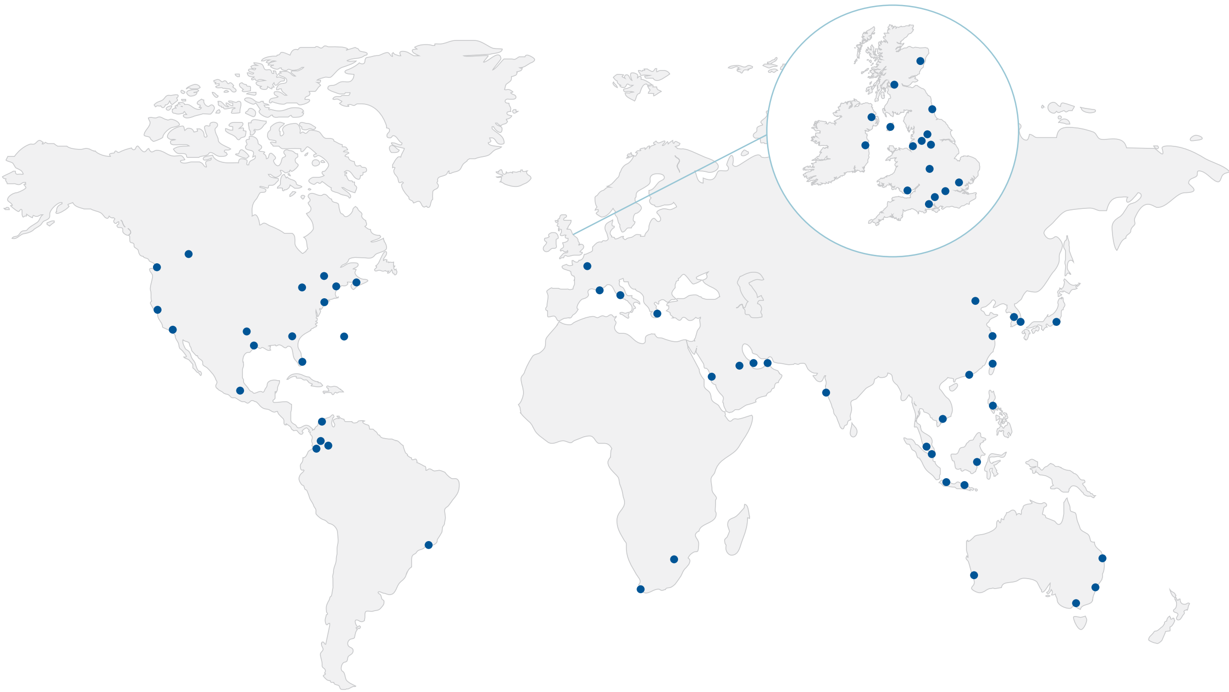
Interim dividend for 2016

Ex-dividend	13 October 2016
Record date	14 October 2016
Payment date	11 November 2016

These dates are indicative only and may be subject to change.

Charles Taylor Offices

We have over 1,300 staff located in 69 offices spread across 28 countries



Europe, Middle East & Africa

France
Greece
Republic of Ireland
Isle of Man
Italy
Monaco
Qatar
Saudi Arabia
UAE
UK
South Africa

Asia Pacific

Australia
China
India
Indonesia
Republic of Korea[1]
Japan
Malaysia
Philippines
Singapore
Taiwan
Vietnam

Americas

Bermuda
Brazil
Canada
Colombia
Mexico
USA

1. Associated undertaking

Charles Taylor Offices continued

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 Melbourne Perth Sydney	(+61) 7 3839 9999 (+61) 3 9653 9594 (+61) 8 9321 2022 (+61) 2 9025 3532
Bermuda	Hamilton (Mutual management) Hamilton (Captive management)	(+1) 441 292 3103 (+1) 441 295 8495
Brazil	Rio de Janeiro (Adjusting) Rio de Janeiro (P&I)	(+55) 21 37 36 36 52 (+55) 21 37 36 36 53
Canada	Calgary Halifax Montreal Toronto Vancouver	(+1) 403 266 3336 (+1) 902 835 7600 (+1) 514 906 880 (+1) 416 640 6022 (+1) 604 566 9907
China	Beijing Hong Kong Shanghai	(+86) 10 5579 9052 (+852) 2399 6100 (+86) 21 6888 3101
Colombia	Bogota Barranquilla Cali Medellin	(+57) 1 746 0106 (+57) 1 746 0106 (+57) 1 746 0106 (+57) 1 746 0106
France	Paris	(+33) 153 430 030
Greece	Piraeus (P&I) Piraeus (Adjusting)	(+30) 210 429 0733 (+30) 210 429 1300
India	Mumbai	(+91) 22 2283 5851
Indonesia	Balikpapan Jakarta Surabaya	(+62) 542 7213 794 (+62) 21 515 2084 (+62) 31 827 3240
Republic of Ireland	Dublin	(+353) 16 766 634
Isle of Man	Douglas	(+44) 1624 683 699
Italy	Rome	(+39) 06 367 12208
Japan	Tokyo	(+81) 3 5297 4700
Republic of Korea[1]	Seoul Busan	(+82) 2 752 1891 (+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

1. Associated undertaking

		Telephone No
Kingdom of Saudi Arabia	Jeddah Riyadh	(+966) 11472 4728 (+966) 1 472 4728
Singapore	Singapore (P&I) Singapore (Aviation) Singapore (Energy) Singapore (Marine)	(+65) 6506 2896 (+65) 6506 2894 (+65) 6506 2891 (+65) 6506 2897
South Africa	Cape Town Johannesburg	(+27) 21 794 2657 (+44) 1425 480 333
Taiwan	Taipei	(+886) 2 2706 6509
United Kingdom (KLA = Knowles Loss Adjusters offices)	Aberdeen Basingstoke (KLA) Belfast (KLA) Birmingham (KLA) Bury (KLA) Cardiff (KLA) Chelmsford (KLA) Glasgow Glasgow (KLA) Liverpool London Leadenhall Street London Portsoken Street London St John's Square (KLA) London Standard House Newcastle Newcastle (KLA) Ringwood, Hampshire Sheffield (KLA)	(+44) 1343 850 465 (+44) 125 633 6241 (+44) 289 067 1099 (+44) 167 546 6441 (+44) 161 705 4358 (+44) 292 023 6060 (+44) 124 534 7496 (+44) 141 221 2992 (+44) 141 883 8771 (+44) 151 227 2175 (+44) 20 7623 1819 (+44) 20 7767 2700 (+44) 20 7336 8500 (+44) 20 3320 8888 (+44) 191 232 2745 (+44) 191 251 8279 (+44) 1425 480 333 (+44) 114 275 7030
United Arab Emirates	Dubai	(+971) 4 335 6490
United States of America	Dallas, TX (Signal) Dallas, TX (Risk consulting) Dallas, TX (Aviation) Houston, TX Long Beach, CA Miami, FL New York, NY (P&I) New York, NY (Adjusting) North Babylon, NY San Francisco Wilton, CT	(+1) 972 770 1480 (+1) 972 447 2055 (+1) 972 447 2050 (+1) 713 840 1642 (+1) 562 437 8100 (+1) 954 447 9840 (+1) 212 809 8085 (+1) 212 809 8082 (+1) 631 285 6934 (+1) 415 233 1121 (+1) 203 761 6060
Vietnam	Ho Chi Minh City	(+84) 121 969 4446

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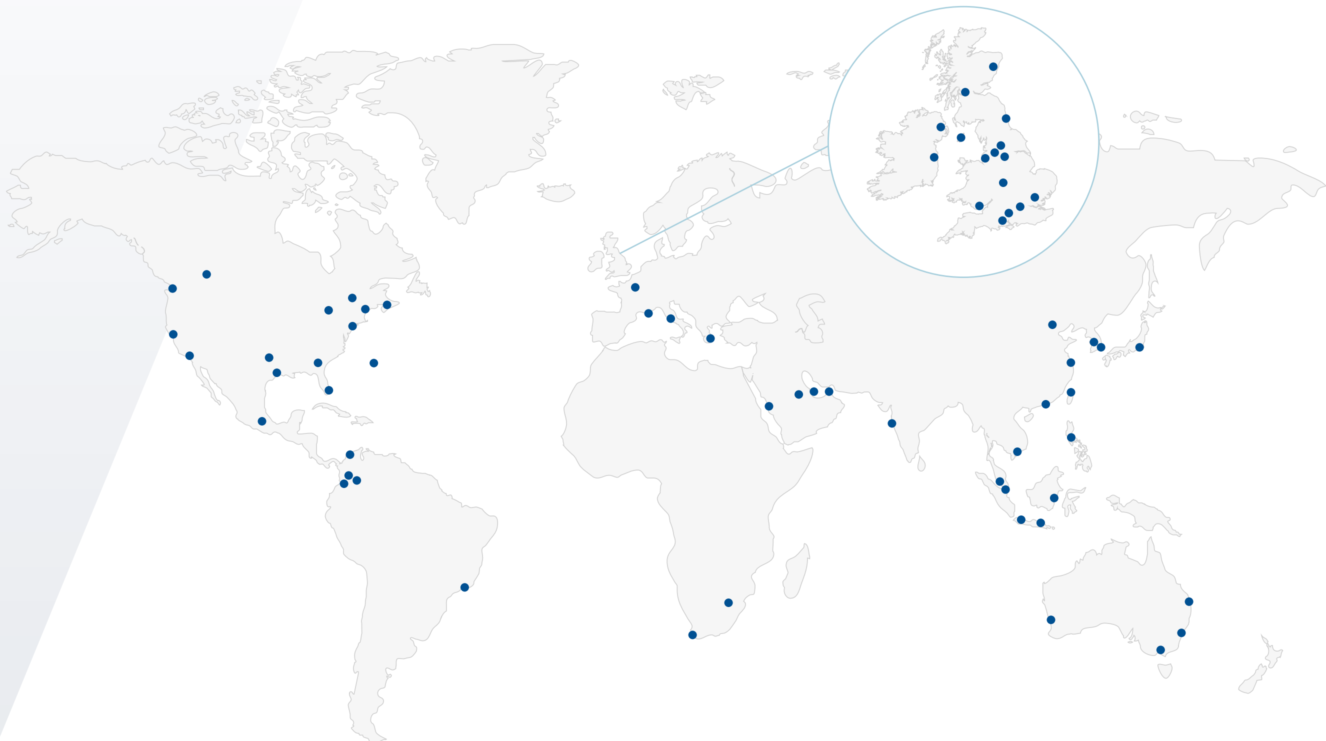
www.emperordesign.co.uk +44 (0)20 7729 9090

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 1,300 permanent and contract staff in 69 offices spread across 28 countries in the UK, the Americas, Asia Pacific, Europe and the Middle East.



Charles Taylor offers services, principally on a fee-based model and operates through three businesses – Management, Adjusting and Insurance Support Services. We also own life insurers, creating value by undertaking targeted acquisitions and achieving operational efficiency.

Charles Taylor plc
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12–13 Essex Street
London WC2R 3AA

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E: headoffice@ctplc.com

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