Charles Taylor

Professional Services for global insurance markets

Annual Report and Accounts 2016

Charles Taylor plc ("Charles Taylor") provides professional services to make the business of insurance work efficiently. We have been providing insurance-related professional services since 1884 and today we employ over 1,800 permanent and contract staff in 71 offices spread across 28 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

The Group operates through three businesses – Management Services, Adjusting Services and Insurance Support Services. We also own international life insurers, creating value by undertaking targeted acquisitions and achieving operational efficiencies.

Our breadth of services, our technical skills and resources and our global presence means we can manage and resolve virtually any insurance-related matter, wherever and whenever it occurs.

Highlights

Business Highlights

- Revenue significantly increased
- Adjusted profit before tax and earnings increased
- Statutory profit before tax and earnings reduced
- Net debt returns to normal levels
- Good progress on delivering growth strategy
- Final dividend increased

Financial Highlights

Revenue[1]

£169.3m

+18.0% (2015: £143.4m)

Adjusted earnings per share[1,2]

22.27p

+11.5% (2015: 19.98p)

Adjusted profit before tax[1]

£14.8m

+4.0% (2015: £14.2m)

Basic earnings per share[1]

15.85p

-14.9% (2015: 18.61p)

Statutory profit before tax[1]

£10.7m

-16.3% (2015: £12.8m)

Dividend per share

10.50p

+5.0% (2015: 10.00p)

Net debt

£37.5m

(2015: £9.9m)

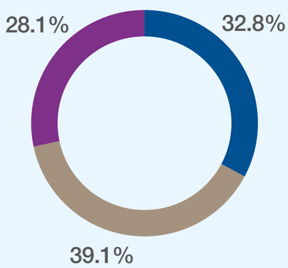
	2016	2015
Statutory profit before tax	**10.7**	12.8
Acquired intangible assets amortisation	**3.0**	1.6
Other adjustments	**1.3**	0.1
Non-controlling interests – profit before tax	**(0.2)**	(0.3)
Adjusted profit before tax	**14.8**	14.2
Income tax expense	**–**	(1.0)
Tax on adjustments	**–**	(0.2)
Adjusted earnings	**14.8**	13.0

1. Figures are based on continuing operations.
2. Adjusted earnings per share is calculated by dividing the adjusted earnings by weighted average number of ordinary shares as disclosed in note 13.

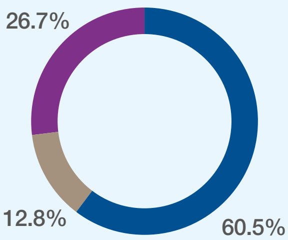
Charles Taylor at a Glance

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

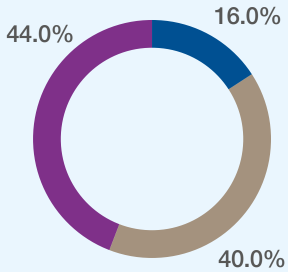
Professional Services revenue 2016



Professional Services operating profit 2016



Staff breakdown 2016



Management Services
Adjusting Services
Insurance Support Services

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
- The Strike Club
- SCALA
- The Offshore Pollution Liability Association

Drivers of profitable growth

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

290 staff[1]

Revenue (£m)

Adjusting Services

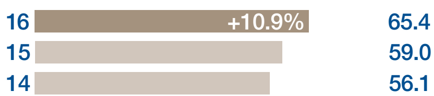
The Adjusting Services business provides loss adjusting services across the aviation, energy, marine, property, casualty and special risks sectors. We also provide marine average adjusting and technical support services. The business' primary focus is on the resolution of larger and more complex losses arising from major insured incidents and claims. We also offer a general loss adjusting service.

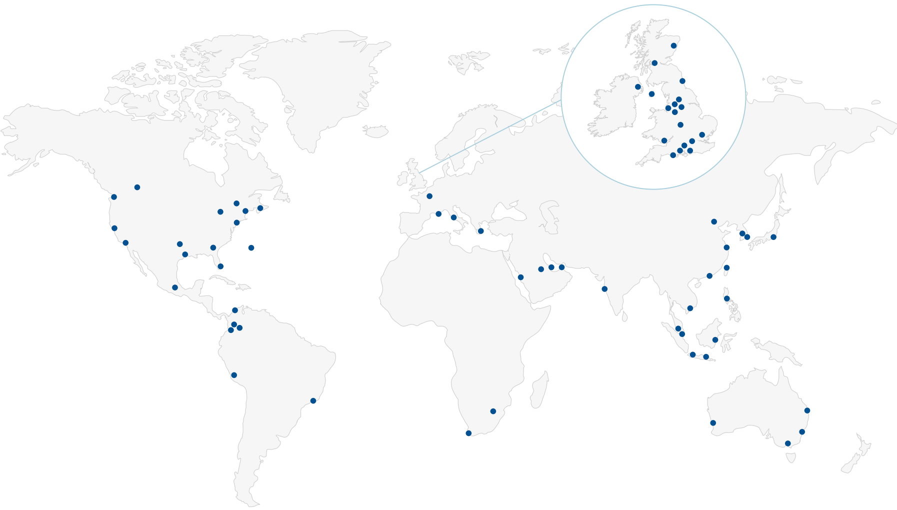
Drivers of profitable growth

- Expand into new territories and grow in territories in which we are under-represented
- Extend breadth of service offering to all offices in the Group
- Recruit additional top-performing adjusters
- Introduce new loss adjusting business lines
- Develop further the skills of the next generation of adjusters

734 staff[1]

Revenue (£m)





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 71 offices, spread across 28 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa. We also regularly serve clients across other jurisdictions where we do not currently have offices.

Insurance Support Services

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

Claims Management Services

- Travel claims management and assistance services
- Third Party Administration (TPA) claims services
- Lloyd's market claims services

Insurance Technology Services

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

Turn-key Managing Agency Services for Lloyd's syndicates

Business Process Outsourcing

- Broking, Managing General Agency (MGA) and underwriting services
- Market-wide insurance services
- Life insurance policy and fund administration services

Risk Transfer Solutions

- Captive management and risk management services
- Coverholder, general agency services and niche/specialty insurance solutions

Investment Management

Drivers of profitable growth

- Win new mandates for assistance and travel claims accounts
- Cross-sell assistance and travel claims services to other Group clients
- Grow TPA outsourced claims services
- Expand insurance technology solutions
- Be appointed to manage new Lloyd's syndicates
- Expand our Business Process Outsourcing services for general insurers, life insurers and fund managers
- Gain new captive management mandates
- Grow risk management services
- Develop investment and capital management solutions

820 staff[1]

Revenue (£m)

16	+46.4%	47.0
15		32.1
14		21.8

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

Owned Life Insurers

The Owned Life Insurers business consolidates international life insurance businesses, which are primarily in run-off, creating value by undertaking targeted acquisitions and achieving operational efficiencies.

Drivers of profitable growth

- Seek out opportunities to acquire and consolidate international life companies and books of business, generating operational efficiencies from the combined books

Revenue (£m)

16	-1.9%	4.7
15		4.8
14		4.2

"

We recruit and retain technical experts at the top of their game, with real-world practical experience.

"

Charles Taylor's Business Strategy

Our business strategy combines our **vision, business model** and **growth priorities.**

Our vision

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

Building

a global professional services business in areas where superior technical skills are valued.

Achieving

leading market positions for each of our businesses and expanding into growing economies and markets.

Developing

new services that deliver sustainable revenue and profit.

Capitalising

on the opportunities for cross-referral, cross-business unit working and other synergies between our businesses and across our international network.

For investors

we target reliable income streams, with sustainable year-on-year growth in earnings, while investing to create opportunities to drive higher future earnings growth.

For clients

we provide an exceptional range of differentiated and valued professional services and solutions in an area we truly understand, in which we specialise and to which we are committed, delivered with a long-term "partnership" approach, leading technical expertise and constant innovation that meaningfully help our clients to succeed.

For staff

we offer high-quality, stimulating and exciting work, in a supportive, entrepreneurial environment, with competitive, meritocratic rewards, personal recognition and professional development opportunities.

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

Our core values

Charles Taylor is a people business. Our core values are reflected in all our businesses and activities across the Group:

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.

Our 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.

Strategy and growth

- **Achieve sustainable organic growth:** We deliver growth primarily through numerous organic initiatives across our businesses and geographies, each requiring minimal to no investment, that build our businesses over time to achieve market-leading positions.
- **Execute selected larger investments:** We are strengthening our strategic and financial position through a small number of carefully targeted acquisitions, joint ventures and business investments which have a compelling strategic rationale, strong cultural fit, a persuasive financial rationale and an acceptable risk profile.
- **Inspire performance:** We develop clear, stretching and achievable strategies for our businesses that inspire performance, give direction and allow autonomy.

Capabilities and people

- **Instil 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. We seek colleagues who share our core values, are highly 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 rapidly to clients' needs and emerging opportunities. They are supported by the Group's Global Business Services (finance, HR, IT, property services, assurance, marketing and corporate development).
- **Manage growth:** We have well-established business and governance models that balance a focus on near-term profits with a longer-term view.
- **Promote growth:** We continue to invest in our business development and marketing capabilities across the Group.

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.

Our Growth Priorities

Our growth priorities are to achieve the Group's business vision by focusing primarily on the provision of professional services.

Our priorities fall into three areas:

– Optimise our business operations
– Deliver growth in our core Professional Services businesses
– Explore medium to longer-term strategic opportunities

Our strategy across our business has three elements:	**Progress in 2016**
Optimise our business operations See Group Chief Executive Officer's Report page 12 for more information	In 2016, we invested in numerous initiatives to strengthen the Group's Global Business Services, which include finance, HR, IT, property services, assurance and marketing. We strengthened our business development capabilities and initiated a major project to improve the Group's IT infrastructure. These initiatives are designed to provide a scalable operational backbone to underpin growth.
Deliver growth in our core Professional Services businesses See Group Chief Executive Officer's Report page 12 for more information	We are working to achieve leadership positions for all the Group's businesses and to develop new, closely related professional services. Our Adjusting Services business established a significant new UK construction and engineering loss adjusting service, grew its presence in Latin America, and is targeting growth in the very large US adjusting market, in which we are under-represented, with the appointment of a new country head and the recruitment of energy loss adjusters in Houston. We also progressed a number of other organic growth initiatives across our existing business lines.
Explore medium to longer-term strategic opportunities See Group Chief Executive Officer's Report page 12 for more information	We are developing new professional services capabilities through acquisitions, joint ventures and business investments. We only progress initiatives which are a good fit strategically, culturally and financially. In 2016, we invested in developing Charles Taylor InsureTech and Charles Taylor Managing Agency. We also expanded our global claims Third Party Administration capabilities. We invested in the acquisition of CEGA Group (CEGA) and we agreed to acquire an international life book and a fund administration service from Zurich.

Driving forward our strategic initiatives

Among many growth highlights of 2016, we focused on four major strategic initiatives:

1. Developing global medical claims and assistance capabilities

In July 2016, we acquired CEGA Group for £29.8m. CEGA is a market-leading provider of medical assistance and travel claims management services to insurers. CEGA now supports Charles Taylor's existing claims handling activities and assistance services for the Group's mutual and other clients. CEGA also brings longstanding relationships with large, high profile insurers, where some of these overlap with the Group's existing client base, but some are new relationships to Charles Taylor. We are already benefiting from significant joint marketing opportunities with CEGA, across all our business lines. We believe the Group's expertise in claims management and assistance, and its existing strong client relationships, means we are well positioned to grow in this market.

The global market for travel insurance and assistance services has been estimated to exceed US$18bn this year[1].

2. Building Charles Taylor InsureTech

Charles Taylor InsureTech, the Group's insurance technology business launched in 2015, took major steps forward. We opened a technology Centre of Excellence in Mexico City and were engaged by Fadata to implement a policy administration system in Peru for a leading life insurer. We also invested in building out the business's sales and marketing capabilities. These initiatives enabled Charles Taylor InsureTech to make a small, but strategically significant, increase in its revenue contribution. Our combined expertise in insurance and technology differentiates us from competitors and means we are well positioned to benefit from this market growth.

The value of the global insurance IT market is estimated to reach US$166bn by 2020[2].

3. Becoming second syndicate-ready

Charles Taylor Managing Agency (CTMA), launched in 2015, is building its proposition to manage a second Lloyd's syndicate. We invested in recruiting senior staff including a Chief Underwriting Officer and a Director of Operations with substantial experience of the Lloyd's market and developed our systems and operational capabilities. The Lloyd's turn-key managing agency services market offers CTMA sizeable potential to grow. We believe there is significant potential for turn-key managing agency services in the Lloyd's market, that we are well positioned to meet.

Lloyd's market capacity was £27.7bn in 2016[3].

4. Extending our outsourced services

We have focused on growing our Third Party Administration (TPA) and Business Process Outsourcing (BPO) services in the life and general insurance sectors.

- We extended the Group's established TPA claims service capabilities, through Charles Taylor TPA, which provides tailored claims administration for insurers, MGAs, brokers and self-insureds.
- In the BPO sector we have agreed to acquire books of life insurance business and a fund administration business from Zurich International, enabling us to extend the Group's life servicing platform and enter the fund administration market.
- CEGA's capabilities in volume claims handling, fraud prevention and assistance services are helping to enhance our BPO and TPA capabilities. In addition, we are utilising Charles Taylor InsureTech to optimise the efficiency and effectiveness of our TPA/BPO service offering.
- We believe the market opportunity for our services is significant.

Research indicates that the revenue of third-party administrators and insurance claims adjusters in the US exceeds US$190bn[4].

These initiatives will continue to be a focus of our efforts and investment during 2017 and beyond.

1. Source: Finaccord, 3 March 2014
2. Source: Gartner
3. Source: Insurance Insider, 12 January 2016
4. Source: IBISWorld, July 2016

Why do our Clients Choose Charles Taylor?

Our clients choose us for our range of services, deep industry knowledge, technical expertise, global reach, partnership culture and our approach to innovation. Together, these factors enable us to stand out from alternative providers as an exceptional professional services provider in the global insurance market, offering distinctive services and solutions.

An unrivalled breadth of insurance-related professional services and solutions – we provide services across the entire insurance value chain, designed to enable our clients to increase efficiency and deliver exceptional services to their customers.

We do not simply offer a menu of services, but are able to combine different services to offer an integrated solution that is tailored to clients' specific needs and delivers direct business value.

Expert, specialist knowledge of every sector of the insurance market – we work for clients operating across every sector of the insurance market, including mutual and insurance associations, retail and commercial insurers, specialist insurers, reinsurers, life insurers, brokers, MGAs and corporates.

This combination of insurance specialism and breadth across the sector enables us to offer "best in market" solutions which provide our clients with better ways to achieve their goals.

An enormous base of technical resource, available wherever and whenever our clients need us – we recruit and retain technical experts at the top of their games, with real-world practical experience.

Our technical experts cover the entire insurance industry – from accountants and actuaries to engineers, lawyers, surveyors and underwriters; we are able to organise ourselves through multi-disciplinary teams to meet the specific requirements of our clients.

With over 1,800 people, operating from 71 offices in 28 countries, we have the global reach to serve our clients when and where they need us, across any time zone and geography.

A culture of long-term partnership and excellent, high-quality service – Charles Taylor has been serving insurance clients since 1884.

We build long-lasting partnerships, stretching decades, even centuries, by tailoring our services to our clients' exact needs, backed by the highest levels of technical expertise and service. Underpinned by our culture and values (see page 6), our people take great pride in their relationships with clients and the service that they provide every day.

Our clients can be confident that our focus is on delivering long-term solutions that serve their best interests.

A stable, trusted and well-governed business – we operate to the highest ethical and governance standards, while our London Stock Exchange listing gives our clients the assurance of stability, transparency and excellent governance.

Our clients can be confident that we will conduct business on their behalf to the highest possible standards.

A track record of innovating successfully for our clients – our teams are never satisfied with "the way it has always been done" and are constantly looking for ways to make our clients more efficient and effective.

We were and are early adopters of using technology to support the adjusting of complex losses and automating insurance processes. We have driven innovation by developing new ways of delivering services and working with clients to build new insurance solutions. We also use innovative partnership models to expand the services and solutions available to clients.

Our clients can be confident that we will continue to innovate with them to support their success.

We offer a vast breadth of professional services and solutions

Clients seek us out to enhance their propositions, to grow their businesses, to increase their efficiency and effectiveness and to respond to the ever-changing needs of their clients. In many cases, clients are seeking to transform their business models and technology platforms to enhance performance. We also enable them to respond to disruption driven by competitors or new entrants, along with meeting increased regulatory requirements.

Our eight service/solution areas and underlying services/solutions cover the entire insurance value chain:	Core services	
Insurance Management Services End-to-end management of insurers and insurance programmes under a long-term "partnership" model	– Mutual management – Lloyd's managing agency – Offshore life insurance and fund administration services	– Captive management – Run-off management
Underwriting and Broking Support Services Bespoke, service-led support to underwriters, underwriting vehicles and brokers	– Underwriting support – Broker support	
Loss Adjusting Services Specialist, high-quality adjusting and other related technical services, spanning all major lines and geographies	– Loss adjusting across the aviation, energy, marine, property & casualty, special risks and general sectors	– Technical services (forensic accounting, surveying, risk engineering)
Claims Management and TPA Services Specialist, high-quality third party claims administration and related services across the full claims lifecycle	– Claims handling across the aviation, energy, marine, property & casualty, special risks and general sectors – Travel and medical claims handling – Workers' compensation and personal injury claims handling	– "Stand-alone" specialist claims services (bordereaux management, claims audit, static claims management etc.) – Claims technology solutions
Life, Fund Administration and Investment Services Bespoke, high-quality administration and investment management for international life, fund and non-life insurance clients	– Life insurance and investment administration – Investment management	
Medical and Security Assistance, Travel Risk and Claims Management Services End-to-end, integrated assistance and travel claims services that optimise customer experience and operational efficiency	– Emergency and contingency planning services – Medical planning, underwriting services and medical screening – Pre-travel advice – Travel and medical claim management	– Fraud and investigation services – Remote asset medical assistance – Medical and security assistance – Medical transfers
Insurance Technology Services Technology-related solutions and services to help insurance businesses drive change	– Policy administration solutions – Broking solutions – Delegated authority solutions – Claims technology solutions – Insurance software solutions	– Business intelligence and analytics services – Technology development, integration and implementation – Support and maintenance
Risk Management and Assurance Services Advisory and outsourcing services to support the safe operation and governance of regulated and non-regulated insurance entities	– Audit services – Fraud and investigations services – Risk management, assurance and governance outsourcing	– Risk management, assurance and governance advisory

Group Chief Executive Officer's Report

Charles Taylor performed solidly overall in 2016, building on the strong growth achieved in 2015. Revenue grew significantly, while adjusted profit before tax and earnings have increased; we also made good progress on delivering our strategic growth strategy.

David Marock, Group Chief Executive Officer

We are reinvesting in the business to drive that growth, both organically and by undertaking strategic acquisitions, entering into joint ventures and making business investments. This will enable us to achieve scale economies, to diversify the business, and to deliver sustainable year-on-year growth in earnings, with reliable income streams. Our strategic investments are intended to create opportunities to drive future earnings growth in the medium to longer term.

Our investments, joint ventures and acquisitions are focused on capturing the significant growth opportunities that we see in the global insurance services market. Research reports predict that the global market for insurance services will grow from US$4.8 trillion in 2016 to US$6.1 trillion by 2021[1]. We believe our deep expertise across the insurance market, our global reach and our focused business strategy positions us well to benefit from this future growth.

In line with the Group's strategy to deliver growth in our core Professional Services businesses we are making investments and driving forward numerous initiatives to grow the Group's existing businesses. These initiatives are set out in more detail on the following pages and include, for example, our investment to establish a significant new UK construction and engineering loss adjusting service. We also strengthened our Global Business Service teams.

In 2016, we drove forward four key strategic initiatives: the introduction of medical claims and assistance capabilities, the expansion of our insurance technology business, the development of our turn-key managing agency business and the extension of our Business Process Outsourcing (BPO) and Third Party Administration (TPA) services for both the general and life insurance market.

Among the many highlights of the year was the strategically important £30m acquisition of CEGA Group, a specialist provider of technical medical assistance and travel claims management services. This was purchased with the remainder of the proceeds of our 2015 Rights Issue. We also agreed to acquire a closed book of international life assurance business and Allied Dunbar International Fund Managers Limited from Zurich, which will enable us to enter the international fund administration services market.

We invested further in the training and development of existing staff to develop further our capabilities and to retain our top talent. Our annual staff engagement survey showed, for the second year running, that nine out of ten of our staff regard Charles Taylor as a great place to work that they would recommend to family and friends.

Our solid overall performance demonstrated the effectiveness of our diversified business model. Our Professional Services businesses performed well overall and our owned life business performed particularly well, benefiting from the profit on an acquisition of a life business in 2015. Sterling's weakness over the year had the effect of increasing revenue by 3.8% on the translation of international earnings, although the overall effect of changes in foreign exchange rates has been broadly neutral for the Group's adjusted profit, with gains on overseas earnings balanced by our currency hedging activities.

1. Source: BusinessWire 2 February 2017.

Group results 2016 – continuing business

	2016	2015	%
Revenue (£m)	**169.3**	143.4	+18.0%
Adjusted profit before tax (£m)	**14.8**	14.2	+4.0%
Statutory profit before tax (£m)	**10.7**	12.8	-16.3%
Adjusted earnings per share (p)	**22.27**	19.98	+11.5%
Basic earnings per share (p)	**15.85**	18.61	-14.9%
Dividend (p)	**10.50**	10.00	+5%
Net debt (£m)	**37.5**	9.9	n/a

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

Professional Services performance

	Revenue		Operating profit	
(£m)	2016	2015	2016	2015
Management Services	**54.7**	50.7	**8.7**	8.8
Adjusting Services	**65.4**	59.0	**1.8**	1.7
Insurance Support Services	**47.0**	32.1	**3.8**	4.5
Unallocated	**–**	–	**–**	0.2
Total	**167.2**	141.9	**14.3**	15.2

Professional Services

- The overall performance of our **Management Services** business was solid, with an increase in revenue and a slight fall in operating profit. The UK and international business performed well, benefiting from a full year's contribution from a new client, The Strike Club. As signalled at the half year, the Americas business performance was slightly down, largely as a result of the global energy price fall affecting the offshore energy supply and support services sectors, in which our clients operate. The mutuals managed by the business performed well overall and we agreed new, long-term fee arrangements with two of our clients – Signal Mutual and SCALA.

- The **Adjusting Services** business grew revenue, underlining the overall growth of the business. The level of insured claims in the market as a result of catastrophic natural and man-made disasters increased, although the market for larger and more complex insured claims, of the type principally handled by Charles Taylor, remained challenging throughout 2016. Operating profit increased modestly, mainly as a consequence of additional investments to establish a significant new UK construction and engineering service and to grow our presence in Latin America. To increase profitability, we are managing pro-actively the business's overall cost base, with a focus on increasing utilisation. Adjusting Services is also targeting growth in the very large US adjusting market, in which we are currently under-represented, with the appointment of a new country head and the recruitment of energy loss adjusters in Houston.

- The **Insurance Support Services** business delivered strong top-line growth, consolidating the business's greatly improved recent performance. The business benefited from five months' contribution from CEGA and saw a small increased revenue contribution from our new insurance technology business. As indicated at the half year, operating profit growth has been dampened, largely due to investments in the Group's strategic initiatives.
- These included:
- Building the business development and operational capabilities of Charles Taylor InsureTech.
- Developing the operational capabilities of the Group's turn-key managing agency, as it readies its proposition for a second Lloyd's syndicate.
- Investing in other strategic initiatives across the various business lines including developing our global medical claims and assistance capabilities and extending our Third Party Administration and Business Process Outsourcing capabilities.

Owned Life Insurers

The Group's owned life insurers delivered significantly increased operating profit. This was largely due to the residual profit contribution following the Group's acquisition of Scottish Widows International (SWI) in 2015 (now renamed LCL Assurance). Following the SWI transaction, we have announced that we have agreed to acquire a book of life business from Zurich International. This will be our fifth life acquisition in the last five years, demonstrating the continued growth prospects of this business. This acquisition also includes a fund administration services business to add further to the Group's capabilities.

Balance sheet

Following utilising the proceeds of the Group's 2015 Rights Issue to invest in CEGA and Fadata, net debt was £37.5m at the end of 2016 (2015: £9.9m). As expected, net debt is now in line with normal levels before the addition of a £5m facility for CEGA Group, which was in place with CEGA prior to it being acquired by the Group. Free cash flow was £7.2m (2015: £8.6m). We continue to focus on managing the Group's cash position while investing for growth.

In common with most businesses with defined benefit pension schemes, the Group's pension scheme deficit rose during the year, driven largely by corporate bond yields falling, noting that the deficit reduced slightly from the half year. The Group's net pension liabilities were £52.5m at the year end (2015: £39.6m). Net of deferred tax, the liability was £43.5m (2015: £32.4m); the figure reported at the half year was £56.3m, net of deferred tax £46.1m.

Dividend

An interim dividend for the year to 31 December 2016 of 3.15p (2015: 3.00p) per share was paid on 11 November 2016. The Directors recommend a final dividend of 7.35p (2015 second interim: 7.00p) per share to be put to shareholders at the Annual General Meeting on 16 May 2017. The total proposed dividend for the year is therefore 10.50p (2015: 10.00p). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 26 May 2017 to all shareholders on the register on 28 April 2017.

The Board

Joe Roach, Executive Director and Chief Executive Officer of Management Services – Americas retired from the Board and the Group on 31 December 2016. Joe Roach was instrumental in founding Signal Mutual in 1986 when he worked at insurance broker McQueary & Henry. He joined Charles Taylor in 1995 to drive Signal's growth and development. Under his leadership, Signal grew from inception to become the largest self-insured group provider of Longshore benefits in the United States.

The Board would like to thank Joe for his remarkable contribution to the Group over many years and in particular for his leadership of the management of Signal. We are delighted that he has agreed to continue his long involvement with the Group in a part-time consulting capacity, so we can continue to benefit from his substantial experience and deep insight.

Paul Hewitt was appointed as a Non-Executive Director of the Company on 17 November 2016 and took over as Audit Committee Chairman on 30 November 2016 on David Watson's retirement from the Board. Paul has also joined the Remuneration and Nominations Committees. Paul Hewitt is an experienced Chief Financial Officer, Chairman and non-executive director. He has chaired audit committees for Tokio Marine, Kiln, NEST Corporation, Tesco Bank, Collins Stewart Hawkpoint, Co-operative Banking Group and GMT Global Aviation. The Board would like to thank David Watson for his contribution both as a director and as Chair of the Audit Committee over the last six years.

Owned Life Insurers performance

	Revenue		Operating profit	
(£m)	2016	2015	2016	2015
Owned Life Insurers	**4.7**	4.8	**2.0**	0.2

Management Services

The Management Services business provides end-to-end management services to insurance companies, mutuals and associations.

We deliver a complete outsourced management and operational service to our clients, reporting directly to their independent boards of directors drawn from the membership. Our services cover every aspect of those companies' operations from underwriting, claims management and delivery of safety services to regulatory, accounting and administrative operations, end-to end technological support, investment management, customer service, corporate governance and company secretarial services. We manage four mutuals – 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 charged.

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

The overall performance of Management Services was solid, with an increase in revenue and a slight fall in operating profit. The UK and international business line performed well, benefiting from a full year's contribution from The Strike Club. As signalled at the half year, the American business performance was slightly down, largely as a result of the global energy price fall affecting the offshore energy supply and support services sectors, where our clients operate.

Management Services – UK & International

Delivered services to The Standard Club

- **The Standard Club.** Charles Taylor has managed The Standard Club since it was founded in 1884. The club provides protection and indemnity (P&I) insurance to around 10% of the world shipping market. Our work has delivered a good result for the club. The club grew during the 2016/17 membership year as a result of winning new members and benefiting from an increased entry from existing members, who value the club's professional, personal service, and cost-efficiency. The club achieved a positive underwriting result, increased its reserves in line with the continued growth of the club and welcomed several new members.

Charles Taylor InsureTech, the Group's technology business, developed and implemented a new claims management system for the club. The system, "Acclaim", has proved to be a major step forward, significantly enhancing the club's claims management capabilities.

During the year, we drove forward a number of strategic initiatives on behalf of the club to help expand its offering and diversify its sources of income.

- **The Standard Syndicate 1884** at Lloyd's completed its first full year of underwriting in difficult underwriting conditions. The syndicate extended its range of insurance covers with the addition of political violence, political risk, terror and specie lines, recruited senior underwriters and established a specie underwriting consortium at Lloyd's. Over 60% of the business written by the syndicate was new business for Lloyd's, exceeding the target set for it by Lloyd's.

  The Singapore War Risks Mutual, Singapore's first war risks insurer, performed well ahead of expectations.

Delivered services to other mutual clients

- **The Strike Club.** 2016 was our first full year as 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. We achieved a high business retention rate for the club at the 2017 renewal, with over 95% of the membership renewing their cover and some new members joining. The club has approximately 150 members and over 3,300 ships on risk and added 200 further ships at this renewal. Over the year we have focused on developing the club's business development capabilities and restructuring the club's operating model to reduce its costs of doing business.

- **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 in the North Sea.

Management Services – America

The Management Services – America business supported the further growth of Signal Mutual, built up the membership of SafeShore and delivered management services to SCALA. We agreed new, long-term fee arrangements with Signal Mutual and SCALA.

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. Signal reported a strong 2016/17 renewal. Over 99% of members renewed with the Association in October 2016, bringing the total membership to 257 companies, with a reported payroll of US$4.0bn. Two significant members who had left the Association in the previous year re-joined. We believe this sends out a strong message about the quality of both our expertise and the services we provide for Signal Mutual members.

  We also supported the Association by focusing on members' safety and accident mitigation, together with early and efficient claims resolution.

  SafeShore, the Longshoreman workers' compensation small account programme, backed by Signal Mutual and which Charles Taylor helped develop and launch, is performing well. Over 150 clients have enrolled in the programme.

- **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.

Case study

Enhancing The Standard Club's claims management technology solutions

Oliver Hutchings

Faster and more efficient claims handling has been delivered for The Standard Club members by Charles Taylor's Management Services and InsureTech businesses working together to deliver a completely new claims management solution.

"We had been using our old claims system for the last ten years," said Oliver Hutchings, Head of Division, Mediterranean & Middle East, who led the project. "It had proved effective, but was becoming dated and we knew we could improve our service to The Standard Club's members with an upgrade."

None of the commercially available insurance claims handling solutions met the specialist requirements for managing P&I claims. "We turned to Charles Taylor InsureTech to develop and implement a bespoke solution designed for The Standard Club's exact needs," said Oliver.

In just under 12 months, Charles Taylor InsureTech designed and delivered "Acclaim". The system is browser based, so can be accessed by claims handlers from multiple platforms. It enables far faster access to claims files and captures and records detailed claims data, enabling advanced data analytics. It also monitors performance against regulatory requirements and time bars.

"Acclaim uses advanced workflow management capabilities, which means we can track and monitor progress on claims. It has the ability to provide us with rich data, so that we can understand exactly where the club's members are incurring losses and the spend on third party specialists," said Oliver. This will help club members to improve their loss records and Charles Taylor to reduce the cost of claims handling for The Standard Club.

"We are planning further enhancements to Acclaim, but already it is reducing bureaucracy, enabling us to manage claims far quicker and achieve far faster claims settlement," concluded Oliver.

Group Chief Executive Officer's Report continued

Our people

Dipo Oyewole, Performance and Strategy Director, Management Services UK & International

"There is a remarkable openness to change at Charles Taylor, both in terms of adaptability to new ideas and a culture of continuous improvement," said Dipo Oyewole, Performance and Strategy Director of Charles Taylor's Management Services UK & International (MSUKI) business.

Dipo is well qualified to know; he worked for seven years in senior management consultancy roles, including at McKinsey & Co, advising international companies on accelerating growth. This was followed by eight years' experience in commercial organisations, defining and driving execution of their growth plans.

Dipo joined Charles Taylor in 2016 to help MSUKI further extend the high levels of performance for its mutual insurance clients, and he is also responsible for identifying and developing areas of growth for the business. "It is an extremely rewarding and broad role – one that requires constant prioritisation to ensure that we're collectively focused on the performance levers and growth opportunities that will make a genuine difference."

Sam Lai, Assistant Vice President – Safety Services, Management Services Americas

Sam Lai is a member of an eight-strong US based team, which focuses on improving safety and reducing workers' compensation claims in ports, terminals and shipyards that are members of Signal Mutual. He also audits prospective members of the Association before they are permitted to join the Association. "High safety standards are very important to Signal Mutual, so meeting the grade is essential for a prospect to be invited to join the mutual," he said.

The focus on safety works, with Signal Mutual's claims record improving year on year. "We work with members at every level, from the C-Suite to union members out on the dockyard. When we advise a member, it depends how quickly they embrace the plan. It can take time for the numbers to start to fall – but year-on-year claims have gone down." Sam is also keen to advise prospects which do not reach the safety standards for admission to Signal. "We want to get them to a place where we can invite them in. And if I can help save a life, that's a real bonus."

Sam joined Charles Taylor in 2005. He has over 28 years' experience in safety and loss prevention and has worked across a wide range of different sectors, including oil and gas, construction, general industry and agriculture. "Breadth of experience really helps, as knowledge of hazards in one sector can help us to come up with solutions in others," he said.

Tanisha Cobb-Anderson, Claims Manager, Management Services Americas

"Charles Taylor really promotes fresh thinking to future-proof our solutions," said Tanisha Cobb-Anderson, Claims Manager in Charles Taylor's US Management Services business. Tanisha needed no more encouragement and instigated and then worked with a team to develop a series of educational videos on a wide range of subjects for members of Charles Taylor's client, Signal Mutual.

"It all started when I suggested that we produce a Jones Act educational video. Our team then worked with a professional videographer to produce educational video workshops on a myriad of specialist subjects. The latest video was an initiative on 'Know Your Manager'. It was shown at the Signal Board meeting, where it was really well received," she explained.

Tanisha joined Charles Taylor over 22 years ago, starting as a temporary employee, before developing her career as a key member of the claims management team. She is now responsible for handling workers' compensation claims in the Great Lakes and Gulf Regions. "I supervise claims, working closely with our Third Party Administrators and defence attorneys to ensure the best outcome for the claimant and Signal's members," she said.

Adjusting Services

The Adjusting Services business provides loss adjusting services across the aviation, energy, marine (including average adjusting), property & casualty and special risks sectors.

The Adjusting Services business grew revenue, underlining the overall growth of the business. Operating profit increased modestly, mainly as a consequence of additional investments to grow the business. The level of insured claims in the market as a result of catastrophic natural and man-made disasters increased, although the market for larger and more complex insured losses of the type principally handled by Charles Taylor, remained challenging throughout 2016. There are, however, signs that loss activity may be increasing.

Against this background, our overall focus is to invest in growing the business to increase its margins and reduce volatility in its returns. As a global loss adjuster serving a wide range of aviation, marine, energy, property, casualty and special risks markets we believe we are well placed to grow profitably our market share over time.

Our most important initiative of 2016 was to invest in developing a significant UK construction and engineering (C&E) adjusting service. We appointed experienced joint heads to lead this new service in October, both of whom had excellent reputations and strong market followings. We built up the team during the fourth quarter, to around 20 adjusters by the year end.

The C&E service offering is already having some early wins. Working with our property & casualty business in London and our offices in Dubai and Doha, the C&E team has been appointed as one of the lead adjusters on an international sporting event construction project. We have also been appointed to the claims management role for the project as a whole. The appointment involved close working with Charles Taylor InsureTech to develop an innovative new claims portal.

We invested in developing our office network in Latin America, opening a new office in Peru with the recruitment of a team of five local adjusters. We have also appointed senior energy adjusters in Houston and strengthened our management team in Indonesia. Just after the year end, we appointed a Regional Head for the USA with responsibility for driving new business growth, managing client relationships and leading operations across the US non-aviation adjusting business. The US is the world's largest insurance market and we believe there is considerable opportunity to expand profitably our business there, particularly in the property & casualty sector.

These initiatives are all in line with our strategy of building market leading positions for each of our businesses and expanding into growing economies and markets where there is a demand for our services. At the same time, we are managing the business's overall cost base, along with an increased focus on growing utilisation in order to manage the business's profitability.

Case study

Spearheading the response to Hurricane Odile

When Hurricane Odile ripped through one of Mexico's top tourist destinations, Los Cabos, Baja California Sur, at wind speeds in excess of 200 km/h, it caused massive damage to the resort's property and infrastructure. Severe wind damage and extensive power cuts caused over US$1bn in damage.

Charles Taylor Adjusting's Mexico City office responded immediately, to provide a complete loss adjusting service to insurers. "We ensured that a rapid response team of adjusters was in place within hours," said Felipe Ramirez, Regional Head for Latin America. "We quickly set up a temporary office in the resort, with all the technological capabilities required to enable our adjusters and engineers to conduct surveys, manage technical databases and provide real-time, accurate information to insurers."

Hurricane Odile

Insurance claims from Hurricane Odile included damage to the facilities of major hotel chains, airports, ports and marinas, and high capacity roads. "Given the complexity of claims and issues arising during settlement, we were also appointed to oversee the conclusion of cases handled by other adjusting firms," added Felipe Ramirez.

Charles Taylor Adjusting's team worked on Los Cabos claims for almost eight months. "At its height we had a team of 45 loss adjusters working out of our temporary office," said Felipe Ramirez. "Over the course of the adjustment process, we produced detailed descriptions of the losses and accurate loss assessment analysis that enabled very satisfactory conclusions of the claims," he noted.

Group Chief Executive Officer's Report continued

Our people

Nanami Hara, Average Adjuster, Charles Taylor Adjusting
Nanami Hara joined Charles Taylor's Tokyo office in 2010 as a trainee average adjuster, after studying law at university, during which time she had acquired an interest in marine insurance and maritime law. This was followed by a two-year secondment to the UK, working in the Group's Liverpool and London offices. She has now relocated to London and advises Charles Taylor's clients on marine claims and disputes. "The opportunity to work in the Group's different offices was a great experience and has been really helpful. I have been able to meet and learn from many colleagues around the world."

The role of an average adjuster is to assess and advise on marine claims. They work with shipping companies and insurers to set out clearly all the material facts in complex claims and to advise on the liabilities in maritime claims in a clear and impartial manner. By experience, study and on-the-job training, average adjusters are problem-solvers and mediators. "Being an average adjuster really suits my personality," says Nanami. "Every case is different and I am very interested in maritime law and insurance. I really enjoy the research and report writing that leads to a successful outcome for our clients."

Nanami has taken full advantage of the training opportunities offered by Charles Taylor and has already completed four of the six examinations which lead to qualifying as a Fellow of The Association of Average Adjusters. "I really enjoy working at Charles Taylor. The Group puts a lot of effort into supporting me and my colleagues with education and career development."

Luis Farell, Technical & Special Risks Adjuster, Mexico City
"One of the most interesting parts of my job is the opportunity to work with people from other countries and cultures and to understand different ways of handling insurance claims," said Luis Farell, Technical & Special Risks Adjuster in Charles Taylor's Mexico City office. "I have worked with colleagues in London, the USA, Canada and other countries. They are all keen to help and work together to resolve complex claims for our clients."

Before joining Charles Taylor in 2005, Luis was a lawyer working in the legal departments of international companies. He holds a law degree from Universidad Panamericana in Mexico City and a Master degree in Legal Studies from Universidad de Navarra, Spain. He was originally approached to help Charles Taylor with legal claims advice in relation to hurricane damage. "I quickly learned what a fascinating career loss adjusting is and since joining the Group I have worked on a wide range of directors' and officers' liability claims and financial lines losses." Luis now heads a team of five loss adjusters, responsible for major claims across North Mexico.

Luis says he particularly enjoys the variety and breadth of technical work at Charles Taylor. "Every day is different and we see a wide range of different claims and losses. Everyone's personal input is valued and makes a real difference to delivering successful outcomes for our clients."

Sam Edwards, Aviation Adjuster, London
Sam Edwards was a highly qualified licenced aircraft engineer before joining Charles Taylor's aviation loss adjusting team in 2014. He had worked for 23 years on a wide range of aircraft types, ranging from commercial airliners and air cargo transport planes to business jets. His broad experience is the perfect training for his role as an aviation loss adjuster, where an in-depth understanding of aircraft engineering and repair procedures is essential in assessing insurance claims.

Sam took his apprenticeship at Marshall Aerospace in Cambridge, before joining Lynden Air Cargo, where he worked in both Alaska and Singapore, maintaining aircraft. He then joined Monarch, maintaining their fleet and aircraft for third party operators.

His responsibilities as a licenced aircraft engineer would range from performing heavy base maintenance activities in Luton, to recovering aircraft around Europe and attending aircraft on the ground which had suffered a wide range of technical problems. "One day I would be recovering a frozen airliner in the Arctic Circle, the next replacing an engine after a bird strike," he said.

Sam describes joining Charles Taylor as a brilliant career move. "I have joined an excellent company as part of a loss adjusting team that is very much focused on aviation, combined with the opportunity to learn about insurance. I've had great support and guidance in learning how to produce reports for insurers which explain highly complex engineering issues."

Insurance Support Services

The Insurance Support Services business provides a wide range of professional, technology and support services, enabling our clients to select the specific services they require.

Insurance Support Services provides medical assistance and travel claims management services to insurers. It includes our turn-key managing agency, technology services, and TPA/BPO services for the life and non-life insurance market. It also offers other technical services to clients in the Lloyd's, London and international insurance markets, such as investment management, captive management and risk consulting. Finally, the Insurance Support Services business acts as the Group's business incubator where we can develop and test new business initiatives.

The Insurance Support Services business delivered strong top-line growth, consolidating the business's greatly improved recent performance. The business benefited from five months' contribution from CEGA Group, which was acquired by Charles Taylor in July 2016, and saw a small increase in the revenue contribution from our new insurance technology business.

As indicated at the half year, operating profit was slightly down, largely due to investments in the Group's turn-key managing agency, as it builds its capability to manage a second Lloyd's syndicate, and in Charles Taylor InsureTech as well as in our other growth initiatives across the various businesses.

- **CEGA** is a market-leading provider of assistance and travel claims management services to insurers. It provides a high-quality, seamlessly integrated end-to-end service, which combines medical assistance with claims and case management, pre-travel advice, medical screening and corporate travel contingency planning.

  The acquisition of CEGA brings additional technical, high value-added services which complement our existing capabilities. CEGA has long-standing relationships with large, high profile domestic insurers, some of which are not currently clients of Charles Taylor, which offers the opportunity to cross-sell the Group's other professional services. In addition, many of our businesses and major clients use medical assistance services. This means we are well positioned to support CEGA's long-term growth. We are working closely with the CEGA management team to realise the full potential of the acquisition.

- **Charles Taylor InsureTech** draws together the Group's specialist and bespoke technology solutions, systems development and implementation solutions into a single client-focused business. InsureTech made good progress in 2016, increasing its range of solutions and building its business development capabilities. InsureTech also won a number of contracts to implement systems for insurance brokers and has been invited to tender for further technology projects. InsureTech also won new contracts for TRAX, its claims workflow and diary management system.

> "The Insurance Support Services business delivered strong top-line growth, consolidating the business's greatly improved recent performance."

Group Chief Executive Officer's Report continued

We focused on the expansion of InsureTech into Latin America by opening a technology Centre of Excellence in Mexico City and recruiting a sales director for the Latin American region. We were appointed by and are working in partnership with Fadata, in which the Group has just over a 25% shareholding, to help implement a policy administration system for a leading life insurer in Peru.

InsureTech also acquired a majority stake in a small insurance technology platform business to extend its capabilities in offering delegated underwriting, authority solutions and partnered with a copy data virtualisation specialist to improve insurers' use of data.

Charles Taylor Managing Agency, the Group's recently established Lloyd's turn-key managing agency, is delivering high-quality services to The Standard Syndicate 1884. CTMA is actively seeking the management of a second syndicate or Special Purpose Arrangement (SPA) and we have invested in developing the business's operational capabilities and senior management team ahead of its next such appointment. We recruited a Chief Underwriting Officer in May 2016, followed by the appointment of a Director of Operations, just after the year end.

- **Charles Taylor Insurance Services (Non-life)** provides outsourced insurance services to the Lloyd's, London and international insurance markets. The business performed steadily in 2016. CTIS introduced additional functionality to the London Market Experts Database, which it operates on behalf of the Lloyd's market. It also strengthened the business's senior management team with the appointment of a finance director.
- **Charles Taylor Insurance Services (Life)**, based in the Isle of Man, is the Group's life insurance administration servicing business. It provides policy administration services to both life insurance businesses, writing live business and those in run-off.

  The recently announced acquisition of Allied Dunbar International Fund Managers, which manages a collective investment scheme, will, on completion, enable us to further extend our range of professional services by entering the international fund administration services market. Fund administration services are closely related to the policy administration services we already offer. This opens up opportunities for us to deliver new services to fund managers in the Isle of Man and other international markets.
- **Charles Taylor TPA** is a global Third Party Administrator (TPA), expert in handling claims for insurers, coverholders and self-insured employers. The business takes on some or all of our clients' claims management functions, from white-labelled first notification of loss services, through to claims investigation and delegated claims settlement and loss fund management. In 2016, we extended the Group's TPA service capabilities to offer services to a much wider range of clients around the world.
- **Other business lines**, including the Group's investment management, captive management and risk consulting businesses, performed in line with expectations.

Case study

Containing the cost of corporate travel insurance claims from Costa Rica

Montezuma Waterfalls

Two female volunteers, working in Central America, were injured while jumping from the Montezuma Waterfalls on Costa Rica's remote Nicoya Peninsula. After initial support from a local search and rescue crew, the pair's ongoing care was managed by CEGA. They were soon evacuated from a local medical facility to a hospital that better met their needs in Costa Rica's capital.

CEGA was keen to minimise costs for its insurer client and ensured that all bills relating to the two corporate travel insurance claims were scrutinised by its in-house medical and cost containment teams. Being familiar with costs in this part of the world, with the extent of the injuries sustained by the two volunteers and with the standard rescue protocol, they suspected that the search and rescue elements of the bills were inflated. After questioning the policyholders via email, (overcoming the restrictions of their remote location), they established that the search and rescue crew had charged for considerably more support than they had actually supplied.

CEGA's rapid response, combined with its ability to admit the patients to a hospital within its extensive global network (with which preferential rates had already been agreed) and to negotiate a rapid payment discount, thereby reduced the insurer's costs by about 25%. A similar percentage had already been saved by CEGA's use of bespoke evacuation methods for both patients.

At the same time, both policyholders made an excellent recovery and were discharged from hospital after an overnight stay and successful treatment overseen by CEGA.

Our people

James Walker, Head of International Network, CEGA

"Last year we managed over 40,000 medical insurance claims," explains James Walker, Head of International Network at CEGA. "Our clear focus on cost management cut the cost of these medical bills for our insurance clients by around 25%."

James joined CEGA in 2005 and now heads a ten-person team responsible for developing and managing a global network of medical and transport providers as well as benchmarking performance and costs.

He has built up a huge knowledge base of hospitals in different parts of the world and says there is often little correlation between the cost of care and quality of treatment. "Sometimes low-cost hospitals can provide the best treatment and vice versa. We make sure that our customers have access to the best healthcare, at the best price."

His team scrutinise every bill to ensure that there is no evidence of overcharging or unnecessary treatment. "Medical providers can be very commercial and we see plenty of evidence of inflated bills. Our expertise is in negotiating the right price for care every time. This can save our clients a great deal of money."

James's former roles at CEGA have included providing specialist pre-travel advice for travellers to remote locations and heading CEGA's Cost Containment Team. He was also seconded to the USA for a year to monitor the performance of CEGA's third party network provider.

William Wood, Chief Executive, Captive Management

"There is tremendous diversity of interesting work at Charles Taylor," says William Wood, Chief Executive of the Group's Captive Management operation in Bermuda. "Because we provide a full range of bundled and unbundled management services, it allows our teams to get exposed to all different aspects of the insurance industry."

William is responsible for developing Charles Taylor's international captive insurance management business. He is also Chief Operating Officer of the Group's operations in Bermuda, overseeing the management and consulting services for the Group's captives and segregated cell clients.

Recently he has been involved in the development of a new captive management programme and the opening the Group's Panama office.

William qualified as a chartered accountant and holds IIA qualifications in reinsurance and risk management. He joined Charles Taylor in 2013, bringing more than 20 years of experience in the Bermuda (re)insurance market and extensive financial management and analytical experience. "I really like the working environment at Charles Taylor. The Group is a growing, ambitious business with a wide range of expertise across all areas of the global insurance industry."

Gemma Smyth, Exposure Manager, Charles Taylor Managing Agency

Insurance syndicates need to avoid building up exposures to risk concentrations in vulnerable areas if they are to prevent facing unexpectedly large losses following a natural catastrophe or man-made disaster. That's where Gemma Smyth, Exposure Manager for Charles Taylor Managing Agency (CTMA), comes in.

"I make sure that our client, Syndicate 1884, is not exposed to excessively large losses from catastrophic events," says Gemma. "Say a hurricane hit the US East Coast and there was a concentration of risks exposed to claims in that region, the results could be calamitous. The same could be true if it had a lot of risks in a small area where a fire or explosion could occur, such as the Tianjin blasts." Gemma works closely with CTMA's Chief Risk Officer and Chief Actuary to support Syndicate 1884's Active Underwriter and ensure that risks across all business lines are monitored continuously.

A Mathematics and Statistics Master from Newcastle University, Gemma has worked in the London insurance market for nearly ten years. She joined Charles Taylor in 2015 from Lloyd's underwriter Allied World, where she focused on cargo exposures, following five years' experience at Faraday's Lloyd's operation, concentrating on property risks.

"Charles Taylor is a great place to work as our colleagues have such a wide range of expertise and work across so many areas of the insurance market. We're already looking at how we can develop our risk modelling services for other areas of the Group," she said.

Owned Life Insurers

The Owned Life Insurers business consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and operational efficiency.

The Owned Life Insurers business delivered significantly increased operating profit in 2016. This was largely due to the residual profit contribution following the Group's acquisition of Scottish Widows International (SWI) in 2015, now renamed LCL Assurance.

Life insurance

The Group currently owns three life insurance businesses, which performed steadily and in line with our expectations in 2016. As reported at the half year, we are working towards consolidating two of those businesses into LCL International Life Assurance Company Limited and anticipate that we will progress this over the next six to twelve months.

In November, we agreed to acquire a closed book of international life assurance business from Zurich International Life Limited. The life book acquisition is part of our strategy to make acquisitions in the international life insurance sector and will increase the Group's life insurance assets under management and delivery of policy administration services. This will be the fifth life insurance acquisition the Group has made in the last five years.

Charles Taylor's strategy of acquiring and consolidating life insurers in run-off creates benefits from economies of scale. Small insurers typically have operational inefficiencies, often relating to legacy systems and manual processes, and have high fixed costs to cover, such as management, audit, director and regulatory fees. Such cost structures are an important factor in small to medium-sized insurers holding actuarial reserves on a prudent basis. By acquiring such insurers and then merging them, legally and operationally, with another insurer, economies of scale in the annual running costs are created for the current period and future years. As future expected expenses over a number of years can be a major factor in setting the actuarial reserves, such economies of scale can trigger reductions in the actuarial reserves, which can lead to profits and cash releases arising at trigger points such as acquisition, reinsurance and following schemes of transfer.

The Group has been successful in the acquisition and consolidation of life insurers in run-off since 2006. On completion, the Zurich transaction will demonstrate that we also have the ability to acquire books of legacy business from insurers with operations still open to new business in other product areas.

Non-life insurance

As reported at the half year, we completed the sale or business transfer of the Group's non-life insurers during the year. As a result, the Group no longer has any non-life insurance exposures.

Other Group strategy initiatives

During 2016, we worked to provide the Group's business lines with more responsive and accountable shared services with the further development of our Global Business Services teams. We implemented a "business partner" model for those shared service teams and invested in building our core capabilities. Human resources, technology finance, legal, compliance and marketing business partners are now embedded into our main business units. We also recruited additional staff to provide our businesses with enhanced marketing, legal and HR capabilities.

As reported at the half year, we undertook a second staff engagement survey in 2016. The results have been very encouraging, with nine out of ten staff saying they regard Charles Taylor as a great place to work that they can recommend to family and friends. We further developed our staff training and professional development initiatives, extending the core learning and development curriculum with the addition of new training courses. We also appointed a Group Director of Property and Procurement, to oversee our property management strategy globally and to drive efficiencies through more effective Group procurement.

Current trading and outlook

In 2016, we consolidated our strong growth achieved in 2015, while making a strategic investment with the proceeds of the Rights Issue to drive future growth.

We are focused on building our core Professional Services businesses organically, though a series of investments and new business initiatives to drive growth. We are also actively considering a number of acquisition opportunities to enable us to further extend our range of professional services. We will only invest where there is a compelling strategic rationale, a strong cultural fit, a persuasive financial business case and an acceptable risk profile.

We aim to deliver reliable income streams, with sustainable year-on-year growth in earnings, while investing to create opportunities to drive higher future earnings growth in the medium to longer term.

At this early stage in the year, our performance is in line with the Board's expectations.

Our solid results for 2016 could not have been achieved without the full commitment of our highly professional team; so I would like to thank all our staff for their hard work and dedication throughout the year.

David Marock
Group Chief Executive Officer
8 March 2017

How we Measure Performance

Our key performance indicators (KPIs) show a solid overall performance by the Group in 2016. Revenues grew significantly, while adjusted profit before tax and earnings have increased. The Professional Services businesses increased revenue strongly, while operating profit growth has been dampened, largely due to investments in the Group's core Professional Services businesses and its growth strategic initiatives.

Group KPIs

Adjusted profit before tax (£m)

16	+4.0%	14.8
15		14.2
14		11.4

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

Adjusted earnings per share (pence)

16	+11.5%	22.27
15		19.98
14		16.32

Adjusted earnings per share is explained on the highlights page.

Net debt (£m)

16	37.5
15	9.9
14	32.6

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

Interest cover (times)

16	12.3
15	12.8
14	8.1

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

Free cash flow (£m)

16	–15.4%	7.2
15		8.6
14		3.8

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

Headcount staff

16	+39.3%	1,844
15		1,324
14		1,175

Headcount includes all permanent and contract members of staff.

Professional Services KPIs

Revenue (£m)

16	+17.9%	167.2
15		141.9
14		121.8

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

Operating profit (£m)

16	–6.0%	14.3
15		15.2
14		12.2

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

Operating profit margin (%)

16	–2.1pts	8.6
15		10.7
14		10.0

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

Adjusting Services debtor months

16	4.5
15	4.3
14	4.0

Debtor months is trade debtors divided by invoiced fees on a count-back basis.

Adjusting Services work in progress months

16	4.6
15	4.8
14	4.8

Work in progress months is the value of unbilled time divided by the value of time recorded on a count-back basis.

Financial Review

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

	2016	2015
Revenue (£m)	**169.3**	143.4
Operating profit (£m)	**11.2**	13.9
Adjustments (£m)	**4.3**	1.7
Finance costs/other (£m)	**(0.5)**	(1.1)
Non-controlling interests before tax (£m)	**(0.2)**	(0.3)
Adjusted profit before tax (£m)	**14.8**	14.2
Tax (£m)	**–**	(1.2)
Adjusted earnings (£m)	**14.8**	13.0
Adjusted earnings per share (p)	**22.27**	19.98

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

Adjusted earnings per share is calculated by dividing the adjusted earnings by weighted average number of ordinary shares as disclosed in note 13.

	2016 (£m)	2015 (£m)
Statutory profit before tax	**10.7**	12.8
Amortisation of acquired intangible assets	**3.0**	1.6
Other adjustments	**1.3**	0.1
Non-controlling interests before tax	**(0.2)**	(0.3)
Adjusted profit before tax	**14.8**	14.2

Adjustments

As explained more fully in the Group Chief Executive Officer's Review, Charles Taylor is a global provider of professional services to the 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 Life Insurers business.

The Professional Services businesses provide specialist services to the insurance market. We are continually developing new professional services capabilities through carefully targeted acquisitions, joint ventures and business investments which have a compelling strategic rationale, strong cultural fit, a persuasive financial rationale and an acceptable risk profile. Our strategy includes the execution of selected larger investments. Material acquisitions and the significant expansion of new businesses, in any given financial year, are infrequent so the associated costs of such investments are not representative of the underlying performance of these businesses.

The Owned Life Insurers business consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and operational efficiency. Its strategy is to identify, acquire and then merge them, legally and operationally, with another insurer, achieving economies of scale in the annual running costs. This business has acquired five life companies over the last five years. Profit releases on acquisitions are dependent on the merging of businesses, requiring regulatory approval, leading to some profit fluctuations depending on the timing of achieving these goals. These profits, along with acquisition-related costs and changes to estimates in deferred consideration on acquisition, are considered to be a core element of this business's underlying and ongoing performance.

For this reason, the Group makes adjustments to statutory profit before tax in order to report profit before tax that reflects the Group's underlying performance ("adjusted profit before tax"). These adjustments, which are listed below, are as follows in 2016:

- The amortisation of intangible assets recognised on acquisition by the Professional Services division of £3.0m (2015: £1.6m) is adjusted because this expense, which is higher in 2016 than 2015 because of the CEGA acquisition, does not relate to underlying performance.
- In 2016, the Professional Services business set up a new significant adjusting business in the UK ("Construction & Engineering"), acquired the CEGA Group and incurred legal costs relating to its arrangements with its associate. The total of these costs, £1.8m, has been adjusted.
- The Professional Services business also recognised work in progress of £0.7m relating to the acquisition of Knowles Loss Adjusters (now known as Charles Taylor General Adjusters) in 2014. This income, which is non-recurring, has been adjusted.
- The Professional Services business incurred its share of an associate's non-recurring costs, £0.2m; these costs do not relate to the underlying performance of this investment and have been adjusted.

Net debt, cash flow and financing

Following the acquisition of the CEGA Group (CEGA) in July 2016 for initial consideration of £24.9m, the Group ended 2016 with net debt of £37.5m (2015: £9.9m). Free cash flow was £7.2m (2015: £8.6m). 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 £35.0m 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

In common with most businesses with defined benefit pension schemes, the Group's pension scheme deficit rose during the year, noting the deficit reduced slightly from the half year. The retirement benefit obligation in the Group balance sheet at 31 December 2016 was £52.5m, compared with £39.6m at the previous year end. The increase in net obligation has been driven by a change in discount rates, which in turn are driven by a fall 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.

Dividend

The final dividend for 2016 is 7.35p (2015 second interim dividend: 7.00p) making the total dividend for the year 10.50p (2015: 10.00p).

Foreign exchange

The Group manages its exposure to foreign currency fluctuations by using forward foreign exchange contracts and options to sell currency in the future. The contracts open during the year and at the year end were put in place to protect the Group's exposure to movements between the US$ and Sterling. The US$ profits of the Group were translated at US$1.36 in 2016 (2015: US$1.53). The sensitivity of the Group's results to movements in exchange rates is explained in note 29 to the Financial Statements.

Taxation

During 2016, the effective tax rate on statutory profit was 0% (2015: 8.1%) due to the recognition of deferred tax assets in respect of brought-forward UK tax losses.

Mark Keogh
Group Chief Financial Officer
8 March 2017

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 that are identified through these processes to be completed appropriately and in a timely manner; completion is monitored by both the Executive Committee and the Audit Committee throughout the year. 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.

Type of risk	Risk description	Management action

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. Business development can sometimes make additional demands on key staff outside their day-to-day job specification. 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. 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 relationships and deep connections we have with them enables any potential issues to be identified and addressed swiftly. – Contracts are in place with our major clients 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.

Type of risk	Risk description	Management action
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 mutual 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.	– Management of our mutual clients involves long-term relationships with deep connections between the manager and the mutual, through the mutual's board. We invest significant senior time and resource to ensure that we maintain the standards of service that these important clients expect. Our multiple interactions with the client boards and with the mutuals' members provide opportunities to identify and address satisfactorily any potential issues, whether of service, conflict or otherwise, at an early stage. – Diversification of the business and the client base is a key objective of the Group, which has been achieved through the acquisition of CEGA, establishment of Charles Taylor Managing Agency, Charles Taylor TPA and 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. – 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.
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 strategic direction and approves priorities for the year ahead together with major initiatives. – The Group's strategy is to pursue growth through multiple initiatives, rather than solely through a small number of "big bets", reducing the potential impact of failure of any one initiative. – 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. – 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. In the last year, we have expanded our corporate development team and other support functions to enable this diligence to be carried out in-house in a cost-effective manner. – Acquisitions and joint ventures are monitored regularly during the course of the year. – Robust business plans for each business unit are developed and then actively managed. This has been supported by enhancements to the Group's financial forecast processes over the last year.
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 UK's referendum vote to leave the EU is an example of such an event.	– The Group has a diversified business model spanning a broad range of services, geographies and sectors. This allows it to spread the risk of the impact of an external event on one area of the business. – The Group actively monitors market changes, trends and potential risks to its various businesses. Each business carries out a review of potential risks annually, and this is reflected within its business plan. – The Group, on its own behalf and on behalf of its managed clients, is monitoring and formulating a strategy to assess, mitigate and plan for the UK's exit from the EU.
People risks	As a predominantly professional services 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 training and 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, and learning and development). – Our annual employee engagement survey of all staff is used to identify issues and understand drivers of satisfaction and dissatisfaction. Business unit-level results are made available to the leadership team of each business unit, which then formulates an action plan based on the findings.

How we Manage Risk continued

Type of risk	Risk description	Management action
Material errors risks	Our business is complex, operates in a number of countries and offers a diverse range of insurance-related 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.

2. Financial risks

High fixed cost base/poor operational cash flow risk	In the event of a material fall in revenues, there is a risk that such a fall is not matched by an immediate, proportionate reduction in costs, with a consequent impact on earnings. There is also a risk that revenue lags behind investment in revenue-generating resources.	– We have clearly defined procedures for the management and monitoring of financial risks. We have established relevant performance indicators which are monitored regularly at business unit Executive Committee and Board level. – 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. – A detailed annual budgeting and monthly performance tracking process is in place in respect of revenue and expenses. Quarterly performance reviews are held with each of the major businesses which includes monitoring of investment in resources relative to revenue generated for major growth activities. These processes are reviewed and enhanced annually.
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 timescale.	– 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.

Type of risk	Risk description	Management action
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. 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. – 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. – When considering acquisitions, our typical approach is to offer a proportion of the consideration on completion, with a proportion deferred and dependent on performance. This mitigates the cash flow impact of the acquisition and reduces the risk of the overall transaction.

3. Legal and regulatory risks

Legal and regulatory risks	The Group has to comply with a wide range of legal and regulatory requirements across its diverse and complex businesses. It also 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 further during the course of 2016. Minimum risk management requirements have been introduced for all unregulated businesses, with which they need to comply. – 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 recommendations, where appropriate. It reports to the Board.

Long-term Viability Statement

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 at least the next three years.

The directors have no reason to believe the Group will not be viable over a longer period; however, the three-year period has been selected as this aligns with the three-year planning cycle of the Group.

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

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 Board has also taken into account the expected renewal of the Group's senior term loan and revolving credit facilities, which are available until 7 November 2018.

The Group has a robust three-year business planning process. The Group's business strategy and business plans are reviewed in depth by the Board 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's strategic priorities and the more detailed annual plans and budgets that are subsequently agreed and used by the Board to monitor performance.

The Board assesses the strategy and business plans against the Group's principle risks and uncertainties (as set out on pages 26 to 29 of this report), taking into account the Group's robust risk management procedures and the mitigating risk management actions taken by management.

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 Board also reviews in depth and agrees the Group's annual budget process. This 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.

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 pages 6 to 7), 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, or our local communities.

Environmental policy

The Group's environmental policy is determined by the Board and Richard Yerbury is the Executive Committee member responsible for the Group's environmental policy.

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

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

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.

Greenhouse gas (GHG) emissions

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

- Scope 1 emissions: Direct emissions from sources owned or operated by the Company; and
- Scope 2 emissions: Indirect emissions attributable to the Company due to its consumption of purchased electricity, heat or steam.

The significant increase in Scope 2 emissions is largely due to the inclusion of emissions for travel, taxis and couriers which were excluded from the 2015 figures. It also includes the impact of additional buildings and square footage acquired during 2016 to accommodate growth and also from the acquisition of CEGA.

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.

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used permanent and contract employees to calculate our intensity ratio, which gives an indication of our growth and provides for the best comparative measure over time.

GHG emissions for period 1 January 2016 to 31 December 2016

	Global tonnes of CO_2e	
	2016	2015
Scope 1 (£m)	**–**	–
Scope 2 (£m)	**14.4**	2.6
Intensity ratio Tonnes CO_2e/Full time employees	**7.8**	2.0

Corporate Social Responsibility and Diversity
continued

Employees

Our employees play a vital role in accomplishing the Group's goals. At 31 December 2016, the Group had 1,844 permanent and contract employees, compared to 1,324 permanent and contract employees at 31 December 2015.

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

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

The Group gives full and fair consideration to applications for employment made by disabled persons and will make reasonable adjustments to remove substantial disadvantages faced by disabled persons, whether as employees, candidates for promotion or job applicants. If an employee were to become disabled whilst employed, the Group would endeavour to make arrangements, wherever 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 Town Hall meetings with the Group Chief Executive Officer and other senior executives.

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.

Modern slavery

Charles Taylor is committed to compliance with the Modern Slavery Act 2015. A statement which sets out our actions to comply with the requirements of the Act in the year ending 31 December 2016 appears on the Group's website: www.ctplc.com.

Diversity

We believe that creating a diverse and inclusive culture is highly positive for the business, as well as being the right thing to do. As befits a company serving the insurance industry globally, Charles Taylor has an extremely diverse workforce, with staff of over 40 different nationalities. In 2016, we established a Diversity and Inclusion forum, with the objective of ensuring that the organisation benefits from the diversity of its people, and that we work in an environment where difference is valued and appreciated. The forum is chaired by the Group's Head of Talent Management and has representation from the major businesses within the Group.

With regard to the Board, there were four executive and four non-executive directors of the Company during 2016, of which seven were male and one female. Twelve people were senior managers – defined as the executive directors and members of the Executive Committee – of the Company during 2016, of which 11 were male and one female. At 31 December 2016, the Company employed around 1,037 male members and 807 female permanent and contract 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 2016. During the year, the Group made charitable contributions of £14,724 (2015: £31,975), 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 (2015: £nil).

Strategic Report approval

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

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

Ivan Keane
Group Company Secretary and General Counsel
8 March 2017

Corporate Governance

"We are a relationship business. It is our relationships with our clients and colleagues which underpin our business model."

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 and enhance 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.

During the year David Watson announced his intention to retire from the Board and from his role as Audit Committee Chairman. The Nomination Committee commenced a thorough search process to identify a suitable replacement; we were successful in our search and we welcome Paul Hewitt to the Board and as Audit Committee Chairman. On behalf of the Board, I would like to thank David Watson for his significant contribution to the progress and development of Charles Taylor over the last six years.

We have again undertaken a formal, internal evaluation of the Board's and its committees' effectiveness. The results of this exercise are summarised on page 44. 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 2017 AGM.

During 2016, 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 half year and final results, we also contacted our largest shareholders early in the year, regarding the increase in base salary awarded to the Group Chief Executive Officer and we were able to have useful and constructive dialogue 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 36 and 37, are responsible for the corporate governance of the Company. They fully 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 April 2016 (the "Code"), which is publicly available at www.frc.org.uk. Throughout the year ended 31 December 2016 the Board has complied with the principles and provisions recommended by the Code.

Edward Creasy
Chairman
8 March 2017

Board of Directors

Leadership

The Board is collectively responsible to shareholders for the long-term success of the Company. It does this by supporting entrepreneurial leadership from the Company's executive team 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; it seeks to achieve this 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.

1 Edward Creasy[1, 2, 3]
Chairman
Nomination Committee Chairman

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, WR Berkley Insurance (Europe) Limited, WR Berkley Syndicate Limited and Deputy Chairman of WR Berkley Syndicate Management Limited. Edward is also Non-executive Chairman of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group 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.

2 Gill Rider[1, 2, 3]
Senior Independent Non-Executive Director
Remuneration Committee Chairman

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.

3 Paul Hewitt[1, 2, 3]
Non-Executive Director
Audit Committee Chairman

Paul was appointed to the Board on 17 November 2016 and became Chairman of the Audit Committee on the retirement of David Watson. He is an experienced Chief Financial Officer, Chairman and Non-Executive Director. He has chaired Audit Committees for Tokio Marine Kiln Ltd, NEST Corporation, Tesco Bank, Collins Stewart Hawkpoint, Co-operative Banking Group and GMT Global Aviation. He is currently a Non-executive Director of Playtech Plc and Chairman of Roberts Jackson Holdings Limited, Validus-IVC Limited and Kintell Limited and a former Chairman of Four Times Enterprises Limited.

4 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.

5 David Marock
Group Chief Executive Officer

David was appointed Group Chief Executive Officer and Director of 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, acting 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, Charles Taylor Managing Agency Limited, Chairman of Charles Taylor Managing Agency Holdings Limited and a Non-executive Director of Standard Life Assurance Limited.

6 Damian Ely
Chief Executive Officer, Adjusting Services

Damian joined Charles Taylor 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 former director of Signal Mutual Indemnity Association Limited. He was appointed to the Board on 14 October 2005.

7 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).

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

Executive Committee

1 David Marock
Group Chief Executive Officer
(See Board of Directors, page 37 for biography)

2 Damian Ely
Chief Executive Officer, Adjusting Services
(See Board of Directors, page 37 for biography)

3 Mark Keogh
Group Chief Financial Officer
(See Board of Directors, page 37 for biography)

4 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.

5 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 that business.

6 Alistair Hardie
Chief Executive Officer, CEGA
Alistair joined Charles Taylor on the acquisition of CEGA on 26 July 2016. Alistair has been the Chief Executive Officer of CEGA since January 2015 and has 30 years' experience of management in insurance and other corporate sectors, with a particular focus on travel, health and accident insurance and outsourcing.

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 the Appointed Actuary; he 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, a 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 became full-time Chief Executive Officer of Charles Taylor Managing Agency (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 Wood
Chief Executive Officer, Management Services – Americas
Richard joined in 1997 and took over as CEO of Management Services – Americas on the retirement of Joe Roach at the end of 2016. Prior to that he was President and Chief Operating Officer of that business.

12 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 Board established a Disclosure Committee during the year. 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, on which the Non-Executive Directors, Barnabas Hurst-Bannister, Gill Rider and Paul Hewitt also sit. The Nomination Committee Report is set out on page 44.

Audit Committee

Paul Hewitt chairs the Audit Committee, having replaced David Watson on his retirement on 30 November 2016. Edward Creasy and Gill Rider are also members of the Committee. Edward Creasy joined the Committee in August following the change in the Terms of Reference to permit the Chairman of the Company to be a member. Paul Hewitt is considered by the Board to have recent and relevant financial experience. The Audit Committee Report is set out on pages 45 to 47.

Remuneration Committee

Gill Rider chairs the Remuneration Committee. Edward Creasy and Paul Hewitt are also members of the Committee. The Directors' Remuneration Report is set out on pages 48 to 68.

Disclosure Committee

The Disclosure Committee meets as and when appropriate and the membership and quorum for a meeting is at least two Directors of the Company, one of which should be the Group Chief Executive Officer or the Group Chief Financial Officer.

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

The Board carries out its role by:

- providing input into and approval of management's development of corporate strategy and performance objectives;
- reviewing the Company's business plans;
- monitoring the Company's operations worldwide;
- approving the Company's overall budget and monitoring progress against that budget;
- monitoring and reviewing the effectiveness of the Company's systems of internal control;
- monitoring and reviewing the major risks to which the Company is exposed, assessing their potential impact and the steps being taken by the executive to manage them appropriately
- 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 these to the Board for approval;
- managing the day-to-day operations of the Company within its 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 including the composition of the Board.

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

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

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 2016	11	5	4	5
Number of meetings attended in 2016:				
Edward Creasy – Non-executive Chairman[1]	11	2	4	5
David Marock – Group Chief Executive Officer	11	–	–	–
Damian Ely	11	–	–	–
Mark Keogh – Group Chief Financial Officer	11	–	–	–
Joe Roach III (resigned 31 December 2016)	9	–	–	–
Barnabas Hurst-Bannister – non-executive[3]	10	–	4	–
Gill Rider – non-executive[2]	11	5	4	5
David Watson – non-executive[2] (resigned 30 November 2016)	10	5	3	3
Paul Hewitt – non-executive[2] (appointed 17 November 2016)	4	1	1	1

1. Member of the Remuneration and Nomination Committees throughout the year and joined the Audit Committee on 25 August 2016.
2. Member of the Audit, Remuneration and Nomination Committees during the year.
3. Member of the Nomination Committee during the year.

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 (which have now ceased)), 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, their service agreements and interests in the shares of the Company are set out in the Directors' Remuneration Report on pages 48 to 68.

The Non-Executive Directors, Gill Rider and Paul Hewitt, 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, as was David Watson up to his retirement. Barnabas Hurst-Bannister was treated as being independent on his appointment, but following the launch of Charles Taylor Managing Agency in 2015 and the increase in The Standard Club's shareholding in the Company, Barnabas Hurst-Bannister is not treated as being independent in accordance with the Code.

The Chairman, Edward Creasy, was considered independent upon his appointment in 2014, notwithstanding that he served 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 37, 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, property 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 72. 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.

Board Responsibilities continued

The Directors' responsibilities for preparing the financial statements and supporting assumptions that the Company is a going concern are set out on page 72.

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 30.

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 continuous 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 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 Group Assurance Committee and the Audit Committee.

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 26 to 29. 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 have the potential to cause serious disruption to the Company's businesses, such as a fire, a natural disaster or flooding. As an example, these plans are 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. In addition, an external quality assessment of the internal audit function was undertaken and the findings and actions taken reviewed and agreed by the Audit Committee.

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 monitors and reviews 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 regular 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 and budget 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 on mitigation of the Company's principal risks and takes 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 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 the auditor's views as to the principal risks facing the Group from an audit perspective and how external 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 Group Assurance Committee and 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 it's appointed Representative Charles Taylor & Co. Limited) and Charles Taylor Broker Services Limited, both of 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 at Board meetings. The Company has an "Investor" section on its website, which provides share price information, results presentations and announcements, financial calendars and general information on the business.

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 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. Proxy votes lodged on each AGM resolution are also announced through a Regulatory News Service and published on the Company's website. All the Directors attended the AGM in 2016 and all Directors are due to attend the AGM to be held on 16 May 2017.

Nomination Committee Report

Edward Creasy chairs the Nomination Committee, on which the Non-Executive Directors, Barnabas Hurst-Bannister, Paul Hewitt and Gill Rider, also sit. David Watson was also a member of the Committee up until his retirement. In 2016 there were four meetings of the Committee.

Board composition and balance

The Board comprises the Chairman, three Non-Executive Directors and four Executive Directors, which reduced to three on the retirement of Joe Roach at the end of the year. The Board is collectively responsible for the long-term success of the Company, which it does 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 engaged a recruitment consultant to help identify a new Non-Executive Director and Audit Committee Chairman to replace David Watson, who had indicated his desire to retire from the Board during the year, and recommended the appointment of Paul Hewitt to the Board. The Committee also considered Board and senior management succession in the Company, governance issues, reviewed 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, i.e. below the FTSE 350, the Code does not require all the Directors to stand for annual re-election, the Board has 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
8 March 2017

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, Paul Hewitt and Gill Rider. Edward Creasy joined the Committee in August following the change to the Committee's Terms of Reference to permit the Chairman of the Company to be a member. Paul Hewitt was appointed Chairman of the Committee on the retirement of David Watson on 30 November 2016.

Governance

The Committee members are all independent Non-Executive Directors, apart from Edward Creasy by virtue of his role as Chairman of the Company. 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 compliance and risk management executives annually without management present.

The Group Company Secretary and General Counsel also attends the 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 2016. In light of the FRC Guidance on Audit Committees, April 2016, minor amendments to the Terms of Reference were made by the Committee, including permitting the Chairman of the Company to be a member of the Committee.

The Committee Chairman will attend the AGM on 16 May 2017 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 and associated commentary, 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; the Committee

- 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 2016 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, principal risks and uncertainties and the Audit Committee Report in the 2016 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 2016 Annual Report and the decisions and judgements that underpin that statement.

Risk management and compliance; the Committee

- established a rolling programme to review the Group's most material risks, risk mitigation plans and controls in order to facilitate a more detailed discussion on risk management;
- undertook a detailed review and challenge of the Company's internal risk reports and the related Annual Report disclosures;
- reviewed and confirmed the Company's LTVS and reports on going concern recommending that the Company should continue to adopt the going concern basis in preparing the Annual Financial Statements;
- 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.

Audit Committee Report continued

Internal audit; the Committee

- 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;
- reviewed and agreed the findings and actions taken in respect of the external quality assessment of the internal audit function; and
- held private discussions with the Head of Internal Audit without management present.

External audit; the Committee

- 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;
- undertook an external tender process for the Company's audit and recommended the appointment of PricewaterhouseCoopers LLP as the Company's auditor in place of Deloitte LLP;
- 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 2016 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 reviews the preliminary full year and half year results and deliberates the key accounting issues and judgements, supported by internal management and external auditor commentaries thereon. Internal management produce a paper on each of the key accounting issues and judgements. These papers are reviewed by the Committee Chairman and the Group CFO and by the Finance Committee. The Finance Committee members are the Group CEO, the Group CFO and the Group Corporate Development Director. Senior members of the Group's finance team will also be invited to attend Finance Committee meetings to discuss the presented papers and answer and clarify questions. A summary of the key accounting issues and judgements is reviewed by the Committee together with the Finance Committee meeting minutes.

Reports by both the external auditor and internal management on each of the following significant financial judgements regarding the financial statements were reviewed and discussed by the Committee in a meeting with the external auditor and internal management present.

Significant financial judgement	Audit Committee review work
WIP and debtors valuation	The Committee reviewed and challenged management's methodology for valuing WIP and debtors; considering the ageing of WIP and debtors and the proposed bad debt provision by taking into account the history of bad debts and the appropriateness of the discount rate being applied to debtors. The history of recovering WIP which arose in previous periods was also considered in determining the appropriateness of the existence and valuation of WIP. Based on these reviews the Committee concluded that the carrying value of WIP appropriately reflects the value of services provided and not yet invoiced and that the debtor balance is recoverable.
CEGA acquisition accounting	The Committee reviewed the accounting treatment of acquisitions during the year and, in particular, the acquisition of the CEGA Group. They reviewed management's proposals for the attribution of consideration to intangibles (customer relationships and trade name) and the present value of deferred consideration. Based on these reviews and considering the fact that management applied a similar methodology to that used by an independent valuation firm prior to the Group's acquisition of the CEGA Group, the Committee concluded that the relevant intangible assets and goodwill had been identified and valued appropriately.
Carrying value of goodwill	The Committee reviewed and challenged management's impairment testing of Goodwill. This Included determining the appropriate CGUs for the purpose of goodwill impairment testing, the carrying amounts of CGU assets, the estimates of the future pre-tax cash flows of the CGUs under review, the appropriateness of the discount rate and how it was applied to future cash flows and the comparison of the carrying value of CGUs with their value in use to determine the sensitivity of management's assumptions. The Committee concluded that the relevant intangible assets and goodwill had been identified and that their value was supported by the forecast cashflows of the respective CGUs.
Valuation of pension scheme obligations	The Committee reviewed the scheme valuations including the assumptions adopted by the schemes' independent actuaries, the discount rate being applied to the liabilities and by considering the variance analysis on valuation movements over the twelve month period to 31 December 2016. The Committee concluded that the pension valuations were calculated using appropriate inputs and reasonable assumptions.
Valuation of internally generated intangibles	The Committee reviewed the management's application of IAS38 and taking into account the updates provided by management on the major technology programmes being undertaken during the period how internal and external costs are captured, analysed and recorded as qualifying IAS 38 expenditure including challenging where expenditure not yet subject to amortisation. The Committee concluded that development costs capitalised satisfied the IAS 38 criteria and that the assumed benefits arising were reasonable and supported the carrying value of the intangible assets.

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 Committee undertook an external tender for the Group audit in 2016 and invited five firms to tender as well as the current auditor, Deloitte LLP. Following discussion with each of these firms the Company received tenders from three audit firms; including Deloitte LLP. The Committee assessed all three firms using a pre-agreed score sheet against a range of criteria:

- independence and transition planning;
- people and competencies;
- understanding our business and appropriateness of audit approach;
- fee proposal; and
- presentation and engagement with the Company.

After a thorough review process, the unanimous recommendation of the Committee to the Board, supported by the views of the Finance team and the GCEO and GCFO, was that Deloitte LLP be invited to resign as auditor and PricewaterhouseCoopers LLP be invited to accept an appointment as the auditor, with which the Board concurred.

Deloitte LLP resigned as the Company's auditor on 4 November 2016 and PricewaterhouseCoopers LLP were appointed as the Company's auditor to fill the casual vacancy caused by that resignation. A resolution is to be proposed at the AGM for the reappointment of PricewaterhouseCoopers LLP as auditor of the Company at a rate of remuneration to be determined by the Audit Committee.

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 objective of the Company's policy on non-audit services is to ensure that the external auditor is not placed in a position where its independence is, or might be seen to be, compromised including but not limited to the following examples:

- where the external auditor would be responsible for auditing work it has performed;
- where the external auditor would make management decisions on behalf of the Company;
- where the external auditor would assume the role of advocate for the Company; and
- where mutuality of interest would be created between the external auditor and the Company.

The following non-audit services may be provided by the Group's external auditor and do not require specific approval by the Audit Committee (they are regarded as pre-approved):

- reviews of interim financial information;
- control compliance, attestation reports or reasonableness reports as required by third parties; and
- reporting required by law or regulation to be provided by the auditor.

The following non-audit services may not be provided by the Group's external auditor:

- bookkeeping and other services relating to accounting records and corporate financial statements;
- advice and assurance in respect of direct and indirect tax matters including tax compliance, routine tax planning advice, tax consultancy services and employee tax services, including share plans;
- internal accounting and risk management control reviews, including information systems, and reviews of policy and procedure compliance;
- advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters, tax and governance regulations;
- due diligence investigations related to potential acquisitions, disposals or joint ventures;
- project assurance and advice on business process improvement;
- the design, implementation and operation of financial information systems;
- actuarial, internal audit and internal control functions;
- executive management of company operations and activities, including acting temporarily or permanently as a director, officer or employee of the Group; and
- legal, broker, investment adviser or investment banking services.

Certain types of services, because of their size or nature or because of special terms and conditions, are not specifically prohibited but may risk creating threats to the auditor's independence and therefore require specific approval by the Audit Committee before the external auditor is engaged. The following engagements require such approval in advance:

- any new engagement with the external auditor in excess of £100,000 for an individual service or specific project;
- any engagement with significant relevance to and impact on the financial statements; and
- any engagement with a contingent fee basis unless that fee is estimated to be less than £50,000.

The external Group auditor carried non-audit services since appointment, 4 November 2016, to the value of £25,000. Non-audit fees for the Group auditor up to 4 November 2016, and other Group auditors for the year ended 31 December 2016, are set out in Note 6 to the Financial Statements.

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.

Paul Hewitt
Chairman of the Audit Committee
8 March 2017

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 2016.

The report comprises:
– the Annual Report on Remuneration, which sets out how the Remuneration Policy was implemented in the financial year ending 31 December 2016 which together with this introductory statement, is subject to an advisory shareholder vote at the 2017 AGM.
– the Directors' Remuneration Policy, which will be put to shareholders for approval in a triennial binding vote at the 2017 AGM.

The current Directors' Remuneration Policy was approved at the AGM in 2014; after a review process carried out by the Remuneration Committee in 2016, no material changes are being made. Subject to approval by shareholders, the updated Policy will become effective from the date of the AGM this year.

We are also seeking approval from shareholders to renew the Long-term Incentive Plan (LTIP) and to introduce a HMRC-approved Share Incentive Plan (SIP), which would apply to all UK employees, with equivalent arrangements for overseas employees. Awards will be subject to the limits set by HMRC.

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.

Base salary

The Group Chief Executive Officer, David Marock and Executive Director, Damian Ely received a base salary increase of 2% at the 1 January 2017 review date.

Annual bonus

Annual bonus awards have been made in respect of the 2016 performance year to all Executive Directors. Taking account of individual performance, the Committee has awarded bonuses of up to 86% of the maximum level. The Group Chief Executive Officer, David Marock, was awarded a total bonus payment for 2016 performance of £475,365 (129% of base salary; 86% of maximum bonus).

These bonuses are primarily a reflection of the solid financial performance with year-on-year growth in revenue (+18%), in adjusted PBT (+4%) and adjusted EPS (+11.5%). 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.

Further disclosure of the threshold, target and stretch performance requirements, and related outcomes are disclosed in the Annual Report on Remuneration.

Long-term incentives

The Company achieved a Total Shareholder Return (TSR) of 98.1% over the period 2012 to 2015 and an Earnings per share (EPS) growth of 10.9% ahead of the growth in RPI in the same period resulting in strong relative performance for which the 2013 LTIP awards vested in full during the year.

The Company achieved a TSR of 55.3% over the period 2013 to 2016 and an EPS growth of 14.7% ahead of the growth in RPI in the same period resulting in strong relative performance for which the 2014 LTIP awards will vest in full on 20 March 2017.

Additional considerations

We continue to monitor development in Executive Director market practice and shareholder guidelines and have taken account of these in our review of the Policy. We note that a minority of companies in the FTSE Small Cap Index have introduced a post-vesting holding period to their LTIP. Although we have not introduced this to our own Policy, we will review this again next year. We already have a shareholding requirement of 1x salary, which we feel is appropriate given our relatively low levels of LTI award (normal limit 75% of salary).

We were pleased that Remuneration Report resolution received votes in favour from over 99% of the votes cast at the AGM in 2016. I hope you will support the remuneration resolutions at the AGM in 2017.

Gill Rider
Chairman of the Remuneration Committee
8 March 2017

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 2016 UK Governance Code and the Financial Conduct Authority Listing Rules.

ANNUAL REPORT ON REMUNERATION

This report has been divided into separate sections in respect of 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 this 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 2016

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives **** £	Pension related benefits £	Other £	Total £
David Marock – GCEO	368,500	8,573	475,365	337,948	53,599	–	1,243,985
Damian Ely	227,977	20,134	140,890	150,668	30,488	–	570,157
Mark Keogh – GCFO	243,057	6,395	130,522	–	32,037	–	412,011
Joe Roach***	472,823	24,863	142,963	146,814	6,587	3,952	798,002
Edward Creasy – Chairman	90,000	–	–	–	–	–	90,000
Barnabas Hurst-Bannister	41,000	–	–	–	–	–	41,000
Gill Rider	56,000	–	–	–	–	–	56,000
David Watson*	46,750	–	–	–	–	–	46,750
Paul Hewitt**	5,865	–	–	–	–	–	5,865

* David Watson retired as a Director on 30 November 2016.
** Paul Hewitt was appointed a Director on 17 November 2016 and became Chairman of the Audit Committee on 30 November 2016.
*** Joe Roach resigned as a Director on 31 December 2016.
**** The long-term incentive figures include the estimated value of the 2014 LTIP awards which will vest in full on 20 March 2017. The value is based on a share price of 275.5p which is the average share price for the last quarter of 2016.

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	934,167	43,851	–	1,819,742
Damian Ely	224,608	20,596	111,181	193,642	31,286	–	581,313
Mark Keogh – GCFO	239,465	6,889	174,801	–	31,470	–	452,625
Joe Roach	416,921	21,460	136,991	322,742	5,732	–	903,846
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.
** The long-term incentive figures have been restated to include the value of both the 2012 and 2013 LTIP awards.

Directors' Remuneration Report continued

The figures in the single total figure remuneration 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 both in 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 2016 this includes the 2014 LTIP awards which will vest in full and for 2015 this includes both the 2012 and 2013 LTIP awards which also vested in full. See details on page 52.
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 2016

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 predominantly financial (as exemplified below) but also include some specific operational, people and client-related objectives which are personal to each executive. The Committee sets these objectives 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 2016, the bonus opportunities for the Executive Directors were as follows:

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

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 each individual executive and determines the performance level achieved.

A proportion of the assessment of the 2016 performance review was weighted to key financial targets, the remainder relates to the achievement of personal objectives in respect of the Executive Directors. The proportions are captured in the table below.

The key financial targets for 2016 were:

<table>
<tr><th>Performance measure</th><th>Weighting: David Marock and Mark Keogh</th><th>Weighting: Damian Ely and Joe Roach</th><th>Performance condition</th><th>Threshold performance</th><th>Target performance</th><th>Stretch performance</th><th>Actual growth</th><th>% of maximum payable (max 100%)</th></tr>
<tr><td>Annual growth in revenue</td><td>10%</td><td>4%</td><td rowspan="3">25% of award vesting at threshold, up to 67% of award vesting at target, and 100% of award vesting at stretch on straight-line basis</td><td rowspan="3">80% of Prior Year</td><td rowspan="3">106% of Prior Year</td><td rowspan="3">112% of Prior Year</td><td>118.0%</td><td>100%</td></tr>
<tr><td>Annual growth in adjusted PBT (attributable to owners of the Company)</td><td>20%</td><td>9%</td><td>104.0%</td><td>63.8%</td></tr>
<tr><td>Annual growth in adjusted EPS</td><td>40%</td><td>17%</td><td>111.5%</td><td>97.2%</td></tr>
<tr><td>Total</td><td>70%</td><td>30%</td><td></td><td></td><td></td><td colspan="2">Total (max 70%)</td><td>61.7%</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="2">Total (max 30%)</td><td>26.4%</td></tr>
</table>

The table below shows the Group's performance against the two main financial targets over the last six years:

Year-on-year performance	2016	2015	2014	2013	2012	2011
Adjusted PBT (attributable)	**4.0%**	24.4%	11.3%	9.2%	(4.6%)	(6.1%)
Adjusted EPS	**11.5%**	22.4%	15.6%	9.4%	(7.7%)	(9.8%)

Personal objectives

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

Executive Director	Key priorities for the year:	% of personal component
David Marock	– Grow the Group's earnings in line with or ahead of 2016 budget – Deliver the Business Units' and Global Business Services' business plans, focused on profitable growth – Implement the Group's M&A, JV and business investment strategy – Enhance Group's business development and marketing approach – Develop new and existing client, partnership and shareholder relationships – Roll-out of the Group's people strategy, including ensuring appropriate succession plans are in place	81%
Damian Ely	– Grow the CTA's earnings in line with or ahead of 2016 budget – Develop and implement a clear, coherent, and suitably stretching business strategy – Address underperformance, improve operational efficiency and improve profitability – Reduce CTA's working capital requirements – Attract, retain, and develop top talent – Build a strong leadership team – Secure new and develop existing client relationships	80%
Mark Keogh	– Grow the Group's earnings in line with or ahead of 2016 budget – Implement financing strategy in support of the Group's growth plans – Ensure appropriate budgeting tools, financial models and FP&A capabilities are in place – Maintain strong trust-based relationships with key stakeholders - investors, analysts, and banks – Integrate budgeting, business planning and strategic management processes – Improve core finance-related processes – Build a strong, cohesive Group Finance team, thereby attracting, retaining, developing top talent	33%
Joe Roach	– Ensure Signal Mutual remains financially strong – Deliver outstanding client services – Maintain strong client relationships – Support the profitable growth of the ISS-US businesses – Implement the performance, reward, and talent management strategy – Make suitable succession planning arrangements for key roles	67%

The resulting bonuses for 2016 were as follows:

	Total £	% of maximum	Cash £	Shares £
David Marock	475,365	85.7%	368,500	106,865
Damian Ely	140,890	82.4%	113,989	26,901
Mark Keogh	130,522	71.5%	121,529	8,993
Joe Roach	142,963	73.3%	130,026	12,937

Directors' Remuneration Report continued

Vesting of 2013 LTIP awards

In 2013 the performance period for LTIP awards was changed to be measured over three financial years of the Company, rather than the three years from grant date. This meant that in the financial year ended 31 December 2015 there were two cycles of awards with performance periods ending in the year. To comply with the relevant regulations, we have restated the 2015 Long-term Incentive figure in the single total figure remuneration table to include the value of both award cycles. The value of the awards granted on 27 April 2012 was disclosed in full in the 2015 Directors' Remuneration Report; the vesting outcome for the awards granted on 23 April 2013 is described below.

The LTIP awards granted on 23 April 2013 were based on the financial performance of Charles Taylor for the three years ending 31 December 2015 to vest 23 April 2016. As disclosed in previous Annual Reports, the proportion of shares which vested under these awards was determined by two performance metrics. Half of the award was 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 one half of the award 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 was subject to Earnings Per Share (EPS) growth in excess of the UK Retail Price Index (RPI) inflation in accordance with the following table:

Percentage growth in EPS in excess of growth in RPI	Percentage of one half of the award which may vest
Less than 3 percentage points	Nil
3 percentage points	25%
Between 3 and 9 percentage points	Pro-rata on a straight-line basis between 25% and 100%
9 percentage points or more	100%

For the vesting of the 2013 awards, in respect of TSR, Charles Taylor ranked in the top 25% of the peer group, being ranked 39th out of 221 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 98.1%. In respect of EPS growth, Charles Taylor's growth was 10.9 percentage points ahead of the growth in RPI. Therefore, the 2013 awards vested in full.

Vesting of 2014 LTIP awards

The LTIP awards granted on 20 March 2014 were based on the financial performance of Charles Taylor for the three years ending 31 December 2016 to vest on 20 March 2017. The proportion of shares which vested under these awards was determined by two performance metrics. Half of the award was 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 one half of the award 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 was subject to Earnings Per Share (EPS) growth in excess of the UK Retail Price Index (RPI) inflation in accordance with the following table:

Percentage growth in EPS in excess of growth in RPI	Percentage of one half of the award which may vest
Less than 3 percentage points	Nil
3 percentage points	25%
Between 3 and 9 percentage points	Pro-rata on a straight-line basis between 25% and 100%
9 percentage points or more	100%

For the vesting of the 2014 awards, in respect of TSR, Charles Taylor ranked in the top 25% of the peer group, being ranked 33rd out of 237 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 55.3%. In respect of EPS growth, Charles Taylor's growth was 14.7 percentage points ahead of the growth in RPI. Therefore, the 2014 awards will vest in full.

LTIP awards made in 2016

LTIP awards were made on 11 March 2016 at a share price of 245p (the middle market quotation share price prior to the date of grant).

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

	Basis of award granted	2016 awards (number of shares)	Face value £
David Marock – GCEO	75% of £368,500	112,806	£276,375
Damian Ely – Executive Director	50% of £227,977	46,525	£113,988
Mark Keogh – GCFO	50% of £243,057	49,603	£121,528
Joe Roach – Executive Director	31% of $646,028	57,138	£139,989

The value of the award to Joe Roach was calculated using an exchange rate of £1.00 = $1.4306.

The awards are subject to a three-year performance period ending 31 December 2018 and are due to vest on 11 March 2019. The proportion of shares which may vest under the LTIP will again 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 one half of the award 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 in excess of the UK Retail Price Index (RPI) inflation in accordance with the following table:

Percentage growth in EPS in excess of growth in RPI	Percentage of one half of the award which may vest
Less than 3 percentage points	Nil
3 percentage points	25%
Between 3 and 9 percentage points	Pro-rata on a straight-line basis between 25% and 100%
9 percentage points or more	100%

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.

Malus and clawback

There is a malus and clawback policy in place which allows clawback 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 provision for malus has been introduced for deferred bonus and LTIP awards made in 2017 and future years.

The Committee considered that neither of these circumstances occurred during the year and therefore no clawback was enacted during 2016.

Joe Roach

Joe Roach retired as an Executive Director on 31 December 2016 and his notice period ended on 31 December 2016. On cessation of employment, he received the following:

- The value of his base salary and his contractual benefits, including pension payments, up to the date of his retirement from the Company.
- Retention of all Deferred Annual Bonus Plan awards in accordance with the rules of the scheme. The awards will vest in the normal timeframe.

Directors' Remuneration Report continued

– Retention of all LTIP awards to date in accordance with the rules of the scheme, but pro-rated on the basis of the number of whole months which have elapsed from the award date to the date of retirement as compared to 36 months. The balance of the awards is forfeited. The awards will vest in the normal timeframe and remain subject to the performance conditions attached to them. Joe Roach's revised LTIP awards are as follows:-

2014 Award	47,955 shares
2015 Award	33,235 shares
2016 Award	14,285 shares

Joe Roach will provide consultancy services regarding business development for Management Services Americas as it is our intention to retain his long experience and expertise for a period of twelve months from 1 April 2017.

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.

The beneficial interests of Directors in the ordinary share capital of the Company at 31 December 2016 and 31 December 2015 were as follows:

	At 31 December 2016 1p ordinary shares		At 31 December 2015 or at date of appointment 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 2016
David Marock	**303,185**	**0.45%**	204,975	0.31%	330,631	81,755	–	10,631	**100**
Damian Ely	**106,926**	**0.16%**	106,926	0.16%	143,638	15,909	–	10,631	**100**
Mark Keogh	**28,709**	**0.04%**	16,380	0.02%	126,205	24,634	–	10,631	**46**
Joe Roach (resigned 31 December 2016)	**274,895**	**0.41%**	212,105	0.32%	95,475	15,139	–	–	**100**
Edward Creasy	**36,930**	**0.05%**	27,130	0.04%	–	–	–	–	**N/A**
Barnabas Hurst-Bannister	**8,908**	**0.01%**	8,602	0.01%	–	–	–	–	**N/A**
Gill Rider	**3,428**	**0.01%**	3,428	0.01%	–	–	–	–	**N/A**
David Watson (resigned 30 November 2016)	**14,584**	**0.02%**	14,584	0.02%	–	–	–	–	**N/A**
Paul Hewitt (appointed 17 November 2016)	**19,508**	**0.03%**	–	–	–	–	–	–	**N/A**
Total of Directors' interests	**797,073**	**1.18%**	594,130	0.89%	695,949	137,437	–	31,893	

1 Includes awards structured as nil-cost options.

Each Director is assumed to have a proportionate non-beneficial interest in the ordinary shares held by the Charles Taylor Employee Share Ownership Plan, which totalled 311,120 shares as at 31 December 2016. Since the year end, Mark Keogh and his closely associated persons acquired 13,416 shares, taking his total holding to 42,125 shares. Otherwise, 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 2015	Awards and options granted during 2016	Options exercised during 2016	Options lapsed during 2016	Awards and options cancelled during 2016	Awards and options held at 31 December 2016	Exercise price (p)	Exercisable dates
David Marock	c	159,732	–	(159,732)	–	–	–	Nil	23 Apr 2016
David Marock	e	110,387	–	–	–	–	110,387	Nil	20 Mar 2017
David Marock	a	10,631	–	–	–	–	10,631	169.2991	Dec 2017 – May 2018
David Marock	f	107,438	–	–	–	–	107,438	Nil	19 Mar 2018
David Marock	g	23,931	–	(7,977)	–	–	15,954	Nil	April 2016, April 2017 & April 2018
David Marock	h	–	112,806	–	–	–	112,806	Nil	11 Mar 2019
David Marock	g	–	65,801	–	–	–	65,801	Nil	April 2017, April 2018 & April 2019
Alistair Groom*	d	5,071	–	(5,071)	–	–	–	Nil	April 2016
Alistair Groom*	c	15,973	–	(15,973)	–	–	–	Nil	23 Apr 2016
Damian Ely	d	3,698	–	(3,698)	–	–	–	Nil	April 2016
Damian Ely	c	34,228	–	(34,228)	–	–	–	Nil	23 Apr 2016
Damian Ely	e	49,214	–	–	–	–	49,214	Nil	20 Mar 2017
Damian Ely	a	10,631	–	–	–	–	10,631	169.2991	Dec 2017 – May 2018
Damian Ely	f	47,899	–	–	–	–	47,899	Nil	19 Mar 2018
Damian Ely	g	3,924	–	(1,308)	–	–	2,616	Nil	April 2016, April 2017 & April 2018
Damian Ely	h	–	46,525	–	–	–	46,525	Nil	11 Mar 2019
Damian Ely	g	–	13,293	–	–	–	13,293	Nil	April 2017, April 2018 & April 2019
Joe Roach	d	7,183	–	(7,183)	–	–	–	Nil	April 2016
Joe Roach	c	57,047	–	(57,047)	–	–	–	Nil	23 Apr 2016
Joe Roach	b	4,011	–	(4,011)	–	–	–	156.4499	9 Jan 2016
Joe Roach**	e	52,125	–	–	(4,170)	–	47,955	Nil	20 Mar 2017
Joe Roach**	f	57,303	–	–	(24,068)	–	33,235	Nil	19 Mar 2018
Joe Roach**	g	9,805	–	(3,268)	–	–	6,537	Nil	April 2016, April 2017 & April 2018
Joe Roach**	h	–	57,138	–	(42,853)	–	14,285	Nil	11 Mar 2019
Joe Roach**	g	–	8,602	–	–	–	8,602	Nil	April 2017, April 2018 & April 2019
Mark Keogh	a	10,631	–	–	–	–	10,631	169.2991	Dec 2017 – May 2018
Mark Keogh	f	76,602	–	–	–	–	76,602	Nil	19 Mar 2018
Mark Keogh	g	3,237	–	(1,079)	–	–	2,158	Nil	April 2016, April 2017 & April 2018
Mark Keogh	h	–	49,603	–	–	–	49,603	Nil	11 Mar 2019
Mark Keogh	g	–	22,476	–	–	–	22,476	Nil	April 2017, April 2018 & April 2019
		860,701	376,244	(300,575)	(71,091)	–	865,279		

* Alistair Groom retired as a Director on 28 February 2014 and he retained his LTIP and bonus share awards. Vesting of the LTIP awards depended on the normal performance conditions and the number of shares he received was pro-rated to the date of cessation of employment in accordance with the rules of the LTIP. His annual bonus share awards continued to vest in accordance with their original vesting dates.

** Joe Roach retired as a Director on 31 December 2016 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 three-year relative TSR and EPS performance conditions measured to 31 December 2015 with 25% vesting at threshold.

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

(e) 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.

(f) 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.

(g) Charles Taylor Deferred Annual Bonus Plan – shares released in three equal tranches after one, two and three years.

(h) Charles Taylor Long-term Incentive Plan 2007 – subject to three-year relative TSR and EPS performance conditions measured to 31 December 2018 with 25% vesting at threshold.

Directors’ Remuneration Report continued

Save As You Earn (SAYE)

The Company also operates SAYE share option schemes for eligible employees, through 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 2015. For the scheme launched in 2016, the maximum monthly contribution was set at £250 per participant. The Executive Directors are eligible to participate in the SAYE share option scheme.

The Company’s shares were trading at £2.42625 at the year end (2015: £2.60) and traded in the range £2.21 to £3.275 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 less Employer NIC	None
Damian Ely	Cash allowance	15% of base salary less Employer NIC	None
Mark Keogh	Cash allowance	15% of base salary less Employer NIC	None
Joe Roach	Defined contribution to US 401(k) plan	US$9,000 pa	US$23,110 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 2015 £000	Contributions made by the Director in 2016 £000	Increase in full transfer value in the year net of contributions £000	Transfer value 31 December 2016 £000	Cutback transfer value[1] 31 December 2016 £000
Damian Ely	1,542	–	438	1,980	1,564

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

The increase in transfer value in 2016 was a result of a review having been undertaken of the equalisation of the normal retirement ages, which resulted in a correction of the pension benefits at his date of leaving the scheme’s pensionable service. 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), David Watson and Paul Hewitt. Gill Rider and Paul Hewitt are independent Non-Executive Directors, as was David Watson during his membership of the Committee. Neither Gill Rider nor Paul Hewitt 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, nor did David Watson during his membership of the Committee. Edward Creasy serves as a Non-Executive Director on a subsidiary board 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 for 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 five times during 2016. No Executive Director plays a part in any discussion or decision about his or her own remuneration neither does the Chairman.

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. During the year, the Committee undertook an external tender for the role of adviser and after a thorough competitive process, the Committee agreed to retain NBS as adviser. 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 during the year amounted to £21,830.

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

Suzanne Deery	Director of Human Resources
Ivan Keane	Group Company Secretary and General Counsel

Statement of voting at last AGM

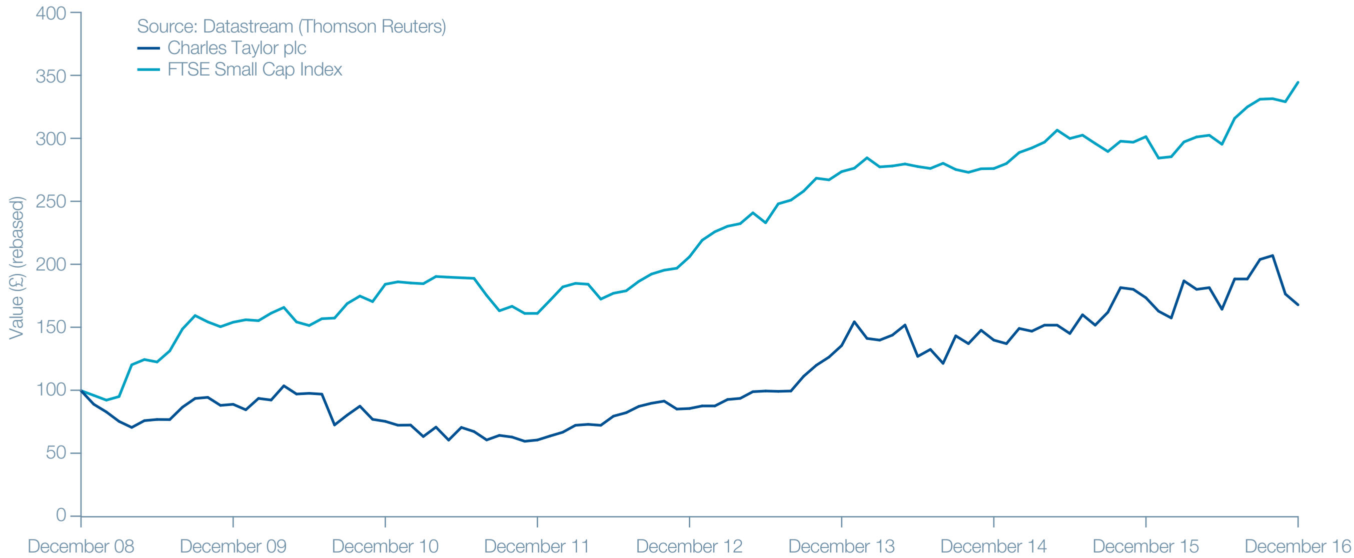
The Company remains committed to ongoing shareholder dialogue and takes a keen interest in voting outcomes. The following table sets out voting outcomes in respect of the resolutions relating to approving Directors' remuneration matters at the Company's AGM on 17 May 2016:

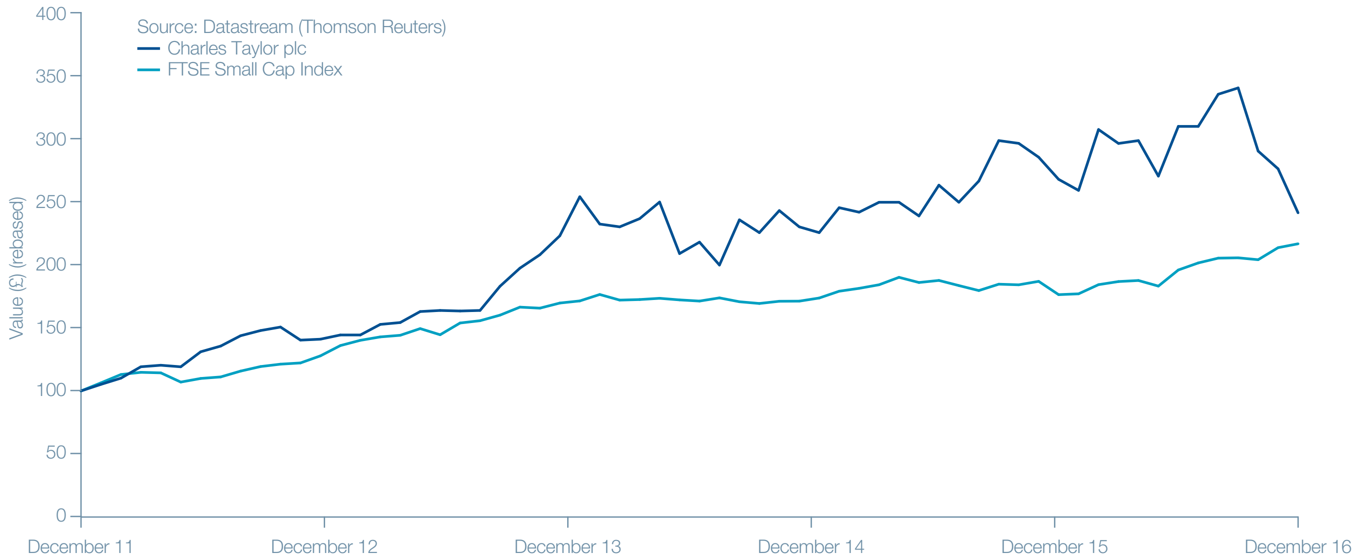
Resolution	Votes for/discretionary	% of vote	Votes against	% of vote	Votes withheld
Approve Remuneration Report	45,357,046	99.8%	83,562	0.2%	36,584

Directors' Remuneration Report continued

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 eight years

	2009 JR	2010 JR	2011 JR*	2011 DM*	2012 DM	2013 DM	2014 DM	2015 DM	**2016 DM**
Single figure of total remuneration (£000)	562	479	235	347	650	696	1,605	1,820	**1,244**
Annual bonus payout against maximum opportunity %	55	0	0	N/A**	57	67	78	98.5	**86**
LTI vesting rates against maximum opportunity %	0	0	N/A	N/A	0	0	100	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 the percentage increase/(decrease) in remuneration for David Marock in relation to salary, taxable benefits and annual bonus compared to UK full-time employees, as this is the most directly relevant comparison.

Percentage change	Chief Executive	Wider workforce
Base salary	9.7%	3.3%
Benefits	7.3%	3.8%
Annual bonus	(4.3)%	6.7%

The increase in average annual bonus for the wider UK workforce reflects the Group's strategy to move towards increasing variable pay as a proportion of total compensation as well as more employees being included in the annual bonus scheme.

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):

	2015	**2016**	% change
Dividends relating to the period	£4.81m	**£6.65m**	38
Overall expenditure on pay	£80.4m	**£97.7m**	21

The large increase in dividends paid is due to the higher number of shares in issue following the rights issue in April 2015.

External appointments

As detailed in the Remuneration Policy, in order 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. David Marock was appointed a Non-Executive Director of Standard Life Assurance Limited on 24 October 2016, otherwise 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 and Deferred Annual Bonus Plan). As at 31 December 2016, there were 606,360 shares available for such awards, of which 252,086 shares were available for discretionary schemes. The following table sets out the calculation:

	All shares	Discretionary (LTIP and DABP)
Issued shares	67,357,957	67,357,957
Investment Associations limits	6,735,796	3,367,898
Issued (exercised and outstanding) in last ten years	6,129,436	3,115,812
Available	606,360	252,086

Directors' Remuneration Report continued

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2017

Base salary

The Group Chief Executive Officer, David Marock, and Executive Director, Damian Ely, received a base salary increase of 2% at the 1 January 2017 review date. Details are in the table below:

	Base salaries		Increase
	1 January 2017	**1 January 2016**	
David Marock – GCEO	£375,870	**£368,500**	2%
Damian Ely – Executive Director	£232,537	**£227,977**	2%
Mark Keogh – GCFO	£243,057	**£243,057**	0%

Annual bonus awards

Under the annual bonus arrangement for 2017, 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 2016 the key financial targets will be growth in revenue; in adjusted PBT; and in adjusted EPS. Personal objectives comprise 30% of the weighting and relate to specific operational, people and client-related objectives. The split will vary in respect of Damian Ely, who holds a business leadership role, and will be 30% for key financial targets and 70% for personal objectives.

For 2017, the bonus opportunities for the Executive Directors will be as follows:

	On-target % of salary	Maximum % of salary
David Marock	100%	150%
Damian Ely	50%	75%
Mark Keogh	50%	75%

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 2017 worth 75% of base salary for David Marock, 50% of base salary for Damian Ely and 50% of base salary for Mark Keogh. 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 one half of the award 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 in excess of the UK Retail Price Index (RPI) inflation in accordance with the following table:

Percentage growth in EPS in excess of growth in RPI	Percentage of one half of the award which may vest
Less than 3 percentage points	Nil
3 percentage points	25%
Between 3 and 9 percentage points	Pro-rata on a straight-line basis between 25% and 100%
9 percentage points or more	100%

Share Incentive Plan (SIP)

The Company is proposing the introduction a new all-employee SIP scheme to replace the SAYE scheme in 2017.

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 fee paid to the Board Chairman was increased to £100,000 at 1 January 2017 to address the below market position of the previous fee following a benchmarking exercise. The fees paid to the other Non-Executive Directors were not increased at 1 January 2017. A summary of the current fees is as follows:

	2017	2016	% Increase
Board Chairman	£100,000	**£90,000**	11%
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%

DIRECTORS' REMUNERATION POLICY

This part of the Report sets out the Directors' Remuneration Policy for the Company which will be put to shareholder approval for a binding vote at the 2017 AGM. The Policy will come into effect for three years from the date of the AGM, and includes no material changes from the previous Policy approved in 2014 (other than the introduction of a replacement Long-term Incentive Plan and a new all employee share plan).

Policy overview

Executive remuneration packages are designed to attract, motivate and retain Directors and senior management of high calibre.
The Remuneration Committee (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. 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 Executive 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.

Directors' Remuneration Report continued

The following table provides a summary of the key aspects of the remuneration policy for Executive Directors:

Executive Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To provide a core level of reward sufficient to attract, motivate and retain Executive 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 typically effective from 1 January. Salaries 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. Executive 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 occasion 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 Executive Directors.	Executive Directors receive certain benefits-in-kind such as a car or car allowance, private medical insurance and other insurance benefits. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. 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 Executive 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 a 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 Director's annual bonus is determined based on Group, divisional/functional and personal financial and non-financial goals. The main emphasis is on financial objectives. The Committee will review performance measures and targets at the start of each year. 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 2017, 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. There is a malus and clawback provision in place. This allows the Committee to seek to recoup paid and deferred bonus in certain circumstances. Summary details of the performance targets set for the year under review and performance against them is provided in the Annual Report on Remuneration to the degree these are not commercially sensitive.	The policy maximum is 150% of base salary for excellent performance, although the Committee may set individual limits on bonus that are below this Policy maximum taking account of individuals' roles. For on-target performance the bonus opportunity is usually limited to no more than two-thirds of the maximum. Participants may be eligible to receive a payment in either cash or shares, following vesting, representing the dividends that have accrued during the vesting period.
Long-term Incentive Plan (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. Shareholders approval is being sought at the 2017 AGM to replace the existing LTIP which expires in May 2017.	Annual awards of conditional rights to receive shares or nil-cost options are granted. These awards are subject to a three-year service and performance period (save in the circumstances of an award made in connection with a recruitment where the period may be shorter). The Committee sets performance measures taking account of the business strategy, for example using performance metrics such as Total Shareholder Return (TSR) relative to a relevant comparator index or peer group or Earnings Per Share growth (EPS) to give a rounded view of Company performance. The Committee has authority to change the performance measures 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 measures, if it considers that this is necessary to take account of its broader assessment of the performance of the Company. There is a malus and clawback provision in place. This allows the Committee to seek to recoup LTIP awards in certain 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.

Directors' Remuneration Report continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
All-employee share schemes	To encourage employee share participation.	The Company may from time to time operate tax-approved share plans (and similar plans for outside the UK) for which Executive Directors could be eligible. Shareholder approval is being sought at the 2017 AGM for renewal of the existing Sharesave Scheme and the introduction of a new Share Incentive Plan.	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 grants and/or payments;
- 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 appropriate adjustments as 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 measures may be amended if one or more events occur which cause the Committee to reasonably consider that any element of the performance measures is no longer in fair measure of the Company's performance. Any varied performance measure would not be materially less difficult to satisfy.

Choice of performance measures and approach to target setting

The performance measures 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 Executive Directors' 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 measure) 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 will be set out in the Annual Report on Remuneration.

All-employee schemes
No performance measures will be set for awards under non-discretionary all-employee share schemes (other than, potentially, free share awards under a Share Incentive Plan). Such schemes are designed to encourage employees across the Group to purchase Company shares.

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 Plan. This ensures the remuneration of the Executive Directors is aligned with both the long-term performance of the Company and therefore the interests of shareholders.

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

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

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

Approach to new Executive Director appointments
The remuneration package for a new Executive Director will be set in accordance with the Company's approved Remuneration Policy as set out in this report, subject to the points below.

The base salary level of a newly appointed Executive Director 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. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first performance year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not legally prohibited from doing so at that time).

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 the LTIP or 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.

For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation.

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.

Directors' Remuneration Report continued

An Executive 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. The Committee may pay reasonable outplacement and legal fees where considered appropriate.

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
Notice period from either party	12 months	12 months	12 months
Contract commencement date	1 July 2011	16 June 2014	1 October 2005
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 plan rules – see below.		
	In all cases, performance measures 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 plan 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 Director 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

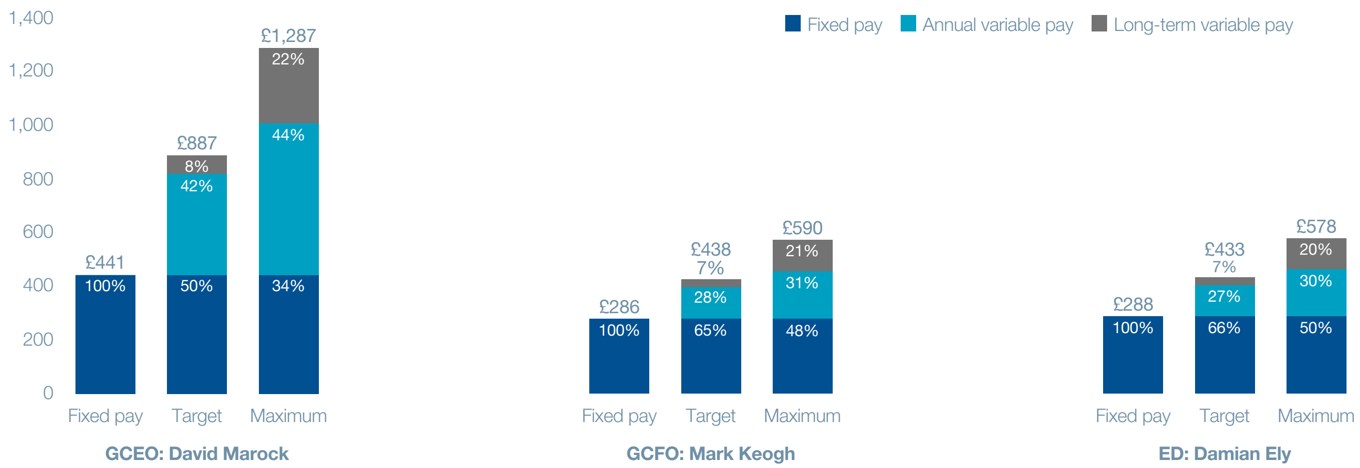
For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share plans) that have been disclosed to shareholders in previous Directors'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

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 2017 salaries at minimum, target and maximum levels of performance

£000



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 applying on 1 January 2017. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2016.

The on-target bonus potential used for David Marock, Mark Keogh and Damian Ely is 100%, 50% and 50% of base salary respectively. The maximum bonus potential used for David Marock, Mark Keogh and Damian Ely is 150%, 75% and 75% 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 and Damian Ely is 50% of base salary.

No account has been taken of any changes in the Company's share price.

Directors' Remuneration Report continued

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-Executive Directors 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. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit	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.

Approval

This Report was approved by the Board of Directors on 8 March 2017 and signed on its behalf by:

Gill Rider
Chairman of the Remuneration Committee
8 March 2017

Directors' Report
for the year to 31 December 2016

The Directors' Report should be read in conjunction with the Strategic Report on pages 5 to 33 and the Corporate Governance Report on pages 35 to 47, both of which form part of this Directors' Report. The Directors' Report comprises sections of the Annual Report incorporated by reference as set out below which, taken together, contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4

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 2016 the issued share capital of the Company was 67,357,957 ordinary shares and the average monthly trading volume was 1,574,967 ordinary shares (2015: 1,285,503 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 533,325 ordinary shares under Part A of the Charles Taylor Sharesave Scheme were granted on 11 October 2016 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2019 and 31 May 2020 at a price of 239.96p per share. Options over 50,410 ordinary shares under Part B of the Charles Taylor Sharesave Scheme were granted on 11 October 2016 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares between 1 December 2019 and 31 May 2020 at a price of 239.96p per share. Options over 24,523 ordinary shares under Part C of the Charles Taylor Sharesave Scheme were granted on 11 October 2016 to eligible employees of the Group. These options entitle the participants to acquire ordinary shares on 11 January 2019 at a price of 278.375p per share.

Awards over 266,072 ordinary shares under the Charles Taylor Long-term Incentive Plan 2007 (LTIP) were granted on 11 March 2016 to the Executive Directors. Full details of the awards are set out in the Directors' Remuneration Report on page 53.

As at 31 December 2016, the Charles Taylor Employees Share Ownership Plan (ESOP) held 311,120 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. The Trustee of the ESOP has waived its right to dividends on the shares held in the ESOP.

Full details of the Company's employee share schemes are set out in the Directors' Remuneration Report on pages 48 to 68 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 18 to 21 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.

Directors' Report continued
for the year to 31 December 2016

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 2016 and 8 March 2017:

	Number of shares held at 31 December 2016	% of voting rights held	Number of shares held at 8 March 2017	% of voting rights held
Delta Lloyd Asset Management N.V.	**6,674,538**	9.90	7,374,538	10.95
Miton Group PLC	**6,670,113**	9.90	6,670,113	9.90
The Standard Club Ltd	**5,602,719**	8.31	5,602,719	8.31
Kabouter Management LLC	**5,280,891**	7.84	5,280,891	7.84
Legal & General Group Plc	**3,964,291**	5.88	3,964,291	5.88
Artemis Investment Management LLP	**3,783,429**	5.62	3,783,429	5.62
JP Morgan Asset Management Holdings Inc.	**3,534,088**	5.25	below mininmum threshold	
Majedie Asset Management Ltd	No notification		3,917,590	5.81

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 2016 and as at the date of this report, except as indicated:

Name	Appointment
Edward Creasy	Chairman and Chairman of the Nomination Committee
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 (resigned 31 December 2016)
David Watson	Independent Non-Executive Director and Chairman of the Audit Committee (resigned 30 November 2016)
Paul Hewitt	Independent Non-Executive Director and Chairman of the Audit Committee (appointed 17 November 2016)

Brief biographies of the current Directors, indicating their experience and qualifications, are given on page 37. All the Directors have elected to retire from the Board at the forthcoming AGM and offer themselves for re-election except for Paul Hewitt, who is standing for election having been appointed since the last AGM.

Details of the Directors' notice periods are given on page 66.

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 40.

A statement of Directors' interests in the shares of the Company and their remuneration is set out on pages 49 to 56.

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.

Deloitte LLP resigned as the Company's auditor on 4 November 2016 and PricewaterhouseCoopers LLP were appointed as the Company's auditor to fill the casual vacancy caused by that resignation. A resolution is to be proposed at the AGM for the reappointment of PricewaterhouseCoopers 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 16 May 2017 at Standard House, 12-13 Essex Street, London WC2R 3AA. 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
8 March 2017

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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in Statement of Directors Responsibilities confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

By order of the Board

David Marock
Group Chief Executive Officer

Mark Keogh
Group Chief Financial Officer

8 March 2017

Financial Statements

"We have a Group-wide culture that promotes client service, winning business, developing people and a partnership mindset."

Independent Auditors' Report

to the members of Charles Taylor plc

Report on the financial statements

Our opinion

In our opinion:

- Charles Taylor plc's Group financial statements and parent company financial statements (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 2016 and of the Group's profit and the Group's and the parent company's cash flows 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statements for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is 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, and applicable law.

Our audit approach

Overview

Materiality

- Overall Group materiality: £1,215,000, which represents 0.72% of revenue.

Audit scope

- We performed audit work over the complete financial information for 16 legal entities.
- In addition, we conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting entities, as well as performing procedures over group-wide estimates, judgements and transactions centrally.
- The total coverage obtained from our work accounted for 73% of revenue and 71% of profit before tax.

Areas of focus

- Revenue recognition.
- CEGA acquisition accounting.
- Impairment of goodwill.
- Valuation of pension scheme obligations.
- Internally generated intangible assets.

The scope of our audit and our areas of focus
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Revenue recognition *Refer to page 45 (audit committee report), note 3 of the financial statements and note 5 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* We have assessed the principal risk of incorrect recognition to lie within the Adjusting revenue stream. Here business activities involve the provision of professional loss adjusting and average adjusting services to customers. The recognition of revenue is based on the realisable value of work performed at a point in time and is recorded as unbilled revenue within accrued income until it is invoiced ("WIP"). The carrying value of WIP at the year-end date drives revenue recognition and is judgemental in nature. Specifically we considered whether the WIP / revenue had occurred and the valuation was appropriate. The following factors are used in the valuation of WIP: a) the amount of time incurred to date, obtained from timesheet recording systems; b) the value of time charged to clients based on either agreed rates or an estimate of the settlement value set with reference to previous levels of recovery; and c) discounting, which is applied where cash settlement is not expected for a period of time and where the impact is expected to be material.	We assessed the carrying value of WIP by performing a number of tests on the inputs which drive the valuation a) We performed a combination of system and substantive testing on the Group's timesheet systems to confirm the complete and accurate collection of information used in the calculation of WIP. This involved IT General Controls over the relevant systems and testing the existence of projects by obtaining third party evidence showing client instruction for a selected sample. We identified no exceptions through this testing; b) We performed a look-back at the value of WIP recorded in previous years to confirm that these amounts were subsequently recovered and that the current valuation of WIP was in line with the historic recovery rates and current expectations. We concluded that the current value of WIP was in line with historic recovery rates and that the previous assessments of valuation were reasonable based on recoveries in the year; and c) We audited the valuation and discounting models used by management by re-performing the accuracy of the calculations and testing the reasonableness of assumptions including the discount rate and age of WIP used to determine the fair value of services provided but not invoiced. We did not note any exceptions. We also performed testing of journals to identify whether any revenue was being recorded through a process other than the timesheet system. No such journals were noted. Based on the procedures performed above, we are comfortable with the level of revenue recognised in respect of this part of the business.

Independent Auditor's Report continued

Area of focus	How our audit addressed the area of focus
CEGA acquisition accounting *Refer to page 45 (audit committee report), note 3 of the financial statements and note 14 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The Group acquired the CEGA Group on 25 July 2016 for consideration totalling £29.8m. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets with the residual balance recognised as goodwill. The valuation of identified intangibles and deferred contingent consideration can be a subjective process and as such was an area of focus for us. Fair value of identified intangibles Management identified £14.9m of intangible assets in respect of CEGA's customer relationships and brand name. The fair value of these intangible assets was judgemental as it used valuation techniques that require management assumptions including customer attrition rates, growth rates for existing customer revenues, forecast profitability levels and an appropriate discount rate. Deferred contingent consideration The valuation of deferred consideration is a judgemental estimate, which in this case is based upon the EBITDA performance of the acquired business in the two year period following acquisition, subject to a maximum set out in the Sale and Purchase Agreement ("SPA").	Fair value of identified intangibles We assessed the completeness and quantum of intangible assets identified by management against our own expectations, formed from review of the due diligence reports prepared by management's professional advisors during the acquisition, and other disclosures surrounding the rationale for the transactions. We assessed the work performed on the purchase price allocation by utilising our in-house specialists to evaluate management's valuation of the identified assets. Specifically, we reviewed the methodology adopted, compared the assumptions made on attrition and recoverability with historical patterns in the business to verify that assumptions were reasonable, considered the discount rate used and verified the mathematical accuracy of the calculations. We also corroborated the value of intangibles by performing an overall sense-check of the level of residual goodwill arising on the transaction, by considering the level of resulting goodwill as a proportion of the total consideration paid as compared to against similar transactions in the market. We discussed the results of this analysis with management, including whether appropriate disclosure was included within the annual report which describe the nature of the arising goodwill. We confirmed that the provision for deferred consideration was based on board approved budgeted performance and that it complied with the contractual terms set out in the SPA. Based on the work performed in this area, we have determined that the relevant intangible assets, deferred contingent consideration and goodwill has been identified and valued appropriately.
Impairment of goodwill *Refer to page 45 (audit committee report), note 3 of the financial statements and note 16 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The Group Balance Sheet as at 31 December 2016 includes £58.3m of goodwill resulting from acquisitions, including £12.7m from the CEGA acquisition described above. There is a risk that this value is not supportable and should be impaired. This balance is assessed by management annually for impairment through a judgemental process which requires estimation of the recoverable value of applicable cash generating units ("CGUs"). This process requires management to forecast cast flows, determine appropriate long term growth rates and apply discount rates which are applicable to the CGU. No impairment charge has been recorded by management against these balances at 31 December 2016.	At the year-end we obtained management's models of impairment and carried out the following audit tests: – Read, understood and challenged management's rationale for determination of CGUs to ensure that they are consistent with the prior year and our understanding of the business reporting structures and control; – Tested that the internal integrity of the models was robust by checking formulae and the methodology used; – Agreed future cash flow projections for all CGUs back to Board approved forecasts for 2017 and reasonable budgeted numbers thereafter; – Considered the appropriateness of those budgets by considering management's ability to estimate appropriately by reviewing previous estimates; – Considered the appropriateness of the discount rates used by considering market benchmarks; and – Considered sensitivity analyses whereby revenue and profit assumptions were decreased and the discount rates were increased. Based on the work performed we have determined that management's impairment assessment has been carried out appropriately and concur that there is no impairment charge required.

Area of focus	How our audit addressed the area of focus
Valuation of pension scheme obligations *Refer to page 45 (audit committee report), note 3 of the financial statements and note 33 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The Group participates in a number of defined benefit pension schemes. These have an aggregate net liability of £52.5m as at 31 December 2016 which is presented within the Retirement Benefit Obligation line in the Balance Sheet. This is a material number in the Group balance sheet and its valuation involves actuarial modelling and is dependent on a number of judgemental assumptions. Key assumptions include the discount rate, investment returns, salary growth, asset yields and long-term life expectancy.	We obtained the valuation reports prepared by the Group's external pension actuary and performed the following: – utilised our internal actuarial specialists in the valuation of pension schemes to help us assess and challenge the assumptions used in calculating the liabilities, including discount rates, inflation and mortality, 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 confirmations of the assets held and their market value; – tested the accuracy of a sample of underlying participant data to payroll records; and – tested that disclosure in note 33 is in accordance with accounting standards. From the work performed we did not identify any exceptions in the confirmation of pension scheme assets and concluded that the pension deficit was calculated using appropriate inputs and reasonable assumptions.
Internally generated intangible assets *Refer to page 45 (audit committee report), note 3 of the financial statements and note 17 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The Group balance sheet as at 31 December 2016 includes £14.5m of internally generated intangible assets, of which £5.6m (2015: £7.0m) relates to additions in the year principally associated with programme development costs within InsureTech which provides technology-enabled solutions to the insurance industry, requiring the purchase and development of IP. Capitalisation of this expenditure is based on management's assessment that the expenditure meets the criteria set out in IAS 38 and that future economic benefits will flow to the Group as a result of the expenditure. Given the size of the balances and judgement involved in capitalising these amounts, we believe there is a significant risk over the recoverability of these balances.	We tested a sample of the additions to projects to ensure that the costs were capitalised in accordance with the recognition criteria in IAS 38 and as set out in the Group's accounting policies. For the costs sampled, we traced external costs to invoices and internal costs to supporting payroll records (including timesheets and pay-slips) and verified that employee costs had been appropriately allocated to projects for time spent on them. We concluded that the costs capitalised within projects during the year were accurate and appropriate to be capitalised under IAS 38. For the carrying value of assets remaining on the balance sheet at year end, we obtained an understanding of the projects, obtained business cases and held meetings with management to discuss a sample of projects, reviewed management's assessment of the proposed economic benefits of the projects and therefore whether the costs were recoverable. Given that this is a first year audit, we also considered the value of assets which were carried forward from the previous year, reviewing and testing a sample of projects for amounts on the opening balance sheet. We concluded that the expected economic return from the assets were greater than the carrying value and therefore that the assets were recoverable.

How we tailored the audit scope

This is the first year that we have been appointed as auditors of Charles Taylor plc. As part of the tender process we met with management, reviewed internal and publicly available documents to obtain an understanding of the Group and reviewed a number of the judgemental areas of accounting. Following appointment, we met with the Audit Committee and presented an audit plan which included our assessment of the areas of focus and the scope of our work. We also met with the previous auditor and performed a review of their working papers to obtain evidence around the opening balances.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The financial statements are comprised of a consolidated number of legal entities, which represents the Group's operating businesses, as well as a number of centralised functions and accounting entries.

Independent Auditor's Report continued

We performed audit work over the complete financial information for 16 legal entities, which we considered to be significant components, and accounted for approximately 60% of revenue and 71% of profit before tax. Eleven of the entities were located in the United Kingdom (covering 33% of revenue and 60% of PBT), 4 in the Isle of Man (3%, 4%) and 1 in Bermuda (24%, 4%).

In addition, we conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting entities, specifically:

- Revenue, tested in two further entities where the balances were significant (12%);
- WIP, which was tested in four further entities in order to obtain 74% of coverage; and
- a number of other transactions and balances in order to obtain overall sufficient coverage for the Group.

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. The total coverage obtained as a result of the above was 73% of revenue and 71% of profit before tax.

Work on significant components were performed by local audit teams in the relevant locations. At a Group level, we performed testing on the consolidation, the financial statements and a number of Group wide estimates and judgements.

We visited the Isle of Man, primarily because it contains a significant component and the Group's remaining insurance activities, as part of the year end audit. For other significant components we include the component audit team in our team briefing, discuss their risk assessment, have held regular status updates and phone calls and reviewed the working paper documentation and the findings from their work.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£1,215,000
How we determined it	0.72% of revenue.
Rationale for benchmark applied	We considered a range of possible benchmarks, including revenue, profit before tax and adjusted profit before tax before applying professional judgement to determine the overall materiality. Based on the typical benchmarks of 1% of revenue or 5% of statutory or adjusted profit before tax, materiality could be considered to be in the range of £0.54m to £1.69m. We determined that a materiality level based on c.0.72% of revenue resulted in a suitable materiality which reflects the size and quantum of the Group and its underlying activities.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £60,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 72, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on page 42 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on page 40 with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & 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 and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the statement given by the directors on page 41, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the Annual Report on page 45, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
– the directors' confirmation on pages 26–29 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the directors' explanation on page 30 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Adequacy of accounting records and information and explanations received

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 72, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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's 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2017

Consolidated Income Statement

	Note	2016 £000	2015 £000
		Year to 31 December	
Continuing operations			
Revenue from Professional Services		**164,551**	138,640
Revenue from Owned Insurance Companies			
Gross revenue		**5,567**	5,615
Outward reinsurance premiums		**(854)**	(813)
Net revenue from Owned Insurance Companies	31	**4,713**	4,802
Total revenue	5	**169,264**	143,442
Expenses from Owned Insurance Companies			
Claims incurred		**(120,926)**	(22,281)
Reinsurance recoveries		**2,950**	363
Other gains from insurance activities		**120,464**	23,072
Net operating expenses		**(5,212)**	(5,136)
Net expenses		**(2,724)**	(3,982)
Administrative expenses	6	**(154,275)**	(127,998)
Gain on acquisition		**–**	2,291
Share of (loss)/profit of associates	19	**(1,028)**	131
Operating profit		**11,237**	13,884
Investment and other income	8	**823**	164
Finance costs	9	**(1,333)**	(1,230)
Profit before tax		**10,727**	12,818
Income tax expense	10	**–**	(1,044)
Profit for the year from continuing operations		**10,727**	11,774
Discontinued operations			
Loss for the year from discontinued operations	15	**–**	(5,741)
Profit for the year		**10,727**	6,033
Attributable to:			
Owners of the Company		**10,541**	8,724
Non-controlling interests	27	**186**	(2,691)
		10,727	6,033
Earnings per share for profit attributable to the owners of the Company			
From continuing and discontinued operations			
Basic earnings per share (p)	13	**15.85**	14.14
Diluted earnings per share (p)	13	**15.73**	14.04
From continuing operations			
Basic earnings per share (p)	13	**15.85**	18.61
Diluted earnings per share (p)	13	**15.73**	18.48

Consolidated Statement of Comprehensive Income

	Note	Year to 31 December 2016 £000	2015 £000
Profit for the year		**10,727**	6,033
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	33	**(15,224)**	(618)
Tax on items taken directly to equity		**1,790**	(1,188)
		(13,434)	(1,806)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**6,091**	(412)
Losses on cash flow hedges		**(374)**	(7)
		5,717	(419)
Other comprehensive loss for the year, net of tax		**(7,717)**	(2,225)
Total comprehensive income for the year		**3,010**	3,808
Attributable to:			
Owners of the Company		**2,570**	6,487
Non-controlling interests		**440**	(2,679)
		3,010	3,808

Consolidated Balance Sheet

	Note	At 31 December 2016 £000	2015 £000
Non-current assets			
Goodwill	16	**58,264**	44,844
Other intangible assets	17	**34,180**	17,428
Property, plant and equipment	18	**8,690**	3,559
Investments	19	**1,486**	1,905
Financial assets	20	**6,682**	5,095
Deferred tax assets	21	**12,707**	7,282
Total non-current assets		**122,009**	80,113
Current assets			
Total assets in insurance businesses	31	**1,251,017**	1,087,198
Trade and other receivables	22	**78,178**	65,545
Cash and cash equivalents	24	**141,436**	80,170
Assets classified as held for sale		**–**	48,161
Total current assets		**1,470,631**	1,281,074
Total assets		**1,592,640**	1,361,187
Current liabilities			
Total liabilities in insurance businesses	31	**1,236,898**	1,066,765
Trade and other payables	23	**37,074**	29,327
Deferred consideration	14	**2,979**	8,213
Current tax liabilities		**458**	1,018
Borrowings	24	**10,002**	6,579
Client funds	24	**125,198**	68,406
Liabilities directly associated with assets classified as held for sale		**–**	28,843
Total current liabilities		**1,412,609**	1,209,151
Net current assets		**58,022**	71,923
Non-current liabilities			
Borrowings	24	**43,670**	15,057
Deferred tax liabilities	21	**6,309**	–
Retirement benefit obligation	33	**52,467**	39,555
Provisions	25	**338**	321
Obligations under finance leases	24	**41**	50
Deferred consideration	14	**7,044**	7,569
Total non-current liabilities		**109,869**	62,552
Total liabilities		**1,522,478**	1,271,703
Net assets		**70,162**	89,484
Equity			
Called up share capital	26	**674**	665
Share premium account		**72,372**	71,239
Merger reserve		**6,872**	6,872
Capital reserve		**662**	662
Own shares		**(430)**	(489)
Accumulated losses		**(12,126)**	(8,869)
Equity attributable to owners of the Company		**68,024**	70,080
Non-controlling interests	27	**2,138**	19,404
Total equity		**70,162**	89,484

The financial statements on pages 82 to 138 were approved by the Board of Directors and signed on its behalf by

Mark Keogh
Director
8 March 2017

Company number: 03194476

Company Balance Sheet

	Note	At 31 December 2016 £000	At 31 December 2015 £000
Non-current assets			
Investments	19	**126,522**	131,589
Current assets			
Trade and other receivables	22	**127,165**	62,059
Cash and cash equivalents		**3,691**	822
Total current assets		**130,856**	62,881
Total assets		**257,378**	194,470
Current liabilities			
Trade and other payables	23	**113,032**	85,832
Deferred consideration		**114**	131
Borrowings	24	**5,081**	3,822
Total current liabilities		**118,227**	89,785
Net current assets/(liabilities)		**12,629**	(26,904)
Non-current liabilities			
Borrowings	24	**39,766**	15,057
Total liabilities		**157,993**	104,842
Net assets		**99,385**	89,628
Equity			
Called up share capital	26	**674**	665
Share premium account		**72,372**	71,239
Retained earnings		**26,339**	17,724
Total equity		**99,385**	89,628

The financial statements on pages 82 to 138 were approved by the Board of Directors and signed on its behalf by

Mark Keogh
Director
8 March 2017

Company number: 03194476

Cash Flow Statements

	Note	Year to 31 December 2016 £000	2015 £000
Group			
Net cash generated from operating activities	32	**71,200**	41,741
Investing activities			
Interest received		**394**	117
Proceeds on disposal of property, plant and equipment		**278**	112
Purchases of property, plant and equipment		**(1,753)**	(2,700)
Purchases of other intangible assets		**(6,091)**	(4,192)
Purchase of investments		**(3,320)**	(7,424)
Acquisition of subsidiaries – net of cash acquired		**(23,507)**	1,592
Payment of deferred consideration		**(8,214)**	(3,251)
Net cash used in investing activities		**(42,213)**	(15,746)
Financing activities			
Proceeds from issue of shares		**442**	29,533
Dividends paid	12	**(6,732)**	(5,405)
Repayments of borrowings		**(12,590)**	(33,128)
Repayments of obligations under finance leases		**(16)**	(119)
New bank loans raised		**40,587**	11,063
Increase in bank overdrafts		**3,465**	783
Net cash generated from financing activities		**25,156**	2,727
Net increase in cash and cash equivalents		**54,143**	28,722
Cash and cash equivalents at beginning of year		**80,170**	52,185
Effect of foreign exchange rate changes		**7,123**	(737)
Cash and cash equivalents at end of year		**141,436**	80,170
Company			
Net cash used in operating activities	32	**(16,978)**	(5,584)
Investing activities			
Interest received		**370**	105
Net cash generated from investing activities		**370**	105
Financing activities			
Proceeds from issue of shares		**442**	29,533
Dividends paid	12	**(6,732)**	(5,405)
Repayments of borrowings		**(12,553)**	(33,064)
New bank loans raised		**37,053**	11,063
Increase in bank overdrafts		**1,267**	2,149
Net cash generated from financing activities		**19,477**	4,276
Net increase/(decrease) in cash and cash equivalents		**2,869**	(1,203)
Cash and cash equivalents at beginning of year		**822**	2,025
Cash and cash equivalents at end of year		**3,691**	822

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Merger reserve £000	Capital reserve £000	Own shares £000	Accumulated losses £000	Non-controlling interests £000	Total equity £000
At 1 January 2016	665	71,239	6,872	662	(489)	(8,869)	19,404	89,484
Issue of share capital	9	–	–	–	–	–	–	9
Share premium arising on issue of share capital	–	1,133	–	–	–	–	–	1,133
Profit for the financial year	–	–	–	–	–	10,541	186	10,727
Dividends paid (note 12)	–	–	–	–	–	(6,732)	–	(6,732)
Actuarial losses on defined benefit pension schemes (note 33)	–	–	–	–	–	(15,224)	–	(15,224)
Tax on items taken to equity	–	–	–	–	–	1,790	–	1,790
Losses on cash flow hedges	–	–	–	–	–	(374)	–	(374)
Foreign currency exchange differences	–	–	–	–	–	5,837	254	6,091
Movement in share-based payments	–	–	–	–	–	1,227	–	1,227
Movement in own shares	–	–	–	–	59	–	–	59
Sale and closure of non-life operations	–	–	–	–	–	–	(17,706)	(17,706)
Other movements	–	–	–	–	–	(322)	–	(322)
At 31 December 2016	**674**	**72,372**	**6,872**	**662**	**(430)**	**(12,126)**	**2,138**	**70,162**
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)
Losses on cash flow hedges	–	–	–	–	–	(7)	–	(7)
Foreign currency exchange differences	–	–	–	–	–	(425)	13	(412)
Movement in share-based payments	–	–	–	–	–	803	–	803
Movement in own shares	–	–	–	–	(266)	–	–	(266)
Sale and closure of non-life operations	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	(54)	102	48
At 31 December 2015	665	71,239	6,872	662	(489)	(8,869)	19,404	89,484

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

Own shares comprise 311,120 (2015: 571,990) shares held by the Charles Taylor Employee Share Ownership Plan Trust (ESOP). The market value of these shares was £0.8m (2015: £1.5m) 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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2016	**665**	**71,239**	**17,724**	**89,628**
Issue of share capital	**9**	**–**	**–**	**9**
Share premium arising on issue of share capital	**–**	**1,133**	**–**	**1,133**
Profit for the financial year	**–**	**–**	**15,721**	**15,721**
Dividends paid (note 12)	**–**	**–**	**(6,732)**	**(6,732)**
Losses on cash flow hedges	**–**	**–**	**(374)**	**(374)**
At 31 December 2016	**674**	**72,372**	**26,339**	**99,385**
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

Notes to the Financial Statements

1. General information

Charles Taylor plc (the Company) is a public limited company, limited by shares, 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 £ sterling because that is the currency of the primary economic environment in which the Group operates.

2. Basis of preparation

i) Compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the EU and the Companies Act 2006 applicable to companies reporting under IFRSs.

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated and company financial statements.

ii) Historical cost convention

The financial statements have been prepared on the historical cost basis, except for the following:

- Financial assets and liabilities (including derivative instruments) – measured at fair value; and
- Defined benefit pension plans – plan assets measured at fair value.

iii) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

iv) 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 long-term viability statement included in the Strategic Report on page 30.

v) New and amended standards adopted by the group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle; and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

vi) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the group. Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Statements

Nature of change

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The group has yet to undertake a detailed assessment of the classification and measurement of financial assets.

Financial assets held by the group include debt instruments currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9.

The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

Notes to the Financial Statements continued

2. Basis of preparation continued

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the group is yet to undertake a detailed assessment, it would appear that the group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Mandatory application date/date of adoption by the group

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15 Revenue from Contracts with Customers

Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected:

- Insurance technology services – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of recognition of revenue; and
- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under IFRS 15.

At this stage, the Group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

Mandatory application date/date of adoption by the group

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018.

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments as shown in note 30. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

Mandatory application date/date of adoption by the group

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

2. Basis of preparation continued

Other standards

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Joint arrangements

Under IFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

i) Joint operations

The group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

ii) Joint ventures

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested annually for impairment.

3. Significant accounting policies continued

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid is recognised in a separate reserve within equity attributable to the group's shareholders.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board has appointed a finance committee which assesses the financial performance and position of the Group, and provides oversight of the strategic, business planning and annual budget processes. The finance committee which has been identified as being the chief operating decision maker, consists of the Group CEO, Group CFO and Group Corporate and Development Director.

Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in £ sterling, which is Charles Taylor Plc's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried out at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss on translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for the income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

3. Significant accounting policies continued

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

i) Investment allowances and similar tax incentives

UK companies within the group may be entitled to claim cash receipts from the government in relation to qualifying research and development expenditure (i.e., the Research and Development Expenditure Credit in the UK). The group accounts for these cash receipts as other income within operating profit.

3. Significant accounting policies continued

Leases

Leases of property and plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition costs are expensed as incurred.

The excess of the

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is equal to the prevailing rates of return for financial instruments having substantially the same terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. Significant accounting policies continued

Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank covenants. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Investments and other financial assets
i) Classification

The group classifies its financial assets in the following categories:
- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 29 for details about each type of financial asset.

ii) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables is calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 29.

iv) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

3. Significant accounting policies continued

v) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 29. Movements in the hedging reserve in shareholders' equity are shown in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

i) 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 in reserves in equity. The gain or loss related to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within "finance costs". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within "sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately re-classified to profit or loss.

ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expense.

Property, plant and equipment

The group's accounting policy for land and buildings is explained below. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

3. Significant accounting policies continued

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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 asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss. When revalued amounts are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Intangible assets

i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

ii) Customer relationships, brand name and intellectual property

Separately acquired customer relationships, brand name and intellectual property are shown at historical cost. They are acquired in a business combination and are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

iii) IT assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that IT are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

– It is technically feasible to complete the software so that it will be available for use;
– Management intends to complete the software and use or sell it;
– There is an ability to use or sell the software;
– It can be demonstrated how the software will generate probable future economic benefits;
– Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
– The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs. IT intangible assets are amortised from the point at which the assets are ready for use, over their estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3. Significant accounting policies continued

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other borrowing costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

3. Significant accounting policies continued

iii) Post-employment obligations

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid obligations are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

iv) Share-based payments

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

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 report of the Directors' Remuneration Report.

3. Significant accounting policies continued

v) Bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration, amongst other factors, the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

vi) Termination benefits

Termination benefits are payable when employment is terminated by the group before normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Charles Taylor Plc as treasury shares until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Charles Taylor Plc.

Shares held by the Charles Taylor Plc Employee Share Trust are disclosed as treasury shares and deducted from equity.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing:
- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by
- The weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Accounting for insurance contracts and investment contracts in the Life business

Insurance and investment contracts – classification

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

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

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

3. Significant accounting policies continued

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

Revenue recognition

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

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

Claims

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

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

Provisions for liabilities

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

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

Value of business acquired

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

4. 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 financial statements 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.

Notes to the Financial Statements continued

4. Critical areas of management judgement and estimation continued

Intangible assets acquired separately

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

Internally-generated intangible assets

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

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

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

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

Deferred consideration

When the Group makes an acquisition of either the shares or the assets of a company, part of the consideration for the acquisition may be payable at a future date, after the acquisition has been completed. The amount of deferred consideration recognised is based on the mechanics of payment of deferred consideration in the purchase agreement, which is often based on performance targets for the vendors, and management's best estimates of the extent to which these performance targets will be achieved. These estimates are a significant management judgement.

Once estimates of the amount and the timing of deferred consideration are determined, these amounts are discounted to their present value to reflect the time value of money. The discount rate used is a significant management judgement.

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 – provides end-to-end management services to insurance companies, mutuals and associations.
- Adjusting Services business –provides loss adjusting services across the aviation, energy, marine, property & casualty and special risks sectors.
- Insurance Support Services business – provides a wide range of professional, technology and support services, enabling our clients to select the specific services they require.
- Owned Life Insurers business – consolidates life insurance businesses which are primarily in run-off, creating value through targeted acquisitions and operational efficiency.

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 profit for the individual segments includes an allocation of central costs. The Adjustments column includes elimination of inter-segment revenue, share of results of associates and the adjustments set out in the Finance Review. Reconciliations of segmental results to the Group profit before tax are set out below.

Information about major customers

The Group derived revenue of £34.3m (31 December 2015: £32.8m) 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 Life Insurers	Adjustments	Group
Year to 31 December 2016 Continuing operations	Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000	Total £000	Insurance Companies £000	Eliminations/ Other £000	Total £000
Revenue from external clients	54,746	65,420	44,380	5	164,551	4,713	–	169,264
Revenue from other operating segments	–	–	2,664	–	2,664	–	(2,664)	–
Total revenue	54,746	65,420	47,044	5	167,215	4,713	(2,664)	169,264
Depreciation and amortisation	(1,003)	(1,282)	(973)	–	(3,258)	(379)	–	(3,637)
Other expenses	(45,091)	(62,314)	(42,247)	(5)	(149,657)	(2,327)	(2,406)	(154,390)
Operating profit/(loss)	8,652	1,824	3,824	–	14,300	2,007	(5,070)	11,237
Investment and other income								823
Finance costs								(1,333)

Notes to the Financial Statements continued

5. Segmental information continued

Profit before tax	**10,727**

Year to 31 December 2015 Continuing operations	Professional Services businesses: Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000	Total £000	Owned Life Insurers: Insurance Companies £000	Adjustments: Eliminations/ Other £000	Group: 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)	1,659	(125,513)
Operating profit/(loss)	8,825	1,696	4,491	208	15,220	234	(1,570)	13,884
Investment and other income								164
Finance costs								(1,230)
Profit before tax								12,818

Loss for the year from discontinued operations in 2015 was £5.7m.

Continuing operations	**At 31 December 2016 £000: Professional Services businesses**	**Owned Life Insurers**	**Group**	At 31 December 2015 £000: Professional Services businesses	Owned Life Insurers	Group
Management Services business	**3,643**	**–**	**3,643**	5,380	–	5,380
Adjusting Services business	**209,560**	**–**	**209,560**	149,606	–	149,606
Insurance Support Services business	**106,021**	**–**	**106,021**	46,528	–	46,528
Unallocated assets and eliminations	**20,427**	**–**	**20,427**	21,963	–	21,963
Owned Insurance Companies business	**–**	**1,252,989**	**1,252,989**	–	1,089,549	1,089,549
Assets classified as held for sale	**–**	**–**	**–**	–	48,161	48,161
Total assets	**339,651**	**1,252,989**	**1,592,640**	223,477	1,137,710	1,361,187
– Non-current assets	**120,037**	**1,972**	**122,009**	77,762	2,351	80,113
– Current assets	**219,614**	**1,251,017**	**1,470,631**	145,715	1,135,359	1,281,074
Total assets	**339,651**	**1,252,989**	**1,592,640**	223,477	1,137,710	1,361,187
Current liabilities	**(172,732)**	**(1,236,898)**	**(1,409,630)**	(105,330)	(1,066,765)	(1,172,095)
Deferred consideration payable within one year	**(2,979)**	**–**	**(2,979)**	(875)	(7,338)	(8,213)
Liabilities directly associated with assets classified as held for sale	**–**	**–**	**–**	–	(28,843)	(28,843)
Net current assets	**43,903**	**14,119**	**58,022**	39,510	32,413	71,923
Non-current liabilities	**(102,825)**	**–**	**(102,825)**	(54,983)	–	(54,983)
Deferred consideration payable in more than one year	**(4,612)**	**(2,432)**	**(7,044)**	(2,537)	(5,032)	(7,569)
Total liabilities	**(283,148)**	**(1,239,330)**	**(1,522,478)**	(163,725)	(1,107,978)	(1,271,703)
Net assets	**56,503**	**13,659**	**70,162**	59,752	29,732	89,484
Non-controlling interests	**(2,138)**	**–**	**(2,138)**	(1,450)	(17,954)	(19,404)
Equity attributable to owners of the Company	**54,365**	**13,659**	**68,024**	58,302	11,778	70,080

5. Segmental information continued

Geographical information Continuing operations	Revenue Year to 31 December 2016 £000	2015 £000	Non-current assets[1] At 31 December 2016 £000	2015 £000
United Kingdom	**59,467**	44,718	**96,813**	60,231
Other Europe	**11,381**	9,856	**2,683**	3,746
Middle East	**3,885**	3,720	**116**	114
North America	**14,462**	12,249	**6,918**	6,254
Central and South America	**5,483**	4,404	**180**	183
Asia Pacific	**17,676**	15,037	**1,637**	1,480
Bermuda	**56,910**	53,458	**955**	823
	169,264	143,442	**109,302**	72,831

1 Excluding deferred tax.

6. Administrative expenses

Continuing operations	Year to 31 December 2016 £000	2015 £000
Administrative expenses are as follows:		
Staff costs	**110,980**	91,680
Depreciation and other amounts written off tangible fixed assets	**1,403**	1,780
Other operating charges	**41,892**	34,538
Total administrative expenses	**154,275**	127,998
Operating profit is stated after charging:		
Rentals under operating leases:		
Land and buildings	**5,858**	5,288
Hire of other assets	**125**	133
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	**1,374**	1,590
Assets held under finance leases	**29**	189
Amortisation of other intangible assets (Professional Services)	**4,874**	3,576
Amortisation of other intangible assets (Owned Insurance Companies)	**379**	331
Research costs	**10**	77
Gain on foreign exchange	**(69)**	(293)
Auditor's remuneration:		
Audit fees payable to:		
– Group auditor	**550**	–
– Other auditors	**53**	642
Total audit fees	**603**	642
Fees paid for non-audit services		
– Group auditor prior to appointment[1]	**374**	–
– Group auditor post appointment	**25**	–
– Other auditors	**182**	170
Total other fees	**581**	170

The audit fee in respect of the Company was £65,000 (2015: £65,000).

1 Fees paid to the Group auditor prior to appointment have been disclosed for this year of transition. No comparative information is presented.

Notes to the Financial Statements continued

7. Information regarding directors and employees

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

Continuing operations	Year to 31 December 2016 £000	Year to 31 December 2015 £000
Wages and salaries	**97,734**	80,435
Social security costs	**7,539**	6,011
Other pension costs	**5,707**	5,234
	110,980	91,680

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

Key management personnel compensation	Year to 31 December 2016 £000	Year to 31 December 2015 £000
Short-term employee benefits	**4,562**	4,221
Long-term benefits	**110**	96
Share-based payments	**1,125**	781
	5,797	5,098

Employees

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

Continuing operations	Year to 31 December 2016 £000	Year to 31 December 2015 £000
Management business	**324**	330
Adjusting business	**638**	594
Insurance Support Services business	**456**	206
	1,418	1,130

8. Investment and other income

Continuing operations	Year to 31 December 2016 £000	Year to 31 December 2015 £000
(Loss)/profit on sale of fixed assets	**(5)**	35
Interest receivable and similar income	**828**	129
	823	164

Interest receivable includes £429,000 due on the Group's preference share investment in REF Wisdom Limited (see note 20).

9. Finance costs

Continuing operations	Year to 31 December 2016 £000	Year to 31 December 2015 £000
Bank loans and overdrafts repayable within five years	**925**	765
Deferred consideration discount unwind	**402**	459
Other loans	**2**	2
Finance leases	**4**	4
	1,333	1,230

10. Income tax expense

Continuing operations	Year to 31 December 2016 £000	2015 £000
Corporation tax:		
Current year	**1,008**	885
Deferred tax	**(1,008)**	159
	–	1,044

UK corporation tax is calculated at 20.0% (2015: 20.3%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate on statutory profit was nil (2015: 8.1%).

There was no tax impact relating to the loss on discontinuance, and to the profit or loss from the ordinary activities of discontinued operations in the prior year.

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

Continuing operations	Year to 31 December 2016 £000	2015 £000
Profit on ordinary activities before tax	**10,727**	12,818
Tax at the UK corporation tax rate of 20.0% (2015: 20.3%)	**2,145**	2,596
Effects of:		
Recognition of previously unrecognised deferred tax	**(1,013)**	–
Expenses not deductible	**160**	197
Taxable items excluded from profit	**(18)**	(353)
Other permanent differences	**(435)**	(1,860)
(Higher)/lower tax rates on overseas earnings	**(839)**	464
Income tax expense	**–**	1,044

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 £15.7m profit (2015: £2.6m profit).

12. Dividends paid

	Year to 31 December 2016 £000	2015 £000
Ordinary dividends paid comprise:		
Second interim dividend paid (2015: 7.0p; 2014: 7.50p – rebased 6.57p)	**4,622**	3,431
Interim dividend paid (2016: 3.15p; 2015: 3.00p per share)	**2,110**	1,974
	6,732	5,405

A final dividend, of 7.35p per share, will be paid on 26 May 2017. Dividends paid have been shown as a movement in shareholders' funds.

Notes to the Financial Statements continued

13. Earnings per share

	Year to 31 December 2016 pence	2015 pence
Basic earnings per share:		
from continuing operations	**15.85**	18.61
from discontinued operations	**–**	(4.47)
	15.85	14.14
Diluted earnings per share:		
from continuing operations	**15.73**	18.48
from discontinued operations	**–**	(4.44)
	15.73	14.04

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 2016 £000	2015 £000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to owners of the Company	**10,541**	8,724
Result/loss for the year from discontinued operations	**–**	2,761
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**10,541**	11,485

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**66,526,347**	61,699,902
Effect of dilutive potential ordinary shares:		
Share options	**473,825**	440,598
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**67,000,172**	62,140,500

14. Acquisition of subsidiaries

CEGA Group

On 25 July 2016, the Group acquired 100% of the issued share capital of CEGA Solutions Limited, CEGA Holdings Limited, CEGA Group Services Limited, CEGA Air Ambulance Limited and CEGA Corporate Trustee Limited, collectively "CEGA Group". CEGA Group is a specialist provider of technical medical assistance and travel claims management services.

The business contributed £13.7m revenue and £0.2m profit before tax to the Group since the acquisition date. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below. The goodwill is attributable to the additional technical, high value-add services brought by the Group which complement the Group's existing capabilities:

	CEGA Group		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Identifiable intangible assets	–	14,936	14,936
Property, plant and equipment	4,619	(31)	4,588
Trade and other receivables	3,032	–	3,032
Cash and cash equivalents	876	–	876
Trade and other payables	(3,496)	–	(3,496)
Corporation tax liabilities	(179)	–	(179)
Deferred tax liabilities	–	(2,600)	(2,600)
Identifiable assets and liabilities	4,852	12,305	17,157
Goodwill			12,683
Consideration			29,840

Satisfied by:	
Cash	24,183
Ordinary shares of the Company	700
Deferred consideration	4,957
Consideration	29,840

The fair value of the 285,717 shares issued as part of the consideration paid for CEGA Group (£0.7m) was based on an issued share price of 245p.

The Group has committed to pay deferred consideration of up to £5.8m undiscounted, over the next two years, based on profitability targets being met. The fair value of contingent consideration of £5.0m, was estimated by calculating the present value of future expected cash flows using a discount rate of 3.39%.

If the acquisition 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 £188.3m and £11.3m respectively.

Acquisition-related costs of £0.6m that were not directly attributable to the issue of shares are included in administrative expenses in the consolidated income statement and in operating cash flows in the cash flow statements.

Deferred consideration

Included in the total deferred consideration of £11.7m, as set out below, is an amount of £1.7m included within the total liabilities in insurance businesses. £4.7m of the total is due within one year.

	Deferred consideration £000
At 1 January 2016	17,206
Acquisitions	4,957
Amounts paid	(8,444)
Revaluation	(2,460)
Interest unwind	435
At 31 December 2016	11,694

Notes to the Financial Statements continued

15. Discontinued operations

In the prior year the Group incurred a loss of £5.7m in respect of the sale or closure of its non-life operations. Full details can be found in the 2015 Annual Report and Accounts.

16. Goodwill

	2016 £000	2015 £000
At 1 January	**44,844**	42,196
Additions (note 14)	**12,683**	2,869
Other adjustments	**89**	–
Foreign currency exchange differences	**648**	(221)
At 31 December	**58,264**	44,844

Goodwill additions relate to the acquisition of CEGA Group.

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 11.74% for those cash-generating units that are not subject to tax and 9.40% 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 2017 budget and the following four years, with an extrapolation using a steady growth rate. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Revenue and cost growth rates for the five-year forecast period is 5.0% and 2.0% for the calculation of the terminal value. 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 not identified any instances that could cause the carrying amount of any of the CGUs to exceed its recoverable amount.

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

	2016 £000	2015 £000
Management Services business	**357**	130
Adjusting Services business	**21,329**	20,641
Insurance Support Services business	**26,961**	14,456
Owned Insurance Companies business	**9,617**	9,617
	58,264	44,844

17. Other intangible assets

	Software licences £000	(i) IT assets	(ii) Customer relationships £000	(iii) Intellectual property £000	(iv) Brand name £000	(v) Life insurance VOBA £000	Total £000
Cost							
At 1 January 2015	–	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
Acquisitions	–	–	13,117	–	1,819	–	14,936
Additions	474	5,617	–	822	–	–	6,913
Disposals	–	(1,560)	(5,522)	–	–	–	(7,082)
Foreign currency exchange differences	–	–	685	–	–	–	685
At 31 December 2016	**474**	**20,842**	**22,498**	**2,372**	**1,819**	**8,027**	**56,032**
Accumulated amortisation							
At 1 January 2015	–	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
Amortisation	–	1,854	2,345	523	152	379	5,253
Disposals	–	(1,560)	(5,522)	–	–	–	(7,082)
Foreign currency exchange differences	–	–	529	–	–	–	529
At 31 December 2016	**–**	**6,313**	**8,073**	**1,259**	**152**	**6,055**	**21,852**
Net book value							
At 31 December 2016	**474**	**14,529**	**14,425**	**1,113**	**1,667**	**1,972**	**34,180**
At 31 December 2015	–	10,766	3,497	814	–	2,351	17,428

(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) Brand name represents the CEGA Group trade name.
(v) VOBA represents the present value of future profits embedded in acquired insurance contracts and is amortised based on the anticipated emergence of profits.

Notes to the Financial Statements continued

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 2015	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
Additions	–	58	1,265	336	94	1,753
Acquisition of subsidiaries	1,987	3,134	2,655	1,214	32	9,022
Disposals	–	(214)	(3,989)	(228)	(115)	(4,546)
Foreign currency exchange differences	73	237	538	559	135	1,542
At 31 December 2016	**2,424**	**5,718**	**8,007**	**7,489**	**947**	**24,585**
Accumulated depreciation						
At 1 January 2015	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
Charge for the year	21	241	640	349	152	1,403
Acquisition of subsidiaries	37	1,134	2,017	1,214	32	4,434
Disposals	–	(200)	(3,812)	(167)	(86)	(4,265)
Foreign currency exchange differences	32	124	410	415	87	1,068
At 31 December 2016	**242**	**2,851**	**5,677**	**6,442**	**683**	**15,895**
Net book value						
At 31 December 2016	**2182**	**2,867**	**2,330**	**1,047**	**264**	**8,690**
At 31 December 2015	212	951	1,116	977	303	3,559

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 2015	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
Foreign currency exchange differences	–	–	25	25
At 31 December 2016	**–**	**–**	**190**	**190**
Accumulated depreciation				
At 1 January 2015	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
Charge for the year	–	–	29	29
Foreign currency exchange differences	–	–	18	18
At 31 December 2016	**–**	**–**	**169**	**169**
Net book value				
At 31 December 2016	**–**	**–**	**21**	**21**
At 31 December 2015	–	–	43	43

19. Investments

The Group has two investments in associated undertakings, being Fadata AD and Korhi Average Adjusters & Surveyors Limited. On 30 June 2016, the Group agreed to pay a further €1.0m (£833,000) for the acquisition of €0.5m (£356,000) of ordinary shares of REF Wisdom Limited, being an intermediary holding company of Fadata AD, and €0.5m (£477,000) of preference shares (see note 20). The Group is committed to a further acquisition of the same amount on 30 June 2017.

	At 31 December 2016		At 31 December 2015	
	Fadata	**Korhi**	Fadata	Korhi
% ownership	**25.9%**	**30.0%**	25.0%	30.0%
Fair value of the investment (£000)	**1,761**	**3,133**	4,360	2,497
Proportion of the Group's ownership interest (£000)	**456**	**940**	1,090	749

Notes to the Financial Statements continued

19. Investments continued

	Associated undertakings £000	Other £000	Total £000	Associated undertakings £000	Other £000	Total £000
Group						
Cost						
At 1 January	**1,839**	**66**	**1,905**	684	64	748
Acquisition of associate	**–**	**–**	**–**	1,090	–	1,090
Additions	**356**	**17**	**373**	–	–	–
Share of (loss)/profit through income statement	**(1,028)**	**–**	**(1,028)**	131	–	131
Share of profit through equity	**195**	**–**	**195**			
Dividends received	**(55)**	**–**	**(55)**	(55)	–	(55)
Foreign currency exchange differences	**89**	**7**	**96**	(11)	2	(9)
At 31 December	**1,396**	**90**	**1,486**	1,839	66	1,905

	2016 £000	2015 £000
Company		
Cost of Group undertakings		
At 1 January	**131,589**	72,926
Acquisitions of associate		
Acquisition of subsidiary	**–**	6,287
Acquisition of non-controlling share	**–**	193
Capital injection into subsidiaries	**115**	52,183
Disposals	**(3,000)**	–
Transfer from Group companies	**–**	19,795
Transfer to Group companies	**(2,182)**	(19,795)
At 31 December	**126,522**	131,589

20. Financial assets

Following the acquisition of Charles Taylor Managing Agency Holdings Limited, certain of the Group's financial assets and cash 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.

	2016 £000	2015 £000
Preference shares held to maturity		
At 1 January	**2,656**	–
Issued	**477**	2,656
Interest accrued	**429**	–
At 31 December	**3,562**	2,656
Funds at Lloyd's at 31 December	**3,120**	2,439
	6,682	5,095

21. Deferred taxation

	2016 £000	2015 £000
At 1 January	**7,282**	8,613
Retirement benefit obligation	**1,790**	(1,179)
US tax losses	**(65)**	(73)
UK tax losses	**1,542**	–
UK timing differences	**(4,127)**	(151)
Overseas timing differences	**62**	47
Foreign currency exchange differences	**(86)**	25
At 31 December	**6,398**	7,282

Deferred tax comprises:

	2016 £000	2015 £000
Pension liability	**8,945**	7,135
Losses	**2,350**	808
Other timing differences	**1,412**	(661)
Deferred tax assets	**12,707**	7,282
Pension liability	**–**	–
Losses	**–**	–
Other timing differences	**6,309**	–
Deferred tax liabilities	**6,309**	–

At the balance sheet date the Group has unused tax losses and capital allowances of £35.8m available for offset against future profits, equivalent to a £6.8m deferred tax asset. A deferred tax asset of £3.5m has been recognised in respect of such losses. A potential deferred tax asset of £3.0m relating to these unused tax losses and a potential deferred tax asset of £0.3m 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 of £4.9m include liabilities of £3.0m relating to amortisation of acquired intangible assets, £2.7m capitalised IT expenditure, £0.2m in respect of overseas entities and an asset of £1.0m relating to capital allowances.

22. Trade and other receivables

	Group At 31 December		Company At 31 December	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade debtors	**35,560**	29,633	**–**	–
Amounts due from subsidiaries	**–**	–	**127,015**	61,997
Amounts due from associates	**2**	2	**–**	–
Other debtors	**3,666**	5,950	**150**	62
Prepayments	**10,624**	5,093	**–**	–
Accrued income	**27,797**	23,551	**–**	–
Corporation tax	**529**	1,316	**–**	–
	78,178	65,545	**127,165**	62,059

Amounts due from or owed to subsidiaries (below) are unsecured, interest free and repayable on demand.

Notes to the Financial Statements continued

23. Trade and other payables

	Group At 31 December		Company At 31 December	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade creditors	**5,782**	4,616	**–**	–
Amounts owed to subsidiaries	**–**	–	**112,199**	85,707
Other taxation and social security	**2,863**	2,631	**–**	–
Other creditors	**3,642**	1,466	**–**	–
Accruals and deferred income	**24,787**	20,614	**833**	125
	37,074	29,327	**113,032**	85,832

24. Borrowings

	Group At 31 December		Company At 31 December	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Total borrowings:				
Amount due for settlement within 12 months	**10,002**	6,579	**5,081**	3,822
Amount due for settlement after 12 months	**43,670**	15,057	**39,766**	15,057
	53,672	21,636	**44,847**	18,879

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.

Analysis of Group finance lease commitments

	At 31 December	
	2016 £000	2015 £000
Minimum lease payments due:	**–**	–
in the second to fifth years inclusive	**41**	50
due within one year	**–**	–
due after more than one year	**41**	50
	41	50

Finance leases are secured on the leased assets.

	At 31 December	
	2016 £000	2015 £000
Net debt		
Cash and cash equivalents	**141,436**	80,170
Less: client funds	**(125,198)**	(68,406)
Bank overdrafts	**(8,736)**	(5,271)
Current loans	**(1,266)**	(1,308)
Non-current bank loans	**(43,670)**	(15,057)
Finance leases	**(41)**	(50)
	(37,475)	(9,922)

25. Provisions

	Premises dilapidations £000	Employee entitlements £000	Total £000
At 1 January 2016	119	202	321
Utilised in year	(18)	(26)	(44)
Income statement charge	–	23	23
Foreign currency exchange differences	–	38	38
At 31 December 2016	**101**	**237**	**338**

Current	185
Non-current	153
	338

26. Called up share capital

	At 31 December	
	2016 £000	2015 £000
Issued and fully paid:		
67,357,957 ordinary shares of 1p each (2015: 66,521,281)	**674**	665

The number of allotted and fully paid shares of the Company increased during the year due to:
- 285,717 shares to fund the acquisition of CEGA Group;
- 492,393 shares issued under employee share schemes; and
- 58,586 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	**2016 £000**	2015 £000
(Loss)/profit before tax		
Insurance Support Services business	**(158)**	118
Adjusting Services business	**402**	206
	244	324
Income tax expense		
Insurance Support Services business	**–**	–
Adjusting Services business	**(58)**	(35)
	(58)	(35)
(Loss)/profit for the period		
Insurance Support Services business	**(158)**	118
Adjusting Services business	**344**	171
	186	289
Equity		
Insurance Support Services business	**687**	534
Adjusting Services business	**1,451**	916
	2,138	1,450

The prior year included discontinued operations, for further details please see the 2015 Annual Report and Accounts.

Notes to the Financial Statements continued

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:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,716,598**	**£1.80**	1,195,962	£1.72
Granted during the year	**608,258**	**£2.42**	771,805	£2.01
Exercised during the year	**(185,106)**	**£1.47**	(309,022)	£1.22
Forfeited during the year	**(193,114)**	**£1.86**	(86,293)	£1.62
Expired during the year	**–**	**–**	(3,423)	£2.78
TERP adjustment for Rights Issue	**–**	**–**	147,569	–
Outstanding at end of year	**1,946,636**	**£2.02**	1,716,598	£1.80
Exercisable at end of year	**46,407**	**£1.47**	21,696	£1.24

As at 31 December 2016 share-based awards outstanding were as follows:

	2016		2015	
	Exercise price per ordinary share (p)	**Number of shares**	Exercise 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**	**46,407**	147.247	198,315
January 2017	**184.387**	**30,023**	184.387	35,344
December 2017 and May 2018	**169.299**	**597,897**	169.299	656,143
January 2018	**214.625**	**51,495**	214.625	55,619
December 2018 and May 2019	**199.940**	**629,008**	199.940	711,437
January 2019	**278.375**	**23,221**	–	–
December 2019 and May 2020	**239.96**	**568,585**	–	–
Long-term investment plan				
Normally exercised on the third anniversary of the allocation date:				
April 2016		**–**		266,980
March 2017		**264,604**		268,774
March 2018		**265,173**		289,241
March 2019		**223,219**		–
		2,699,632		2,541,593

The share options outstanding at 31 December 2016 had a weighted average remaining contractual life of 27 months. The options granted during 2016 had an aggregate fair value of £342,000 (2015: £360,000).

28. Share-based awards continued

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

	2016	2015
Weighted average share price	**£2.61**	£2.22
Weighted average exercise price	**£2.35**	£2.00
Expected volatility	**34.7%**	33.8%
Expected life	**2–3 years**	2–3 years
Risk-free rate	**0.16%–0.29%**	0.65%–0.83%
Expected dividend yield	**4.03%**	3.59%

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 £184,000 (2015: £98,000) relating to share option scheme transactions in 2016.

Long-term incentive scheme

Awards totalling 266,072 shares (2015: 289,241) 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 £465,000 (2015: £428,000) 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	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Financial assets				
Funds at Lloyd's	**3,120**	2,439	**–**	–
Preference shares held to maturity	**3,562**	2,656	**–**	–
Trade and other receivables (excluding prepayments)	**67,554**	60,452	**127,165**	62,059
Cash and cash equivalents	**141,436**	80,170	**3,691**	822
	215,672	145,717	**130,856**	62,881
Financial liabilities				
Trade and other payables	**37,074**	29,327	**113,032**	85,832
Tax liabilities	**458**	1,018	**–**	–
Obligations under finance leases	**41**	50	**–**	–
Bank overdrafts and loans	**53,672**	21,636	**44,847**	18,879
Client funds	**125,198**	68,406	**–**	–
Retirement benefit obligation	**52,467**	39,555	**–**	–
Provisions	**338**	321	**–**	–
Deferred consideration	**10,023**	15,782	**–**	–
	279,271	176,095	**157,879**	104,711

Included within trade and other payables is a liability of £395,000 (2015: £21,000) 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 decreased by £5.8m.

	At 31 December 2016			At 31 December 2015		
	Level 2 £000	Level 3 £000	Total £000	Level 2 £000	Level 3 £000	Total £000
Funds at Lloyd's	–	3,120	3,120	–	2,439	2,439
Preference shares held to maturity	–	3,562	3,562	–	2,656	2,656
Trade debtors	–	35,560	35,560	–	29,633	29,633
Accrued income	–	27,797	27,797	–	23,551	23,551
Deferred consideration	–	(10,023)	(10,023)	–	(15,782)	(15,782)
FX forward contracts	(395)	–	(395)	(21)	–	(21)
	(395)	60,016	59,621	(21)	42,497	42,476

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% (2015: 2.75%) that reflects the Group's debt funding rate over the relevant maturities;
- Accrued income is uplifted by 5.54% (2015: 7.90%) for anticipated unrecorded income, which is based on average over-recovery of unrecorded income during 2016, and then discounted for the time value of money at 2.75% (2015: 2.75%) that reflects the Group's debt funding rate over the relevant maturities; and
- Deferred consideration is reduced by a discount to reflect the time value of money at a discount rate of 2.90% (2015: 3.80%) 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	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Group				
US$	**29,809**	13,681	**28,767**	9,585
Other	**26,117**	22,821	**7,790**	7,422
	55,926	36,502	**36,557**	17,007
Company				
US$	**1,493**	1,230	**8,208**	7,971
Other	**8,798**	5,315	**6,085**	3,473
	10,291	6,545	**14,293**	11,444

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	
	2016 Local '000	2015 Local '000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Sell US$						
Less than 3 months	**3,226**	3,572	**2,858**	2,400	**(210)**	(8)
3 to 6 months	**1,665**	–	**1,200**	–	**(144)**	–
6 to 9 months	**4,580**	1,786	**3,600**	1,200	**(92)**	(4)
9 to 12 months	**–**	3,580	**–**	2,400	**–**	(9)
	9,471	8,938	**7,658**	6,000	**(446)**	(21)
Buy Singapore$ sell £ Sterling						
Less than 3 months	**1,023**	–	**510**	–	**63**	–
3 to 6 months	**682**	–	**340**	–	**42**	
	1,705	–	**850**	–	**105**	–

	2016 Singapore $	2015 Singapore $	**2016 US$**	2015 US$	**2016 £000**	2015 £000
Buy Singapore$ sell US$						
Less than 3 months	**1,038**	–	**750**	–	**(32)**	–
3 to 6 months	**692**	–	**500**	–	**(22)**	–
	1,730	–	**1,250**	–	**(54)**	–

The average strike price rates achieved for the above trades are £ Sterling : US$1.3277.

As at 31 December 2016, 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 £395,000 (2015: £21,000). 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 2016 are expected to be realised in the next 12 months.

The amount reclassified to profit or loss in the year to 31 December 2016 relating to matured forward foreign exchange contracts designated as cash flow hedge instruments is £1.3m loss (2015: £0.1m gain). As at 31 December 2016, 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 2016 or at 31 December 2015.

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 year 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 2016 £000	2015 £000
Impact on profit before tax	**(650)**	(549)
Impact on equity	**(695)**	(372)

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 2016 £000	2015 £000
Profit before tax	**(629)**	(340)

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

	2016 Year end	2015 Year end	% Change	**2016 Average**	2015 Average	% Change	**Impact on 2016 operating profit £000**
US$	**1.227**	1.475	(16.8)	**1.356**	1.527	(11.2)	**781**

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:

	2016				2015			
	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	118,550	3,563	37,633	159,746	70,114	2,656	36,445	109,215
US$	16,537	–	13,272	29,809	3,818	–	9,863	13,681
Other	6,348	–	19,769	26,117	6,238	–	16,583	22,821
	141,435	3,563	70,674	215,672	80,170	2,656	62,891	145,717
Financial liabilities								
£ Sterling	154,928	–	87,786	242,714	82,826	5	76,258	159,089
US$	19,369	–	9,398	28,767	2,732	–	6,853	9,585
Other	4,573	41	3,176	7,790	4,484	45	2,893	7,422
	178,870	41	100,360	279,271	90,042	50	86,004	176,096

	2016				2015			
	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Total £000
Company								
Financial assets								
£ Sterling	1,042	–	119,523	120,565	210	–	56,126	56,336
US$	839	–	654	1,493	382	–	848	1,230
Other	1,810	–	6,988	8,798	230	–	5,085	5,315
	3,691	–	127,165	130,856	822	–	62,059	62,881
Financial liabilities								
£ Sterling	44,280	–	99,306	143,586	18,520	–	74,748	93,268
US$	–	–	8,208	8,208	103	–	7,868	7,971
Other	561	–	5,524	6,085	252	–	3,220	3,472
	44,841	–	113,038	157,879	18,875	–	85,836	104,711

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 2016 would have decreased by £341,000 (2015: £263,000). 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.

29. Financial instruments continued

Maturity of financial liabilities

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

	2016					2015				
	<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	37,074	–	–	–	37,074	29,327	–	–	–	29,327
Tax liabilities	458	–	–	–	458	1,018	–	–	–	1,018
Obligations under finance leases	–	41	–	–	41	–	50	–	–	50
Bank overdrafts and loans	10,002	6,150	37,520	–	53,672	6,579	1,270	13,787	–	21,636
Client funds	125,198	–	–	–	125,198	68,406	–	–	–	68,406
Retirement benefit obligation	1,731	1,731	5,193	43,812	52,467	1,731	1,731	5,193	30,900	39,555
Provisions	100	238	–	–	338	92	229	–	–	321
Deferred consideration	2,979	3,274	564	3,206	10,023	8,213	1,798	5,076	695	15,782
	177,542	11,734	43,277	47,018	279,271	115,366	5,078	24,056	31,595	176,095

	2016				2015			
	<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	113,032	–	–	113,032	85,832	–	–	85,832
Bank overdrafts and loans	5,081	2,246	37,520	44,847	3,822	1,270	13,787	18,879
	118,113	2,246	37,520	157,879	89,654	1,270	13,787	104,711

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	
	2016 £000	2015 £000
Expiring in one year or less	6,678	23,291

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 £35.0m revolving credit facility (RCF) which is available until the end of the term and is a guaranteed line of credit. £6.5m of the term loan balance was outstanding at 31 December 2016. 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:
- 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	
	2016 £000	2015 £000
Lease payments under operating leases recognised as an expense in the year	5,983	5,421

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

	2016 £000	2015 £000
Within one year	3,459	2,796
In the second to fifth years inclusive	8,225	7,812
After five years	3,216	4,173
	14,900	14,781

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.

Consolidated income statement for life insurance companies

	Year to 31 December	
	2016 £000	2015[1] £000
Gross premiums written	1,011	941
Outward reinsurance premiums	(854)	(813)
Net written premiums	157	128
Fees from investment contracts	4,340	4,090
Fees from insurance contracts	216	584
Other fees	4,556	4,674
Net revenue	4,713	4,802
Other gains from insurance activities	120,464	23,072
Claims paid, gross amount	(1,955)	(2,135)
Claims paid, reinsurers' share	1,652	2,086
Net claims paid	(303)	(49)
Change in provision for claims, gross amount	(118,971)	(20,146)
Change in provision for claims, reinsurers' share	1,298	(1,723)
Net change in provision for claims	(117,673)	(21,869)
Claims incurred, net of reinsurance	(117,976)	(21,918)
Net operating expenses	(5,212)	(5,136)
Net result	1,989	820

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.

Consolidated balance sheet for insurance companies

	At 31 December	
	2016 £000	2015[1] £000
Investments at fair value through income		
– Life insurance contracts	**25,082**	23,236
– Investment contracts assets held to back unit-linked liabilities	**799,157**	1,037,688
	824,239	1,060,924
Amounts receivable under reinsurance contracts	**8**	7
Cash and cash equivalents in insurance businesses	**14,716**	26,031
Debtors arising from insurance and reinsurance operations	**408,222**	–
Deferred acquisition costs	**3**	5
Amounts due from Group companies	**18,960**	9,701
Other assets	**3,829**	231
Total assets in life insurance businesses before eliminations	**1,269,977**	1,096,899
Elimination of amounts due from Group companies	**(18,960)**	(9,701)
Total assets in insurance businesses	**1,251,017**	1,087,198
Insurance technical balances		
– Life insurance contracts	**25,519**	25,085
Investment contracts unit-linked liabilities	**787,595**	1,038,770
Creditors arising from insurance and reinsurance operations	**420,329**	1,013
Deferred consideration	**1,671**	1,424
Amounts owed to Group companies	**348**	474
Other creditors	**1,784**	473
Total liabilities in life insurance businesses before eliminations	**1,237,246**	1,067,239
Elimination of amounts owed to Group companies	**(348)**	(474)
Total liabilities in insurance businesses	**1,236,898**	1,066,765
Net assets in insurance businesses	**14,119**	20,433

1. Certain contracts have been reclassified from insurance to investment in the prior year.

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 2016			At 31 December 2015		
	Life insurance contracts investments £000	**Life investment contracts investments £000**	**Total £000**	Life insurance contracts investments £000	Life investment contracts investments £000	Total £000
Corporate and government securities	**83**	**199,692**	**199,775**	–	174,306	174,306
Unit trusts	**262**	**466,127**	**466,389**	3,297	757,520	760,817
Promissory notes	**–**	**22,448**	**22,448**	–	13,769	13,769
Cash and cash deposits to back unit-linked liabilities	**–**	**108,384**	**108,384**	91	89,642	89,733
With-profits investments held with insurance companies	**24,737**	**–**	**24,737**	19,848	–	19,848
Other investments	**–**	**2,506**	**2,506**	–	2,451	2,451
	25,082	**799,157**	**824,239**	23,236	1,037,688	1,060,924

Assets held within other cash and cash equivalents of £14.5m belong to the life insurance company's shareholders.

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.

31. Insurance company disclosures continued

Group net investment in insurance companies

	At 31 December 2016 £000	2015 £000
Total assets in insurance businesses	**1,251,017**	1,135,359
Total liabilities in insurance businesses	**(1,236,898)**	(1,095,608)
Deferred consideration payable to former shareholders	**(2,432)**	(12,370)
Other intangible assets future profits – life	**1,972**	2,351
	13,659	29,732
Non-controlling interests	**–**	(17,954)
	13,659	11,778

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

32. Notes to the cash flow statements

	Group Year to 31 December		Company Year to 31 December	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Operating profit/(loss)	**11,237**	13,884	**(2,414)**	(630)
Adjustments for:				
Depreciation of property, plant and equipment	**1,403**	1,780	**–**	–
Amortisation of intangibles	**5,253**	3,907	**–**	–
Other non-cash items	**(85)**	443	**200**	168
Decrease in provisions	**(2,334)**	(2,582)	**–**	–
Share of loss/(profit) of associates and joint ventures	**1,028**	(131)	**–**	–
Operating cash flow before movements in working capital	**16,502**	17,301	**(2,214)**	(462)
(Increase)/decrease in receivables	**(10,296)**	(6,894)	**(58,661)**	39,111
Increase/(decrease) in payables	**3,612**	3,409	**26,361**	(47,192)
Increase in insurance company assets	**(163,732)**	(243,193)	**–**	–
Increase in insurance company liabilities	**169,841**	246,626	**–**	–
Cash generated from/(used in) operations	**15,927**	17,249	**(34,514)**	(8,543)
Income taxes paid	**(922)**	(1,176)	**–**	–
Interest paid	**(597)**	(852)	**(519)**	(793)
Dividends from other Group companies	**–**	–	**18,055**	3,752
Net cash before movement in client funds	**14,408**	15,221	**(16,978)**	(5,584)
Movement in client funds	**56,792**	26,520	**–**	–
Net cash generated from/(used in) operating activities	**71,200**	41,741	**(16,978)**	(5,584)

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 £125.2m (2015: £68.4m).

Notes to the Financial Statements continued

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	Richards Hogg Pension & Life Assurance Scheme	E R Lindley & Co. Limited Pension Plan	Wm. Elmslie & Sons 1972 Pension & Life Assurance Fund
The last valuation was carried out as at	1 July 2013	1 May 2016	1 July 2014	1 January 2015
Market value of scheme assets at last valuation	£52,109,000	£22,590,000	£2,998,000	£3,567,000
Percentage coverage of actuarial value to benefits accrued to members	65%	59%	111%	144%
The following actuarial assumptions were applied: Investment returns				
– Post-retirement	4.3%	3.2%	n/a[1]	1.9%
– Pre-retirement	4.5%	3.7%	1.7%	4.3%
Salary growth	n/a	3.3%	2.9%	n/a
Employer ongoing contribution rates for 2016 as percentage of pensionable earnings (excluding deficit funding contributions)	n/a	20.8%	26.0%	n/a
Net deficit	£34.6m	£16.9m	£0.6m	–
Estimated contributions for 2017[2]	£2.8m	£1.6m	£0.0m	–

1. Pensions purchased through an annuity.
2. Funding is reviewed at each valuation date.

Investment strategy

The Richards Hogg Pension and Life Assurance Scheme and the Charles Taylor & Co Limited Retirement Benefits Scheme's investment objectives are:

- to achieve, over the long-term, a return on the Scheme's assets which is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- to manage and reduce where possible the risks presented by changes to inflation and long-term interest rates insofar as they affect the value placed on the liabilities;
- to ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- to consider the interests of the Principal and Participating Employers in relation to the size and volatility of the contributions the employers are required to pay.

The WM Elmslie & Son 1972 Pension and Life Assurance Fund and the ER Lindley & Co Limited Pension Plan's investment objectives are:

- to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits payable under the trust deed and rules as they fall due; and
- to set the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Section and the funding agreed with the employer.

Risk exposure

The Group is exposed to a number of risks through its defined benefit pension Schemes as follows:

Asset volatility

The Schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if Schemes' assets underperform this yield, this will create a deficit. The Group defined benefit schemes hold a significant proportion of equities/alternatives, which are expected to outperform corporate bonds in the long-term, however, may be subject to volatility in the short term.

Change in bond yields

As the average duration of the assets is significantly lower than that of the liabilities, a decrease in corporate bond yields will increase the deficit, whilst higher bond yields will have a positive impact and reduce the deficit.

Inflation risks

A small proportion of the Group's pension obligations are linked to salary inflation; higher inflation will lead to higher liabilities. The majority of the Schemes' assets are either unaffected by or loosely correlated with inflation, to the extent not reflected in interest rates, meaning that an increase in inflation will also increase the deficit.

33. Retirement benefit schemes continued

Life expectancy

The majority of the Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Schemes' liabilities.

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.

Employee benefit obligations

The Group has agreed, under the Richards Hogg Pension and Life Assurance Scheme's current actuarial valuation Recovery Plan, that the aim is to eliminate the pension plan deficit by 31 July 2026. The Recovery Plan for the Charles Taylor & Co Limited Retirement Benefits Scheme is under discussion as part of its triennial valuation.

Funding levels, of the Richards Hogg and Charles Taylor Schemes, are monitored on an annual basis. As at 31 December 2016 there were no members actively accruing benefits under the Charles Taylor or the Wm. Elmslie Schemes. A number of members continue to accrue benefits under the Richards Hogg and the ER Lindley Schemes and as at 31 December 2016, the Group's contribution rate was 26.0% of pensionable salaries in the ER Lindley Scheme and 20.8% of pensionable earnings in the Richards Hogg Scheme.

Total contributions to the post-employment benefit plans for the year ending 31 December 2017 are estimated at £4.4m, based on the current relevant Schedules of Contributions and Recovery Plans. The weighted average duration of the four pension schemes is 19 years.

The total expense recognised in the income statement during the year in respect of the above defined benefit schemes amounted to £1.7m (2015: £1.7m). The total expense recognised in the income statement in respect of defined contribution schemes amounted to £3.9m (2015: £3.4m).

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 2016. Plan assets for the four schemes are stated at their market value at 31 December 2016.

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		
	2016 %	2015 %	2014 %
Rate of increase in salaries	**3.00**	3.20	3.10
Rate of increase of pensions in payment			
– RPI			
– max 5%; min 3%	**3.70**	3.60	3.10
– max 5%; min 0%	**3.30**	3.10	3.10
– max 2.5%; min 0%	**2.20**	2.20	2.50
– CPI			
– max 5%; min 0%	**2.40**	2.20	2.35
– max 2.5%; min 0%	**1.90**	1.80	2.35
Discount rate	**2.60**	3.70	3.50
Inflation assumption			
– RPI	**3.40**	3.20	3.10
– CPI	**2.40**	2.20	2.35

Notes to the Financial Statements continued

33. Retirement benefit schemes continued

Combined scheme assets

	At 31 December		
	2016 £000	2015 £000	2014 £000
Equities	**43,243**	31,622	32,349
Gilts	**8,010**	10,892	16,999
Corporate bonds	**22,982**	19,500	13,790
Alternatives	**5,663**	6,540	9,714
Property funds	**1,373**	439	607
Other funds	**5,948**	10,413	4,076
Cash	**1,532**	2,020	2,168
Group pension contracts	**6,613**	6,412	7,025
Total market value of assets	**95,364**	87,838	86,728

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. Group pension contracts are invested in unitised with-profits funds. All other assets are valued at market prices.

Amount recognised in the balance sheet in respect of the Group's retirement benefit obligations

	At 31 December		
	2016 £000	2015 £000	2014 £000
Total market value of assets as shown above	**95,364**	87,838	86,728
Actuarial value of liability	**(145,531)**	(124,944)	(126,124)
Restrictions on asset recognised	**(1,983)**	(2,239)	(1,955)
Overseas retirement benefit obligation	**(317)**	(210)	(183)
Net liability recognised in the balance sheet	**(52,467)**	(39,555)	(41,534)
Related deferred tax asset	**8,945**	7,135	8,316
Pension liability net of related deferred tax asset	**(43,522)**	(32,420)	(33,218)

Amounts recognised in profit or loss in respect of the Group's retirement benefit obligations

	Year to 31 December	
	2016 £000	2015 £000
Current service cost	**81**	210
Administrative expenses	**262**	147
Current service cost	**343**	357
Net interest on the defined benefit liability	**1,387**	1,374
	1,730	1,731

The charge for the year is included in administrative expenses in the income statement. The actual return on plan assets was 11.5% (2015: 1.3%).

33. Retirement benefit schemes continued

Analysis of amount recognised in the Consolidated Statement of Comprehensive Income

	Year to 31 December	
	2016 £000	2015 £000
Return on plan assets excluding interest expense	6,911	(1,886)
Experience gains/(losses) on liabilities	622	(529)
Changes in financial assumptions	(27,356)	4,784
Changes in demographic assumptions	4,285	(2,771)
Change in effect of asset ceiling excluding interest expense	339	(216)
Overseas related	(25)	–
Actuarial loss recognised	(15,224)	(618)
Movement in deferred tax	1,790	(1,188)
Net loss recognised	(13,434)	(1,806)

The cumulative amount of actuarial losses recognised in other comprehensive income is £52.5m (2015: £39.6m).

Change in the present value of the defined benefit obligation

	Year to 31 December	
	2016 £000	2015 £000
Defined benefit obligation at 1 January	124,944	126,124
Service cost	81	210
Administration cost	262	147
Interest cost	4,507	4,342
Remeasurement – financial assumptions	27,356	(4,784)
Remeasurement – demographic assumptions	(4,285)	2,771
Remeasurement – experience adjustments	(622)	529
Member contributions	15	31
Benefits paid	(6,727)	(4,426)
Defined benefit obligation at 31 December	145,531	124,944

Change in the fair value of plan assets

	Year to 31 December	
	2016 £000	2015 £000
Fair value of plan assets at 1 January	87,838	86,728
Interest income	3,203	3,036
Return on assets less interest income	6,911	(1,886)
Contributions by employer	4,123	4,355
Member contributions	15	31
Benefits paid	(6,464)	(4,279)
Expenses paid	(262)	(147)
Fair value of plan assets at 31 December	95,364	87,838

33. Retirement benefit schemes continued

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:

	2016 years	2015 years	2014 years
Retiring today:			
Males	**23.3**	23.8	23.7
Females	**24.5**	25.1	24.9
Retiring in 20 years:			
Males	**25.0**	25.5	25.1
Females	**26.3**	26.9	26.4

Sensitivity analysis

The sensitivities regarding key assumptions are shown below.

Assumption	Change in assumption	Increase/(decrease) in defined benefit obligation
Discount rate	Reduce by 0.25%	£6.5m
Inflation rate	Reduce by 0.25%	(£2.5m)
Longevity	1 year increase	£5.2m

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 year. 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.

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. During the period the Group purchased €1.1m (£1.0m) of software implementation services from Fadata AD. 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. The remuneration of key management personnel is disclosed 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.

Non-trading subsidiary	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
Charles Taylor Adjusting (Australia) Pty Limited		Sothertons Chartered Accountants, Level 2, 35–37 Havelock Street, West Perth WA 6005	Australia	100
Charles Taylor & Co (Bermuda)		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor (Dallas) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor Broker Services Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor Consulting (Hamilton)		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor Mutual Management (Bermuda) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
CT Insurance Management (Bermuda) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Lansdowne Insurance Company Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Wyndham Insurance Company (SAC) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor Consultoria Do Brasil Ltda		Praia de Botafogo, No. 228. Centro Empresarial Rio (Edificio Argentina), Ala A. 16° andar, Sala 1601 – parte (escritorio 1626) Botafogo. CEP:22250-906. Rio de Janeiro – RJ – Brasil	Brazil	100
Charles Taylor Consulting Services (Canada) Inc		Suite 1010, Bow Valley Square 4, 250 – 6th Avenue SW, Calgary, AB T2P 3H7, Canada	Canada	100
Charles Taylor (China) Limited		Room 2903, Sino Life Tower, 707 Zhang Yang Road, Pudong, Shanghai 200120, PR China	China	100
Charles Taylor Consulting (Beijing) Co Limited		Room 302, #75 building, Yuanyangtiandi, Balizhuangxili, Chaoyang District, Beijing	China	100
Charles Taylor SAS		Calle 59A BIS 5-53 Oficina 306. Bogotá D.C. Colombia	Columbia	100
Charles Taylor Adjusting SARL		3 Rue Scribe, Paris 75009, France	France	100
Richards Hogg Lindley (Hellas) Limited	Greece	17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	100
Richards Hogg Lindley (India) Limited	India	17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	100
PT Radita Hutama Internusa		Gedung Artha Graha Lantai 16, Jl. Jend. Sudirman Kav. 52–53, Jakarta 12190, Indonesia	Indonesia	78
Charles Taylor Insurance Services (IOM) Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100
LCL Assurance Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100
LCL International Life Assurance Company Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100
LCL Life & Pensions Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100

35. Subsidiaries continued

Non-trading subsidiary	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
Charles Taylor (Japan) Limited		6th Floor Takebashi Building, 2-1-8, Kanda Nishiki-cho, Chiyoda-ku, Tokyo, 101-0054 Japan	Japan	100
S.C. Management (Luxembourg) S.A.		74 rue de Marl, Luxembourg, L-2146, Luxembourg	Luxembourg	100
Charles Taylor Marine SDN BHD		Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpar, Malaysia	Malaysia	100
Richards Hogg Lindley (Malaysia) Sdn Bhd		Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpar, Malaysia	Malaysia	100
Charles Taylor Consulting Mexico SA de CV		Orizaba 32. Col. Roma Norte, Del. Cuauhtémoc. C.P. 06700, Mexico D.F.	Mexico	100
SC Management SAM		Est Quest, 24 Boulevard Princesse Charlotte, Monte-Carlo 9800, Monaco	Monaco	100
SC Services (Monaco) SARL		Est Quest, 24 Boulevard Princesse Charlotte, Monte-Carlo 9800, Monaco	Monaco	100
Charles Taylor Holdings BV	United Kingdom	Standard House, 12–13 Essex Street, London WC2R 3AA	Netherlands	100
LAD (Aviation) PNG Limited		Deloitte Touche Tohmatsu, Level 12 Deloitte Tower, Section 5, Allotment 16, Douglas Street, Port Moresby, National Capital District, Papua New Guinea	Papua New Guinea	100
Charles Taylor Adjusting Saudi Arabia Limited		2nd Floor, Al Murabihoon Building, Khurais Road, Malaz Area, Riyadh, Kingdom of Saudi Arabia	Saudi Arabia	60
Charles Taylor Mutual Management (Asia) Pte Limited		140 Cecil Street, #15-00 PIL Building, Singapore 069540	Singapore	100
The Standard Syndicate Services Asia Pte. Ltd		140 Cecil Street, #15-00 PIL Building, Singapore 069540	Singapore	50.1
Overseas Adjusters & Surveyors Co Limited		Room 1206, 12/F, 237 Fu Hsing South Road, Sec 2, Taipei 10667, Taiwan R.O.C.	Taiwan	85
Charles Taylor Ajustadores de Seguros S.A.C.		German Schreiber 184, oficina 901. San Isidro. Lima, Peru.	Peru	100
Charles Taylor & Co Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Adjusting Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Administration Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Aviation (Asset Management) Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Broker Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Insurance Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor InsureTech Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Investment Management Company Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor KnowledgeCenter Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Managing Agency Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	50.1
Charles Taylor Managing Agency Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	50.1
Charles Taylor Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor General Adjusting Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100

35. Subsidiaries continued

Non-trading subsidiary	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
The Standard Syndicate Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	50.1
Charles Taylor General Agency Inc.		8144 Walnut Hill Lane, Suite 1600, Dallas, Texas 75231	USA	100
Charles Taylor P&I Management (Americas) Inc.		8144 Walnut Hill Lane, Suite 1600, Dallas, Texas 75231	USA	100
CT Insurance Management (Delaware) LLC		8144 Walnut Hill Lane, Suite 1600, Dallas, Texas 75231	USA	100
LAD (Aviation) Inc.		Suite 200, 5433 Westheimer, Houston, Harris County, Texas 77056	USA	100
RJA Limited		Suite 200, 5433 Westheimer, Houston, Harris County, Texas 77056	USA	100
Signal Administration Inc.		64 Danbury Road, Wilton, CT06897, USA	USA	100
CEGA Solutions Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
CEGA Holdings Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
CEGA Group Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
CEGA Air Ambulance UK Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Otak Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	51
Non-trading subsidiaries				
Beech Hill Services Limited		10 Herbert Street, Dublin 2, Ireland	Ireland	100
Charles Taylor Insurance Services (Ireland) Limited		10 Herbert Street, Dublin 2, Ireland	Ireland	100
Cardrow Insurance Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor (Australia) Pty Limited		Sothertons Chartered Accountants, Level 2, 35–37 Havelock Street, West Perth WA 6005	Australia	100
Charles Taylor (Hamilton) Limited	United Kingdom	Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor (Park) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Charles Taylor (Victoria) Limited		Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda	Bermuda	100
Dari Co. Limited		17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	50
Richards Hogg Holdings Limited		17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	100
Richards Hogg Lindley (HK) Limited		17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	100
Mulabur Limited		10 Herbert Street, Dublin 2, Ireland	Ireland	100
Charles Taylor Holdings (IOM) Limited		Fort Anne, South Quay, Douglas, Isle of Man IM1 5PD	Isle of Man	100
Charles Taylor (IOM) Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100
Axiom Holdings Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Axiom Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Cardrow Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Corporate Name Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Holdings Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Managing Agency Holdings Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	50.1

Notes to the Financial Statements continued

35. Subsidiaries continued

Non-trading subsidiary	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
Charles Taylor Overseas Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Vesta Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Warwick Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor Wessex Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
KLA Holdings Limted		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
LCL Acquisitions Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Metrowise Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Quayside Insurance Management Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Taylor Risk Solutions Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
The Richards Hogg Lindley Group Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Bateman Chapman (Americas) Inc.		Suite 200, 5433 Westheimer, Houston, Harris County, Texas 77056	USA	100
Charles Taylor Wilton Inc		64 Danbury Road, Wilton, CT06897, USA	USA	100
CTC Americas Inc.		64 Danbury Road, Wilton, CT06897, USA	USA	100
RJA Acquisition LLC		Suite 200, 5433 Westheimer, Houston, Harris County, Texas 77056	USA	100
CEGA Corporate Trustee Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Electus Risk Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor RSLAC Inc		Twist Tower- Oficina 22B, Calle 54 Este Y Samuel Lewis, Obarrio, Panama City, Panama	Panama	
Associated undertakings				
Fadata AD		16 Cherni Vrah Blvd, 1421 Sofia, Bulgaria	Bulgaria	25.87
Korhi Average Adjusters & Surveyors Limited		Rm.1201, Le Meilleur Jongno Town (Jongno 1-ga), 19 Jong-ro, Jongno-gu, Seoul 03157, Korea	South Korea	30
REF Wisdom Limited		C/O Riverside Europe Partners LLP, St Martin's Courtyard, 17 Slingsby Place, 5th Floor, London, WC2E 9AB	United Kingdom	31.25
REF Wisdom 2 Limited		C/O Riverside Europe Partners LLP, St Martin's Courtyard, 17 Slingsby Place, 5th Floor, London, WC2E 9AB	United Kingdom	25.87
Charles Taylor Adjusting Qatar LLP		24 Rawdat Al Khail, Ibn Sana 950, Building 66, Doha, Qatar	Qatar	49
Knowles Motor Claims Services Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	40
Claims Services International Adjusting Co. Inc.		Suite 1102 Marbella Manila II Building, 2071 Pres. Roxas Boulevard Malate, Manila, Philippines 1004	Philippines	20

36. Commitments for expenditure

The Group has committed to purchase €0.9m of newly issued ordinary and preference shares in REF Wisdom Limited, the intermediary company to its investment in Fadata AD, on 30 June 2017. The Group is also committed to purchasing €2.5m of software implementation services from Fadata AD, by 8 April 2021, of which €1.1m was purchased during 2016.

37. Contingent liabilities

There are no material contingent liabilities requiring disclosure.

38. Events after the balance sheet date

These events are detailed in the Directors' Report.

Five Year Record

	2012 £000 (restated)	2013 £000	2014 £000	2015 £000	**2016 £000**
	Year to 31 December				
Consolidated income statement					
Revenue	106,954	112,665	122,477	143,442	**169,264**
Operating profit before gain on acquisition	10,187	9,134	11,276	11,593	**11,237**
Gain on acquisition	–	–	–	2,291	**–**
Operating profit	10,187	9,134	11,276	13,884	**11,237**
Net other charges	(1,745)	(1,576)	(1,537)	(1,066)	**(510)**
Profit before tax	8,442	7,558	9,739	12,818	**10,727**
Adjustments	1,282	2,808	1,738	1,701	**4,273**
Non-controlling interest before tax	(169)	(54)	(65)	(324)	**(244)**
Adjusted profit before tax	9,555	10,312	11,412	14,195	**14,756**
Income tax expense	(1,702)	(1,369)	(1,165)	(1,044)	**–**
Profit for the year from continuing operations	6.740	6,189	8,574	11,774	**10,727**
Loss for the year from discontinued operations	(1,813)	(650)	(173)	(5,741)	**–**
Profit for the year	4,927	5,539	8,401	6,033	**10,727**
Amortisation on other intangible assets	1,282	1,181	1,527	1,629	**3,019**
Adjustments	–	1,627	211	72	**1,253**
Tax on adjustments	–	(430)	(183)	(138)	**–**
Adjusted profit for the year	6,209	7,917	9,956	7,596	**14,999**
Attributable to non-controlling interests	1,163	268	(190)	2,691	**(186)**
Attributable to owners of the Company	7,372	8,185	9,766	10,287	**14,813**
Earnings and dividends (rebased)					
Earnings per ordinary share – basic (continuing operations)	14.2p	13.2p	17.8p	18.6p	**15.9p**
– adjusted (continuing operations)	13.0p	14.1p	16.3p	20.0p	**22.3p**
Earnings per ordinary share – basic (Group)	13.3p	12.5p	17.1p	14.1p	**15.9p**
Dividends per ordinary share	8.8p	8.8p	9.4p	10.0p	**10.50**
Cover for ordinary dividends (adjusted)	1.9x	2.1x	2.2x	2.0x	**2.1**

	2012 £000	2013 £000	2014 £000	2015 £000	**2016 £000**
	At 31 December				
Consolidated balance sheet					
Non-current assets	64,230	63,310	68,466	80,125	**122,009**
Net current assets	54,324	69,489	76,019	72,698	**58,022**
Non-current liabilities	(61,943)	(72,126)	(89,809)	(62,552)	**(109,869)**
Net assets	56,611	60,673	54,676	90,271	**70,162**
Share capital and share premium	31,038	33,119	36,084	71,904	**73,046**
Capital and merger reserves	7,534	7,534	7,534	7,534	**7,534**
Own shares	(385)	(433)	(223)	(489)	**(430)**
Accumulated losses	(3,684)	(1,378)	(10,699)	(8,082)	**(12,126)**
Non-controlling interests	22,108	21,831	21,980	19,404	**2,138**
Total equity	56,611	60,673	54,676	90,271	**70,162**

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 2016.

	Shares	Percentage	Holdings	Percentage
Individuals	6,840,302	10.14%	559	67.76%
Bank or nominees	55,419,758	82.28%	239	28.97%
Other corporations	5,097,897	7.58%	27	3.27%
	67,357,957	100.00%	825	100.00%
Number of shares held:				
1 to 5,000	639,704	0.95%	508	61.58%
5,001 to 10,000	653,298	0.97%	90	10.91%
10,001 to 50,000	2,940,295	4.37%	128	15.52%
50,001 to 250,000	7,320,689	10.87%	59	7.15%
250,001 to 1,000,000	11,864,522	17.61%	25	3.03%
1,000,001 to 2,000,000	11,821,506	17.55%	8	0.97%
2,000,001 to 5,000,000	12,307,641	18.27%	4	0.48%
5,000,001 to 10,000,000	19,810,302	29.41%	3	0.36%
	67,357,957	100.00%	825	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.

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 financial statements.

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 Group Chief Executive Officer's Report on page 13.

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
16 May 2017

Half year results announcement
6 September 2017

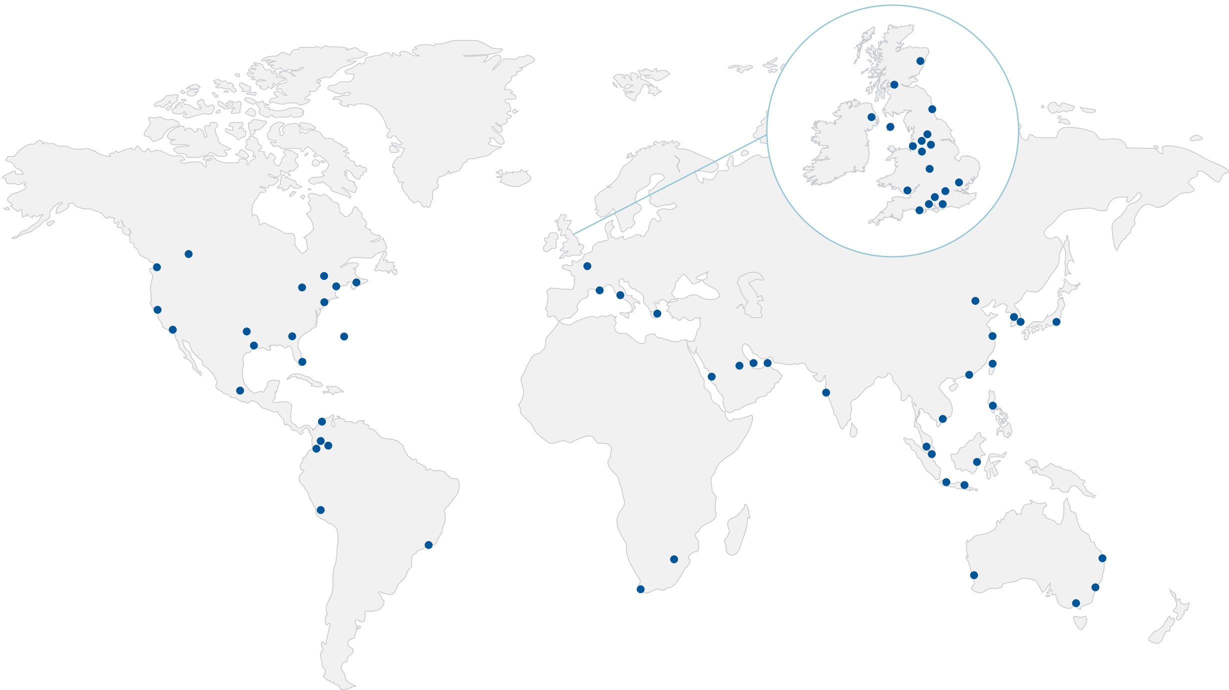
Final dividend for 2016
Ex-dividend 27 April 2017
Record date 28 April 2017
Payment due 26 May 2017

Interim dividend for 2017
Ex-dividend 12 October 2017
Record date 13 October 2017
Payment date 10 November 2017

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

Charles Taylor Offices

We have over 1,800 staff located in 71 offices spread across 28 countries



Europe, Middle East & Africa

France
Greece
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
Peru
USA

1. Associated undertaking

Further information about Charles Taylor can be found on our website at www.ctplc.com, or by contacting one of our offices on the telephone numbers listed below.

		Telephone No
Head Office	London Standard House	(+44) 20 3320 8888
Australia	Brisbane 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	(+55) 21 37 36 36 52
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
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
Peru	Lima	(+51) 01 500 5030
Philippines	Manila	(+44) 20 3320 2269
Qatar	Doha	(+974) 4436 8254

1. Associated undertaking

Charles Taylor Offices continued

		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 (CTGA = Charles Taylor General Adjusters offices)	Aberdeen Basingstoke (CTGA) Belfast (CTGA) Birmingham (CTGA) Bournemouth Bury (CTGA) Cardiff (CTGA) Chelmsford (CTGA) Funtington Glasgow Glasgow (CTGA) Liverpool London Leadenhall Street London Portsoken Street London St John's Square (CTGA) London Standard House Newcastle Newcastle (CTGA) Norwich (CTGA) Ringwood, Hampshire Sheffield (CTGA)	(+44) 1343 850 465 (+44) 125 633 6241 (+44) 289 067 1099 (+44) 167 546 6441 (+44) 124 362 1000 (+44) 161 705 4358 (+44) 292 023 6060 (+44) 124 534 7496 (+44) 124 362 1000 (+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) 20 7336 8500 (+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
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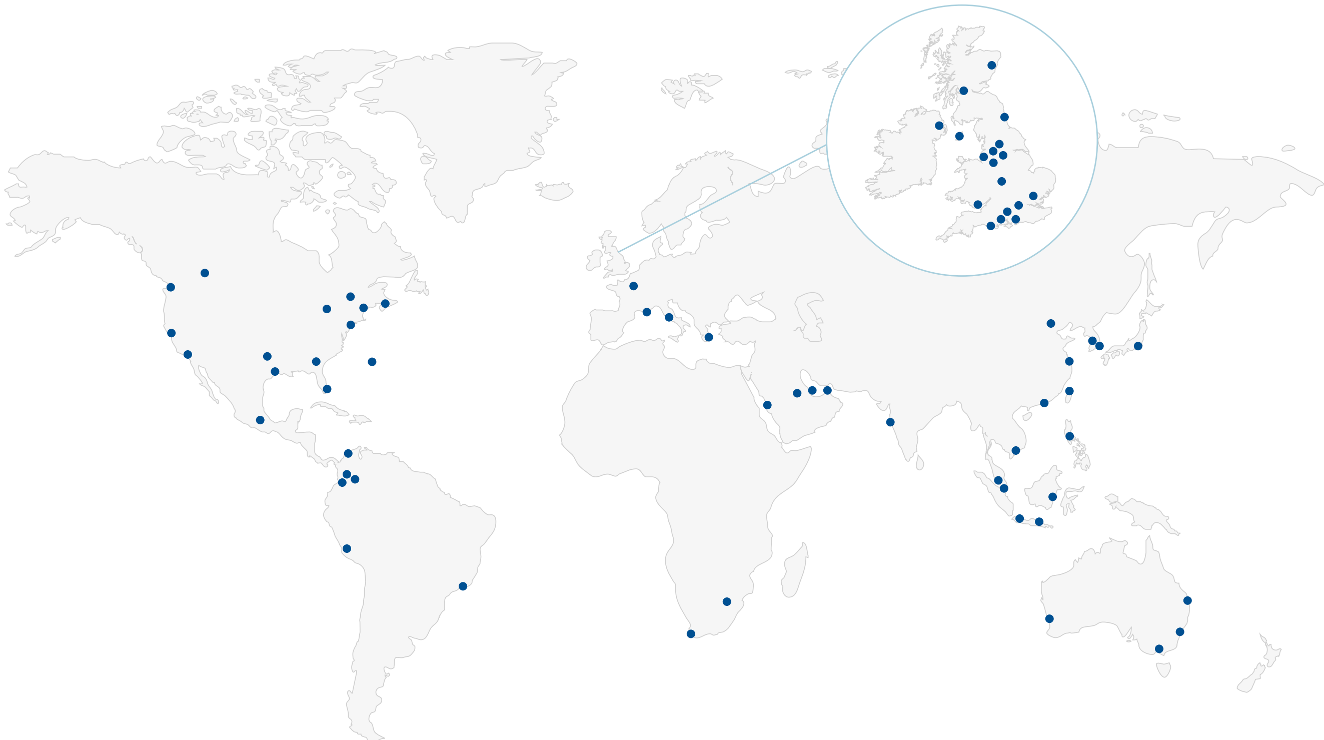

Charles Taylor operates through three businesses – Management Services, Adjusting Services and Insurance Support Services. We also own life insurers, creating value by undertaking targeted acquisitions and achieving operational efficiencies.

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

T: +44 20 3320 8888
F: +44 20 3320 8800
E: headoffice@ctplc.com

www.ctplc.com