

PRESS RELEASE

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Charles Taylor Consulting plc Announcement of results for year ended 31 December 2006

Consolidated Financial Highlights For the year ended 31 December 2006

	Year to 31 December 2006	Year to 31 December 2005	Increase
Revenue	£79.1m	£67.7m	17%
Profit before tax – adjusted	£13.4m	£10.4m	28%
Profit after tax – adjusted	£12.4m	£10.0m	23%
Earnings per share – adjusted	31.3p	27.5p	14%
Earnings per share – basic	28.1p	27.5p	3%
Dividend per share – interim	4.36p	3.96p	10%
Dividend per share – final	7.64p	6.04p	26%
	<hr/> 12.00p	<hr/> 10.00p	<hr/> 20%

Profit before and after tax shown in these financial highlights have been adjusted by £1.2m in total compared with the equivalent statutory figures (2005 – nil). A goodwill charge of £1.1m arises under IFRS from the recognition of a deferred tax asset in relation to tax losses acquired with an insurance company subsidiary. Profit and earnings per share shown above have been adjusted to exclude the goodwill charge and amortisation of acquired customer relationship intangibles of £0.1m. Statutory profit and statutory earnings per share are calculated after goodwill and amortisation of acquired customer relationship intangibles and are shown on the Consolidated Income Statement.

The final dividend is payable on 25 May 2007 to Shareholders on the register on 20 April 2007.

CHAIRMAN'S STATEMENT

The results for the year ended 31 December 2006 demonstrate that this has been another successful year for your company with growth across all divisions.

Revenue was up 17% at £79.1m (2005 – £67.7m). After adjusting for the exclusion of goodwill amortisation, profit before tax rose by 28% to £13.4m (2005 – £10.4m), and profit after tax by 23% to £12.4m (2005 – £10m). Adjusted earnings per share rose by 14% to 31.3p (2005 – 27.5p) a lower percentage growth rate than in respect of the profit figures, as a result of the increased number of shares in issue.

The combined result from the CTC Services and the CTC Management divisions grew by a very respectable 18.8%.

I am also pleased to be able to report that net debt reduced to £35.5m (2005 – £44.8m) with free cash flow of £17.8m (2005 – £6.5m). The operating profit to cash conversion rate rose to 123% (2005 – 60%), largely as a result of additional cash flows generated by the Run-off division.

The activities of the 819 people who work within the group are wide ranging. Almost everything that we do however, relates one way or another to the business of insurance and, with the creation of the new Run-off division in 2005, it is fair now to say that we are involved in most parts of the insurance management process:

- we create and manage both mutual insurance companies and captive insurance companies;
- we provide investment management services on behalf of clients;
- we manage claims through our adjusting activities; and
- we manage the orderly run-off of both property and casualty and life assurance companies, some of which are owned by the group.

Against the backdrop of an increasingly complex and sophisticated insurance market it is gratifying that, in a number of cases, our client relationships go back a very long time; we do not take our clients for granted and all concerned seek to improve the quality of the service provided both to existing clients and to the new clients the group continues to attract. The breadth of the group's expanding client base is illustrated, on the one hand, by our recent appointment as managers of a new Yen10bn life reinsurance operation for Japanese interests, and on the other by our appointment as managers of a significant new mutual insurer for UK local authorities, which starts operations in April 2007.

As far as our Services division is concerned, we have been instructed to act on some recent high-profile losses. We have also made significant progress in relation to the integration of the loss adjusting operations, and I hope to be able to announce further news about this shortly.

The Run-off division considered various potential acquisitions, in both the life and the property & casualty sectors and successfully completed three of these. It provided

strategic advice to a variety of clients and worked extensively on a number of business development projects.

Corporate Governance

As anticipated in last year's statement, your board has concluded that we should split the role of Chairman and Chief Executive; whilst remaining as Group Chief Executive I shall, therefore, be stepping down as Chairman as soon as a suitable candidate can be found to fulfil the role of Chairman in a Non-Executive capacity.

Mike Dean, who has served as a Director since June 2000, will not be standing for re-election at the company's Annual General Meeting. He has served your interests well and we will miss his effective input in our deliberations.

Dividend

In line with the board's desire to maintain its progressive dividend policy and in recognition of the increased cash generated by the business and the board's confidence in the prospects for the group, it is proposed to raise the final dividend for the year by 26% to 7.64p (2005 – 6.04p). Subject to approval by shareholders at the AGM this will be paid to those on the register at close of business on 20 April 2007. This dividend, together with the interim dividend of 4.36p (2005 – 3.96p) gives an increase year on year of 20%. The board wishes to maintain a progressive dividend policy whilst ensuring a satisfactory level of dividend cover.

Outlook and Current Trading

Trading since the year-end has been in line with management's expectations and we are confident that through a combination of organic growth, new acquisitions and new projects your company can continue to prosper and grow.

My thanks are due, on your behalf, to all those whose hard work has contributed towards this excellent set of results.

John Rowe

Chairman

22 March 2007

BUSINESS REVIEW

Description of the Business

Summary

Charles Taylor Consulting (CTC) provides management and insurance-related services to both buyers of insurance and insurance companies.

Management Division

Management and Creation of Mutuals:

This is the largest activity of the Management division and involves the provision of all the day-to-day services needed to run mutual insurance associations. Mutuals are generally created by companies or organisations operating in the same or similar fields as each other and who accordingly have similar liability exposures. Rather than insure with a commercial profit-making insurer, members of mutual insurance associations collectively self-insure. A mutual insurance association is owned by its members who also provide the capital in contrast to the normal relations between a commercial insurer and a policy holder.

Investment Management:

Investment management is provided both to client mutuals and group owned insurance companies.

Captive Management, Insurance Review and Risk Management:

These activities include the management of captive insurance companies, principally but not exclusively in Bermuda, and the provision of risk management and other advice to corporate buyers of insurance on the structure and appropriateness of their insurance arrangements.

Services Division

This division provides loss adjusting capabilities to the world's insurance markets and Average Adjusting to shipowners. The adjusting activities on behalf of insurers, which also include surveying and risk assessment, are concentrated in four principal areas.

- Aviation
- Energy
- Marine
- Non-marine (property & casualty)

For management and reporting purposes Average Adjusting is included within the marine business.

Run-off Division

The Run-off division, as its name implies, involves the orderly management of insurance and life assurance companies which have ceased underwriting on the one hand and the claims arising on discontinued books of insurance business on the other. This activity may involve acquisitions in either case.

Insurance Cycle

Given that the group's business is almost entirely related to insurance, the group's activities are subject to the insurance cycle, albeit in different ways. In the case of mutual management, when insurance is more expensive (hard market), the balance shifts in favour of mutuals, where the aim is to provide insurance at cost and where there is the ability to absorb high levels of aggregate risk between the members. By contrast the availability of cheaper insurance (soft market) may lead to increased competitive pressures and a climate where the alternative risk transfer mechanisms, such as mutuals, become less attractive.

In most circumstances, however, once companies have joined a mutual, through which they collectively control their own insurance affairs, they tend to remain members irrespective of any shift in the insurance cycle.

The conditions that favour the creation and expansion of mutual insurance schemes (i.e. hard market) are in some ways balanced by being less beneficial for the Services division businesses because there are usually fewer claims to deal with, and vice versa. In the case of the Services division, a soft market results in cheaper insurance and lower deductibles, something which exposes insurers to the greater probability of claims and thus increases the opportunities for the Services division.

While hard insurance markets also create favourable conditions for the Run-off division, as insurers decide to reallocate capital or dispose of non-core or unprofitable books of business, contracts for managing the run-off of claims typically last for several years once secured, whatever the cyclical conditions.

Business Performance Management Division

The promising developments referred to at the half year continued into the second half with the result that this division performed well.

Marine Mutuals:

The Standard Clubs performed well in all areas. During the year the new IT system went live, the culmination of several years' development.

Non-marine Mutuals:

Americas

Our two Bermuda-based mutuals both prospered.

Signal, which covers certain US Maritime employers' liabilities to their employees in relation to workplace injuries, had another good year. Member payrolls were well ahead of expectations, particularly in the shipyard and offshore sectors. The decision to open a new office on the West Coast of the US has been vindicated, with further growth being seen in this important area.

The SCALA mutual that covers the workers' compensation liabilities of the majority of Canadian ship-owners also performed well.

Australia

The group manages two mutuals in Australia: Unimutual, a mutual for Australian and New Zealand universities, and Capricorn Mutual, which provides coverage to members of the Capricorn Society, a trade association for Australian and New Zealand businesses in the motor trade. Progress was made in developing both these mutuals but Capricorn in particular required additional investment in both infrastructure and management time, which depressed the result for the year.

UK

The performance of the UK-based mutuals was mixed. The Livery Companies Mutual increased its membership during the year, continuing the expansion into areas of operation beyond those of the original founder members, and the Stop Loss Mutual also performed well. The Newsagents Mutual membership fell during the year primarily as a result of the decision not to follow the commercial market rating levels ever lower.

New Mutuals:

In the second half of the year the group was appointed the manager of Marathon Mutual, which provides coverage to UK care homes. This mutual progressed well during the remainder of the year. Further progress was made by the public sector unit and the London Authorities Mutual will operate from April 2007 as planned. The development of mutuals in other areas of the public sector is expected to continue throughout 2007.

Investment Management:

The group's investment management business produced another good performance for its clients. Funds under management rose by 9% to over US\$1.2bn.

Risk Management:

Risk Management business increased considerably as the US business continued to widen its client base.

Services Division

There is a significant level of overlap between our various operations, best illustrated by the Mexico office which operates in all the group's adjusting business sectors. Mexico was included in the Non-Marine business in 2005 whereas it is included in Energy in 2006. For consistency purposes therefore the 2005 percentages of revenue quoted below have been restated to reflect this.

Aviation: 25% of Services Revenue (2005 – 23%):

Aviation revenues overall rose strongly during the year driven by an increase in claims instructions in Asia Pacific, together with the continued development of the liability business. In the USA a good performance from the new Miami office, which handled a range of Latin American claims, helped offset a more disappointing year for our general (light aircraft) Aviation business in the USA.

Energy: 41% of Services Revenue (2005 – 43%):

Revenues were similar to the prior year as a result of the UK business seeing certain large claims arising out of the 2005 hurricanes in the Gulf of Mexico settled earlier than anticipated and a quiet hurricane season during 2006. However, Mexico produced a strong performance helped by the significant claims they had received from Hurricane Rita. Our Canadian operations also performed well overall.

Marine: 23% of Services Revenue (2005 – 24%):

The Marine business performed well in 2006. There were a number of large casualties entrusted to the group which benefited the UK offices in particular. Jakarta, Piraeus and notably Shanghai also performed better than expected. Revenues were down in Singapore.

Non-marine: 11% of Services Revenue (2005 – 10%):

Non-marine performed well, particularly in London, the largest office, as well as Miami, which improved considerably on 2005. Madrid suffered from a lack of new instructions. Progress was made in developing the Middle East business through the Dubai office.

Run-off Division

Run-off Services:

The group is now the largest third-party provider of run-off services to the life insurance sector on the Isle of Man following the acquisition of two third-party administration businesses. The outlook to develop further life administration business in 2007 is promising.

On the non-life business, LCL considered a significant number of potential acquisitions during the year, none of which have been completed to date, a situation which reflects the general market background which saw a very low level of completed acquisitions. The division intends to pursue opportunities aggressively where a deal satisfactory to all parties can be achieved.

Insurance Companies:

Property & Casualty Business

The management of the group-owned Bestpark International Limited and Associated International Insurance (Bermuda) Limited has continued during the year with, in the case of Bestpark, deterioration on some large exposures being broadly offset by successful commutations.

A minority interest in Bestpark International Limited was sold during the year.

Life Business

The life business has seen the successful consolidation of several of our smaller offshore life companies into the group's life insurer on the Isle of Man, LCL International Life Assurance. This company paid dividends of £4.8m during the year.

Segmental information is provided on the activities of the Management, Services and Run-off divisions in note 2 to this press release.

Results

In 2006, turnover rose from £67.7m to £79.1m. Adjusted profit before tax rose from £10.4m to £13.4m.

Total Shareholder Return

Total shareholder return was a satisfactory 27.6% in 2006, with the share price at 391.25p at 29 December 2006 compared to 316.25p at 30 December 2005 and 234.00p at 31 December 2004 and dividends paid in 2006 of 10.40p compared to 9.38p in 2005.

Dividends and Earnings per Share

The proposed final dividend for 2006 is 7.64p (2005 – 6.04p) so that the total dividend for the year is 12.00p. This represents a year-on-year increase of 20%. It remains the intention of the board to maintain a progressive dividend policy, while retaining sufficient cash in the business to fund organic and acquisition growth. Adjusted dividend cover of 2.6 times compares to 2.8 times the previous year.

Adjusted earnings per share rose from 27.5p to 31.3p, an increase of 14%.

There remain 3.1m shares under option at the end of the year, which produce an adjusted diluted earnings per share of 31.1p. Of the outstanding share options, 1.7 million were exercisable below the company's share price at the close of business on 31 December 2006 – 391.25p.

Key Performance Indicators

The board uses a range of key performance indicators to measure past performance and as a basis for future business planning. At a corporate level, these indicators are all financial measures.

	Note	2006	2005
Definition			
Earnings per share (p)	1	31.3	27.5
Revenue growth (%)	2	17.4	7.3
Operating margin (%)	3	19.5	16.8
Total shareholder return (%) – one year	4	27.6	40.6
Total shareholder return (%) – three year	5	65.0	39.2
Interest cover (times)	6	5.3	7.8
Dividend cover (times)	7	2.6	2.8
Free cash flow (£m)	8	17.8	6.5

Notes:

1. Adjusted earnings divided by weighted average number of shares.
2. Annual growth at constant exchange rates.
3. Adjusted profit as a percentage of revenue.
4. Annual movement in share price plus dividends paid (assuming reinvested) divided by share price at beginning of year.
5. Three-year movement in share price plus dividends paid (assuming reinvested) divided by share price at beginning of period.
6. Total profit from operations adjusted for amortisation of goodwill and acquired intangible assets plus investment and other income from non-insurance activities divided by finance costs.
7. Adjusted profit for the year divided by dividends paid and declared for the year.
8. Net cash from operating activities excluding movement in client monies plus interest received less expenditure on acquisition of tangible and intangible assets plus disposal proceeds.

Note: 2006 figures have been adjusted to exclude a goodwill charge of £1,100,000 and amortisation of acquired customer relationship intangibles of £139,000.

In addition to these corporate measures, the financial performance of every business unit is monitored regularly against budget and both financial and non-financial measures are employed as appropriate to each business, for example fee earner productivity, numbers of new instructions, value and ageing of work in progress and debtors and cash collections for the time-based businesses, membership numbers and premium trends for mutual management businesses, and solvency and actuarial reserves for insurance companies.

Treasury

The group continues to manage its exposure to foreign currency fluctuations by the use of forward foreign exchange contracts. The contracts open during the year and at the year-end were all to protect the group's exposure to movements in the US\$: £ sterling rate.

Over recent years, the US\$ has weakened significantly against the £ sterling. In 2003, the US\$ profits of the group were translated at 1.63 to £1 and this had moved to 1.85 by 2006.

In addition, the group uses working capital overdrafts in billing currencies other than the accounting currency, as a way to manage the exposure to currency fluctuations.

With interest rates at historically low levels in recent years, the group has tended to maintain borrowings mostly at floating rates. In view of the increased borrowings since December 2005, the group took out an interest rate cap in May 2006 which covers a principal of £20.65m (reducing as borrowings are repaid) and caps three-month LIBOR at 5.5% for three years.

The borrowings in £ sterling and US\$ are principally at rates that are linked to LIBOR plus margins of 1.25 – 1.75%.

Interest cover has reduced to 5.3 times (2005 – 7.8 times), resulting from a full year's interest charge on the increased level of borrowings undertaken to finance the acquisition of LCL. The level of cover remains satisfactory.

Taxation

During 2006, the effective tax rate on profits was 8.6%, an increase on the 2005 level (3.8%), reflecting a higher level of UK and overseas taxable profits and lower prior year's adjustments. Cash tax liabilities are significantly lower as a result of the UK tax relief available from Bestpark International Limited's losses.

Financing

During the year, £17.8m of free cash flow was generated (representing 123% of adjusted profit from operations, compared to 60% in 2005) and loan repayments of £11.7m were made. Net debt reduced by £9.2m to £35.5m, with a reduction of £5.8m in borrowings, a reduction of £4.3m in client funds and a reduction of £0.9m in cash and cash equivalents.

The group has issued share capital (including share premium) of £29.2m at 31 December 2006.

During the year, a number of executive and share scheme options were exercised producing cash of £375,000. During 2007, 1.5 million options are exercisable at below the market price at 31 December 2006. If they were all exercised they would generate £4.7m in cash for the group.

Acquisitions

In June 2006, the group acquired MGI Loss Adjusters Inc. The maximum consideration will amount to £2.0m and is subject to profitability targets being achieved.

Three small acquisitions were completed within the Run-off Division in the year, two of which are third-party administration businesses on the Isle of Man (Vertex Administration and the remaining 40% minority interest in FIT Administration) and one closed life company, Premium Life International.

Retirement Benefit Schemes

The group has four defined benefit pension schemes, two of which have liabilities which exceed their assets by a material amount. Arrangements have existed for some time to fund the scheme deficits over a period agreed with the trustees of the schemes involved, but it is recognised that, in order to meet the reasonable expectations of scheme members and indeed the new statutory funding objective, the group is likely to seek complete funding within a shorter period. The company intends to address its obligations fully, while balancing the various requirements of scheme members, shareholders and other stakeholders.

Principal Risks and Uncertainties

The principal risks facing the group and the processes by which they are managed will be explained in the group's Annual Report and Financial Statements.

John Rowe

Chief Executive

Damian Ely

Group Chief Operating Officer

George Fitzsimons

Group Finance Director

22 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

		Year to 31 December 2006 £000	Year to 31 December 2005 £000
Continuing operations			
Revenue		73,581	67,330
Revenue from insurance contracts acquired		8,059	592
Outward reinsurance premiums		(2,527)	(242)
Net revenue from insurance contracts acquired		<u>5,532</u>	<u>350</u>
Total revenue	2	79,113	67,680
Claims from insurance contracts acquired		(31,999)	(1,603)
Reinsurance recoveries		9,128	1,628
Expenses of managing insurance companies		(10,614)	(314)
Investment and other income from insurance activities		28,952	564
Net expenses and other income from insurance contracts acquired		<u>(4,533)</u>	<u>275</u>
Amounts written off goodwill		(1,100)	–
Administrative expenses		(59,567)	(56,812)
Share of results of associates		127	139
Share of results of joint ventures		139	97
Profit from insurance contracts acquired		<u>999</u>	<u>625</u>
Profit from other activities		<u>13,180</u>	<u>10,754</u>
Total profit from operations		<u>14,179</u>	<u>11,379</u>
Investment and other income from non-insurance activities		1,091	580
Finance costs		(3,114)	(1,534)
Profit before tax		<u>12,156</u>	<u>10,425</u>
Income tax expense		(1,041)	(398)
Profit for the year from continuing operations		<u>11,115</u>	<u>10,027</u>

		<u> </u>	<u> </u>
Attributable to:			
Equity holders of the parent		11,027	9,915
Minority interest		88	112
		<u>11,115</u>	<u>10,027</u>
		<u> </u>	<u> </u>
Earnings per share from continuing operations			
Basic (p)	3	28.14	27.45
Diluted (p)	3	<u>27.96</u>	<u>27.27</u>
Basic adjusted (p)	3	<u>31.30</u>	<u>27.45</u>
Diluted adjusted (p)	3	<u>31.10</u>	<u>27.27</u>
		<u> </u>	<u> </u>

Consolidated Balance Sheet
At 31 December 2006

	At 31 December 2006 £000	At 31 December 2005 £000
Non-current assets		
Goodwill	38,742	39,047
Intangible assets	10,617	13,567
Property, plant and equipment	4,160	4,392
Interests in associates	926	883
Interests in joint ventures	543	517
Investments	31	31
Deferred tax assets	6,299	7,652
	61,318	66,089
Current assets		
Total assets in insurance businesses	324,976	405,792
Trade and other receivables	4 44,834	46,764
Cash and cash equivalents	30,922	31,828
	400,732	484,384
Total assets	462,050	550,473
Current liabilities		
Total liabilities in insurance businesses	312,048	391,083
Trade and other payables	5 17,221	23,263
Tax liabilities	2,153	888
Obligations under finance leases	149	115
Bank overdrafts and loans	18,888	17,718
Client funds	20,790	25,100
	371,249	458,167
Net current assets	29,483	26,217
Non-current liabilities		
Bank loans	26,282	33,385
Retirement benefit obligation	19,609	24,159
Provisions	2,597	4,229
Obligations under finance leases	280	206
Deferred consideration – LCL acquisition	6,174	7,369

Deferred consideration – other	430	–
	<u>55,372</u>	<u>69,348</u>
Total liabilities	<u>426,621</u>	<u>527,515</u>
Net assets	35,429	22,958
Equity		
Share capital	397	384
Share premium account	28,824	24,979
Merger reserve	6,872	6,872
Capital reserve	662	662
Own shares	(211)	(1,501)
Retained earnings	(1,804)	(8,731)
Equity attributable to equity holders of the parent	<u>34,740</u>	<u>22,665</u>
Minority interest	689	293
Total equity	<u>35,429</u>	<u>22,958</u>

The financial statements were approved by the board of directors and authorised for issue on 22 March 2007.

George Fitzsimons
Director
22 March 2007

Consolidated Cash Flow Statement
For the year ended 31 December 2006

		Year to 31 December 2006 £000	Year to 31 December 2005 £000
Group	Note		
Net cash from operating activities	7	14,623	14,765
Investing activities			
Interest received		681	317
Proceeds on disposal of property, plant and equipment		240	115
Purchases of property, plant and equipment		(1,273)	(976)
Acquisition of intangible assets		(782)	(784)
Purchases of investments		(77)	(9)
Proceeds from sale of investments		1,568	232
Acquisition of subsidiaries		(2,562)	(27,887)
Payment of deferred consideration obligation acquired with LCL companies		(2,926)	–
Net cash acquired with subsidiary		155	2,032
Net cash used in investing activities		<u>(4,976)</u>	<u>(26,960)</u>
Financing activities			
Proceeds from issue of shares		375	494
Dividends paid		(4,083)	(3,371)
Repayments of borrowings		(11,666)	(4,093)
Repayments of obligations under finance leases		(154)	(140)
New bank loans raised		1,468	30,706
Increase/(decrease) in bank overdrafts		4,466	(4,065)
Net cash (used in)/from financing activities		<u>(9,594)</u>	<u>19,531</u>
Net increase in cash and cash equivalents		<u>53</u>	<u>7,336</u>
Cash and cash equivalents at beginning of year		31,828	24,222
Effect of foreign exchange rate changes		(959)	270
Cash and cash equivalents at end of year		<u>30,922</u>	<u>31,828</u>

Consolidated Statement of Recognised Income and Expense
For the year ended 31 December 2006

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Unrealised (losses)/gains on available-for-sale investments	(1,069)	372
Exchange differences on translation of foreign operations	1,308	766
Actuarial gains on defined benefit pension schemes	4,107	1,437
Tax on items taken directly to equity	(1,371)	(431)
Net income recognised directly in equity	<u>2,975</u>	<u>2,144</u>
Profit for the year	<u>7,032</u>	<u>6,656</u>
Total recognised income and expense for the year	<u>10,007</u>	<u>8,800</u>
Attributable to:		
Equity holders of the parent	9,919	8,688
Minority interests	88	112
	<u>10,007</u>	<u>8,800</u>

Notes to the Accounts

For the year ended 31 December 2006

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2006 or 2005, but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 237 (2) or (3) Companies Act 1985.

2. Segmental information

For management purposes, the group is currently organised into three operating divisions – Management, Services and Run-off Services.

Principal activities are as follows:

Management – Mutual management, captive management, investment management and risk management.

Services – Energy, Aviation, Non-marine and Marine (including Average) adjusting.

Run-off Services – Insurance company acquisition and run-off services. The results of insurance companies have been shown separately in the segmental information.

Segmental information about these businesses is presented below:

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Revenue		
Management	35,420	32,981
Services	35,449	34,196
Run-off services	8,359	536
Insurance companies – life and non-life	5,532	350
Eliminations	(5,647)	(383)
Consolidated	<u>79,113</u>	<u>67,680</u>

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Result		
Management	7,959	6,285
Services	5,024	4,644
Run-off services	1,042	106
Insurance companies – life and non-life	999	625
Consolidated	<u>15,024</u>	<u>11,660</u>
Amounts written off goodwill	(1,100)	–
Unallocated foreign exchange	(11)	(517)
Share of results of associates and joint ventures	266	236
Profit from operations	<u>14,179</u>	<u>11,379</u>
Investment income	1,091	580
Finance costs	(3,114)	(1,534)
Profit before tax	<u>12,156</u>	<u>10,425</u>
Tax	(1,041)	(398)
Profit after tax	<u>11,115</u>	<u>10,027</u>

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Other information		
Capital additions		
Management	430	152
Services	617	644
Run-off services	40	1
Unallocated corporate assets	186	179
Consolidated	<u>1,273</u>	<u>976</u>
Depreciation and amortisation		
Management	265	239
Services	606	525
Run-off services	214	23
Insurance companies	33	–
Unallocated corporate assets	157	89
Consolidated	<u>1,275</u>	<u>876</u>
	At 31 December 2006 £000	At 31 December 2005 £000
Balance sheet		
Assets		
Management	66,578	59,420
Services	100,653	110,875
Run-off services	29,453	27,390
Insurance companies – life and non-life	324,976	405,792
Unallocated corporate assets and eliminations	(59,610)	(53,004)
Consolidated total assets	<u>462,050</u>	<u>550,473</u>

Liabilities		
Management	42,403	39,012
Services	80,058	92,186
Run-off Services	25,495	31,056
Insurance companies – life and non-life	312,048	391,083
Unallocated corporate liabilities and eliminations	(33,383)	(25,822)
	<hr/>	<hr/>
Consolidated total liabilities	426,621	527,515
	<hr/>	<hr/>

Segmental information on a geographical basis is shown below:

	Year to 31 December 2006	Year to 31 December 2005
Revenue		
United Kingdom	24,951	21,971
Other Europe	6,893	2,413
North America	11,551	8,990
Asia Pacific	7,796	8,286
Bermuda	27,922	26,020
	<hr/>	<hr/>
Consolidated	79,113	67,680
	<hr/>	<hr/>

	Year to 31 December 2006	Year to 31 December 2005
Other information		
Capital additions		
United Kingdom	389	508
Other Europe	66	7
North America	296	152
Asia Pacific	511	278
Bermuda	11	31
	<hr/>	<hr/>
Consolidated	1,273	976
	<hr/>	<hr/>

	At 31 December 2006 £000	At 31 December 2005 £000
Balance sheet		
Assets		
United Kingdom	360,726	439,338
Other Europe	250,785	302,234
North America	38,732	42,233
Asia Pacific	18,061	16,655
Bermuda	32,922	26,071
Eliminations	(239,176)	(276,058)
Consolidated	<u>462,050</u>	<u>550,473</u>

3. Earnings per share

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation and minority interests for each period by the weighted average number of shares in issue. The shares held by the ESOP have been excluded from the calculation because the trustees have waived the right to dividends on these shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Earnings		
Earnings for the purposes of adjusted earnings per share	12,266	9,915
Amounts written off goodwill	(1,100)	—
Amortisation of acquired customer relationship intangible assets	(139)	—
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	<u>11,027</u>	<u>9,915</u>

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	39,196,810	36,115,159
Effect of dilutive potential ordinary shares:		
Share options	248,255	241,046
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	39,445,065	36,356,205
	<hr/>	<hr/>

4. Trade and other receivables

	At 31 December 2006 £000	At 31 December 2005 £000
Trade debtors	18,907	19,254
Amounts owed by subsidiaries	–	–
Amounts owed by associates	4	24
Other debtors	3,806	4,466
Prepayments and accrued income	22,041	22,889
Corporation tax	76	131
	<hr/>	<hr/>
	44,834	46,764
	<hr/>	<hr/>

5. Trade and other payables

	At 31 December 2006 £000	At 31 December 2005 £000
'C' Loan stock	79	98
Other loans	4,681	450
Trade creditors	3,282	4,791
Amounts owed to subsidiaries	–	–
Amounts owed to associates	203	146
Other taxation and social security	1,103	834
Other creditors	1,454	1,975
Accruals and deferred income	6,149	10,582
Deferred consideration – pre existing obligation of LCL	–	4,387
Deferred consideration – other	270	–
	17,221	23,263
	17,221	23,263

Included in other loans are amounts owed to insurance businesses of £4,219,000. A corresponding asset is included in the balance sheet within 'total assets in insurance businesses'.

6. Net interest bearing liabilities

	At 31 December 2006 £000	At 31 December 2005 £000
Net interest-bearing liabilities		
Cash and cash equivalents	30,922	31,828
Bank overdrafts and current loans	(18,888)	(17,718)
Non-current bank loans	(26,282)	(33,385)
Loan stock	(79)	(98)
Finance leases	(429)	(321)
	(14,756)	(19,694)
Client funds	(20,790)	(25,100)
	(35,546)	(44,794)

7. Notes to the cash flow statement

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Profit from operations	13,180	10,754
Adjustments for:		
Depreciation of property, plant and equipment	1,275	876
Amortisation of intangibles	1,428	57
Other non-cash items	103	80
Decrease in provisions	(608)	(187)
Share of results of associates and joint ventures	(266)	(236)
Operating cash flows before movements in working capital	15,112	11,344
Decrease/(increase) in receivables	2,429	(7,864)
	499	6,808
Cash generated by operations	18,040	10,288
Income taxes paid	(839)	(1,090)
Interest paid	(3,078)	(1,377)
Dividends from insurance companies	4,810	–
Net cash before movement in client monies	18,933	7,821
Movement in client monies	(4,310)	6,944
Net cash from operating activities	14,623	14,765

Additions to motor vehicles during the period amounting to £315,000 (2005 – £148,000) were financed by new finance leases.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly-liquid investments with a maturity of three months or less. The cash flow statements exclude the cash flows within the group's insurance companies.

Cash includes client monies of £20,790,000 (2005 – £25,100,000).

This Press Release contains certain forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations and other changes in business conditions; the actions of competitors and other factors.