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Consolidated Financial Highlights

For the six months ended 30 June 2004 (reviewed)

| | Six months to 30 June 2004 | Six months to 30 June 2003 Restated | Increase |
|-------------------------------|-------------------------------|---|----------|
| Turnover | £31.5m | £28.0m | 12% |
| Profit before tax (adjusted) | £5.1m | £4.4m | 14% |
| Earnings per share (adjusted) | 11.8p | 11.2p | 5% |
| Dividends per share – interim | 3.6p | 3.27p | 10% |

The interim dividend of 3.6p is payable on 22nd November 2004 to shareholders registered on 15th October 2004.

Note:

Adjusted profit before tax and earnings per share are arrived at before redundancy payments of £nil (2003 – £0.2m) and after restatement of the 2003 figures in accordance with Financial Reporting Standard 5 new Application Note G – £nil (2003 – £0.2m increase)

Chairman's Statement

I am pleased to be able to report to you on a successful six months for the company, with turnover and adjusted pre-tax profits rising by 12% and 14%. Adjusted profits after tax and adjusted earnings per share rose by 8% and 5% respectively with the acquisition announced in January leading to higher UK taxable earnings. Turnover was significantly affected by the US dollar/sterling exchange rate and at constant exchange rates would have increased by 19.4%. Of this amount 5.3% came from the pre-acquisition business.

It is proposed to pay a dividend of 3.6p, a 10% increase compared to that paid as an interim dividend in 2003, to all shareholders on the Register at 15th October 2004.

CTC Management Mutual Management

The results from this part of the business were significantly affected by the continuing weakness of the US dollar against sterling and, as a result, turnover fell. The mutuals, which we manage, put in another strong performance. Capricorn mutual in Australia went through its first renewal and I am delighted to say retained 90% of its members, despite significant price reductions being offered by commercial insurers operating in the same sector.

In July we were appointed as managers of Unimutual, a mutual insurance association, based in Australia and insuring its members liability exposures

and property assets. We look forward to a long relationship with this association.

We continue to pursue other opportunities to manage mutual insurance associations, both in Australia and elsewhere, and I look forward to reporting to you in the future on further developments.

The two largest mutuals which we manage, Standard P&I and Signal, are growing as are the resources we devote to their management; our success is closely linked to their continued prosperity.

Average Adjusting

Demand for average adjusting held up well in the first half but the trend remains a declining one with the number of marine casualties remaining at a relatively low level compared to the past. We are reviewing constantly our operations to ensure that we are properly resourced for this reduced level of activity which continues to provide a service that many of our shipping clients appreciate.

Risk Management

As we announced earlier in the year, we decided to discontinue the part of our risk management business where there was the possibility of a conflict of interest between clients of different parts of the group. A mechanism whereby those previously involved in this activity would continue it under their own auspices was agreed and the individuals in question left the group on 30th June.

CTC Services Energy

A number of notable events have occurred during the period, the first of which was the acquisition of Bateman Chapman Limited in January. This company, with a leading position within the energy claims business, is principally based in London and complements well our pre-existing energy claims operations which are based in North America. As can be seen from the figures reported, Bateman Chapman has had a successful first period as part of the group. As far as our energy business, excluding the acquisition I have already referred to, is concerned, a satisfactory overall result was achieved.

Of course, within a people business such as our own, there is much more to integration than incorporating the relevant financial results into group profits and our experience on previous acquisitions has led us to believe that the better the quality of the acquisition the more difficult tends to be the integration process. Progress, nonetheless, is being made at a pace which should ensure that the best of both energy operations are combined within our Services division by the end of the year.

Aviation

Our aviation business continues to flourish, and it has been very gratifying to see the benefits beginning to flow strongly from our decision to acquire Universal Loss Management, a USA based aviation adjusting business, in September 2001. The strategic rationale behind this was the fact that we could not service the claims of our global client base that arose within North America. The results for the first period of this year indicate that a record level of instructions from non-USA based clients have been given to our American operation. Our congratulations are due to all those who have worked on achieving this state of affairs.

Globally the turnover of aviation has reached record levels and we intend to ensure that we remain properly staffed to meet this demand whilst ensuring that the quality of service provided does not suffer.

Marine

Our marine business, which had a very difficult 2003, has recovered well and, again in a difficult market, the result is a credit to all concerned.

Non-Marine

The result from this operation was very disappointing. Whilst nominations to policies have increased, a recognition of the quality of our adjusters, claims on these policies have not materialized as yet and the division suffered from a shortage of work. The position will be kept closely under review for the balance of the year.

In general, the position within Services remains difficult, although both our energy and aviation divisions have done well. As further competition enters the insurance market so, inevitably, prices will fall and, at such time, we can expect to see an improvement in this division's results. It is important that we maintain our capabilities in order that we can be available to service our clients' needs when claims levels pick up.

Consortium management

Our relationships with Lloyd's and other underwriters are not confined to adjusting claims. Our work on the existing Wavelength consortium continues and I am pleased to be able to say that a new facility operating in an un-related area is well on the way to completion and offers good prospects for the company.

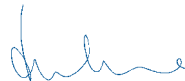
Outlook and current trading

I have reported to you previously that the company's operations fall into two parts.

The smaller part of CTC Management is average adjusting, from which I do not see growth. By contrast the larger portion, involving the management of mutuals, has strong growth prospects which are readily identifiable today.

CTC Services, which is the second major component of our activities, is subject to the level of claims coming from the commercial insurance market. Here all sectors are affected to some degree by the current high deductible, high premium, environment. As stated earlier aviation and energy have done well and we expect this situation to continue. Our other activities in the marine and non-marine areas are more badly affected and we expect this situation to continue until the insurance market becomes more favorable.

On your behalf I would like to thank all the employees of the Charles Taylor group for their contribution.



John Rowe
Chairman

10 September 2004

Consolidated Profit and Loss Account

For the six months ended 30 June 2004 (reviewed)

| | Notes | Six months to 30 June 2004 £000 | Six months to 30 June 2003 (Restated) £000 | Year to 31 December 2003 £000 |
|--|-------|--|--|--|
| Turnover | | | | |
| Group and share of joint ventures – continuing operations | 4 | 27,947 | 27,985 | 55,921 |
| Acquisitions | | 3,953 | – | – |
| Less share of joint venture turnover | | (438) | – | – |
| Group turnover | | 31,462 | 27,985 | 55,921 |
| Operating costs | | (25,914) | (23,566) | (46,949) |
| Group operating profit | | | | |
| Continuing operations | | 4,423 | 4,419 | 8,972 |
| Acquisitions | | 1,125 | – | – |
| | | 5,548 | 4,419 | 8,972 |
| Share of operating profits of joint ventures | | 23 | – | – |
| Share of operating (losses)/profits of associated companies | | (35) | 35 | 137 |
| Interest receivable and similar income | | 97 | 259 | 513 |
| Interest payable and similar charges | | (571) | (483) | (795) |
| Profit on ordinary activities before taxation | 4 | 5,062 | 4,230 | 8,827 |
| Tax on profit on ordinary activities | | (836) | (542) | (1,146) |
| Profit on ordinary activities after taxation | | 4,226 | 3,688 | 7,681 |
| Equity minority interest – ordinary activities | | (34) | (23) | (2) |
| Profit for the period | | 4,192 | 3,665 | 7,679 |
| Dividends paid | 6 | – | – | (1,116) |
| Dividends proposed | 6 | (1,294) | (1,116) | (1,767) |
| Retained profit for the financial period | | 2,898 | 2,549 | 4,796 |
| Dividends per share (p) | | 3.6 | 3.27 | 8.2 |
| Earnings per ordinary share (p) – Basic | 7 | 11.8 | 10.8 | 22.4 |
| Earnings per ordinary share (p) – Diluted | 7 | 11.7 | 10.7 | 22.4 |
| Adjusted earnings per ordinary share (p) | 7 | 11.8 | 11.2 | 23.3 |

Consolidated Balance Sheet

At 30 June 2004 (reviewed)

| | At 30 June 2004 | At 30 June 2003 (Restated) | At 31 December 2003 (Restated) |
|--|-----------------------|-------------------------------------|---|
| Notes | £000 | £000 | £000 |
| Fixed assets | | | |
| Intangible assets | 17,976 | 6,247 | 6,247 |
| Tangible assets | 3,460 | 3,292 | 3,319 |
| Investments excluding joint ventures | 698 | 712 | 799 |
| Share of gross assets of joint ventures | 872 | – | 1,051 |
| Share of gross liabilities of joint ventures | (395) | – | (554) |
| | 477 | – | 497 |
| | 22,611 | 10,251 | 10,862 |
| Current assets | | | |
| Stocks | 336 | 426 | 336 |
| Debtors due within one year | 38,963 | 29,943 | 29,757 |
| Debtors due after more than one year | 25 | 170 | 14 |
| Cash at bank and in hand | 38,988 | 30,113 | 29,771 |
| | 14,985 | 18,802 | 16,369 |
| | 54,309 | 49,341 | 46,476 |
| Creditors: amounts falling due within one year | (41,576) | (38,232) | (35,667) |
| Net current assets | 12,733 | 11,109 | 10,809 |
| Total assets less current liabilities | 35,344 | 21,360 | 21,671 |
| Creditors: amounts falling due after more than one year | (11,520) | (5,748) | (4,465) |
| Provisions for liabilities and charges | (64) | (484) | (67) |
| | 23,760 | 15,128 | 17,139 |
| Capital and reserves | | | |
| Called up share capital | 364 | 345 | 346 |
| Share premium account | 19,505 | 15,143 | 15,347 |
| Merger reserve | 6,872 | 6,872 | 6,872 |
| Capital reserve | 662 | 662 | 662 |
| Own shares | (1,561) | (1,734) | (1,563) |
| Profit and loss account | (2,155) | (6,185) | (4,528) |
| Equity shareholders' funds | 23,687 | 15,103 | 17,136 |
| Equity minority interests | 73 | 25 | 3 |
| | 23,760 | 15,128 | 17,139 |

Consolidated Cash Flow Statement

For the six months ended 30 June 2004 (reviewed)

| | Notes | Six months to 30 June 2004 £000 | Six months to 30 June 2003 £000 | Year to 31 December 2003 £000 |
|--|-------|--|--|--|
| Net cash inflow from operating activities | 12 | 5,848 | 14,648 | 15,615 |
| Returns on investments and servicing of finance | | | | |
| Interest and other income received | | 97 | 265 | 513 |
| Interest paid | | (571) | (431) | (779) |
| Interest element of finance lease rentals | | (8) | (13) | (30) |
| Net cash outflow from returns on investments and servicing of finance | | (482) | (179) | (296) |
| Taxation | | | | |
| Tax paid | | (791) | (584) | (1,124) |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets | | (422) | (274) | (855) |
| Purchase of investments | | - | (18) | (561) |
| Receipts from sale of investments | | - | 42 | 153 |
| Receipts from sale of fixed assets | | 150 | 133 | 196 |
| Net cash outflow from capital expenditure and financial investment | | (272) | (117) | (1,067) |
| Acquisitions | | | | |
| Purchase of subsidiary undertaking | | (15,368) | - | - |
| Net cash acquired with subsidiary | | 221 | - | - |
| Net cash outflow from acquisitions | | (15,147) | - | - |
| Equity dividends paid | | (1,767) | (1,520) | (2,636) |
| Net cash (outflow)/inflow before financing | | (12,611) | 12,248 | 10,492 |
| Financing | | | | |
| Issue of shares | | 4,400 | 23 | 228 |
| Share issue expenses | | (224) | - | - |
| Draw down of loans | | 10,400 | 1,404 | 6,480 |
| Loan repayments | | (1,418) | (3,654) | (10,096) |
| Capital element of finance lease rentals | | (68) | (144) | (250) |
| Net cash outflow from financing | | 13,090 | (2,371) | (3,638) |
| Increase in cash in the period | 13 | 479 | 9,877 | 6,854 |

Statement of Total Recognised Gains and Losses

For the six months ended 30 June 2004 (reviewed)

| | Six months to 30 June 2004 | Six months to 30 June 2003 (Restated) | Year to 31 December 2003 |
|---|----------------------------------|--|--------------------------------|
| | £000 | £000 | £000 |
| Profit for the financial period | 4,192 | 3,665 | 7,679 |
| Write down of shares held by Qualifying Employee Share Ownership Trust ("QUEST") | (61) | (15) | (66) |
| Foreign currency translation differences on foreign currency net investment in subsidiaries | (464) | 43 | (496) |
| | <u>3,667</u> | <u>3,693</u> | <u>7,117</u> |

Notes to the Accounts

For the six months ended 30 June 2004 (reviewed)

1. Preparation of reviewed financial information

The summary information for the year ended 31 December 2003 does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for that year have an unqualified audit report, did not contain a statement under Section 237(2) or (3) of the Companies Act 1985, and have been filed with the Registrar of Companies.

The interim financial information has been prepared on the basis of accounting policies set out in the statutory accounts for that year.

Joint ventures have become more significant to the group and so an accounting policy on associates and joint ventures is included in this interim report for the first time.

An associated undertaking (associate) is an entity in which the group has a long-term equity interest and over which it exercises significant influence. The consolidated financial statements include the group proportion of the operating profit or loss, exceptional items, stock holding gains or losses, interest expense, taxation and net assets of associates (the equity method).

A joint venture is an entity in which the group has a long-term interest and shares control with one or more co-venturers. The consolidated financial statements include the group proportion of turnover, operating profit or loss, exceptional items, stock holding gains or losses, interest expense, taxation, gross assets, gross liabilities and minority shareholders' interest of the joint venture (the gross equity method).

Certain limited format changes have been made to conform to the current year presentation.

2. Change in accounting policies and prior period adjustments

- In 2003 the group fully adopted Financial Reporting Standard 5 Application Note G 'Revenue Recognition' issued by the UK Accounting Standards Board.

FRS 5 requires the value of income and unbilled work in progress to be included in turnover at realisable value when, and to extent that, the group obtains the right to consideration for such income and work in progress, rather than on billing.

Details of the change and its financial effect were given in the 2003 Annual Report and Accounts. The change has also necessitated the restatement of figures for the comparative period to 30 June 2003 which has had the effect of increasing profit before taxation by £179,000 and to increase net assets by £491,000.

- The Group implemented UITF Abstract 38 'Accounting for Employee Share Ownership Plan ("ESOP") Trusts' in the preparation of its accounts for the six months ended 30 June 2004 and comparative figures have been restated. UITF 38 supersedes UITF 13 'Accounting for ESOP Trusts' and requires that until such time as the company's own shares held by an ESOP trust vest unconditionally in the employees, the consideration paid for the shares should be deducted in arriving at shareholders' funds. The application of UITF 38 reduced consolidated total assets and consolidated total shareholders' funds at 30 June 2004 by £1,561,000 (30 June 2003 – £1,734,000; 31 December 2003 – £1,563,000).

3. Acquisition and goodwill

In January 2004 the group acquired 100% of the ordinary share capital of Bateman Chapman (Holdings) Limited and its subsidiaries for a potential maximum consideration of £18,900,000 in cash of which £4,400,000 is the estimated additional payment expected to be made in January 2005 based on the performance of the business and certain balance sheet criteria. The book value of the assets and liabilities was considered to be the fair value on acquisition. Using the acquisition method of accounting the fair value of the assets and liabilities and the resulting goodwill is as follows:

| | |
|------------------------------|---------------|
| | £000 |
| Fixed assets | 1,002 |
| Work in progress and debtors | 9,705 |
| Cash | 547 |
| Bank loans and overdrafts | (326) |
| Creditors and provisions | (2,889) |
| | <u>8,039</u> |
| Satisfied by: | |
| Cash | 14,500 |
| Deferred cash | 4,400 |
| Expenses | 868 |
| | <u>19,768</u> |
| Total consideration | <u>19,768</u> |
| Goodwill | <u>11,729</u> |

The goodwill is based on the estimated maximum consideration which is subject to an earnout and may be revised during 2005.

The group's previous practice has been to capitalise goodwill arising on acquisitions and amortise it over its estimated useful life, which has been estimated to be five years. This five year period was set to reflect the period over which acquired businesses were integrated into the group and the other financial consequences of acquisitions unwound; mainly the repayment of cash borrowed.

The Board is required to consider annually the useful economic life of goodwill. Each of the acquisitions made by the group provide claims and consultancy services to the insurance industry. These businesses are well established, occupy strong positions in their market places and are expected to be durable. Therefore the Board believes that an indefinite economic life should now be attributed to goodwill. Accordingly goodwill is no longer subject to routine amortisation but is reviewed annually for evidence of impairment. This is a departure from paragraph 21 of Schedule 4 to the Companies Act but, for the reasons above, is necessary so that the financial statements give a true and fair view. This is in compliance with current UK accounting standards and is also likely to conform to the approach proposed for International Accounting Standards.

Had goodwill been amortised on the basis previously adopted the profit on ordinary activities would have been reduced by £2,179,000 for the six months ended 30 June 2004 (12 months to 31 December 2003 - £3,363,000 reduction; 6 months to 30 June 2003 - £1,681,000 reduction).

Notes to the Accounts (continued)

For the six months ended 30 June 2004 (reviewed)

4. Analyses of turnover and profit before tax

Analyses of turnover and profit before tax (by class of business and geographical location) are stated below:

| | Six months to 30 June 2004 £000 | Six months to 30 June 2003 (Restated) £000 | Year to 31 December 2003 £000 |
|--|--|--|--|
| Turnover | | | |
| Charles Taylor Management | 18,671 | 19,311 | 38,160 |
| Charles Taylor Services | 12,791 | 8,674 | 17,761 |
| | <hr/> | <hr/> | <hr/> |
| | 31,462 | 27,985 | 55,921 |
| Turnover by geographical location: | | | |
| United Kingdom | 11,328 | 9,662 | 18,647 |
| Other European countries | | | |
| – Group and share of joint ventures | 1,117 | 508 | 1,301 |
| – less share of joint venture turnover | (438) | - | - |
| Bermuda | 11,752 | 10,895 | 22,734 |
| North America | 4,453 | 4,256 | 8,027 |
| Asia Pacific | 3,250 | 2,664 | 5,212 |
| | <hr/> | <hr/> | <hr/> |
| | 31,462 | 27,985 | 55,921 |
| | | | |
| | Six months to 30 June 2004 £000 | Six months to 30 June 2003 (Restated) £000 | Year to 31 December 2003 £000 |
| Profit before tax: | | | |
| Charles Taylor Management | | | |
| – trading profit | 3,118 | 2,971 | 6,393 |
| – interest on acquisition finance | (364) | (161) | (275) |
| Charles Taylor Services | | | |
| – trading profit | 2,308 | 1,420 | 2,709 |
| | <hr/> | <hr/> | <hr/> |
| | 5,062 | 4,230 | 8,827 |
| Profit before tax by geographical location: | | | |
| United Kingdom | 1,847 | 1,735 | 2,551 |
| Other European countries | (48) | (92) | (136) |
| Bermuda | 2,436 | 1,984 | 5,575 |
| North America | 538 | 386 | 478 |
| Asia Pacific | 289 | 217 | 359 |
| | <hr/> | <hr/> | <hr/> |
| | 5,062 | 4,230 | 8,827 |

5. Operating costs – exceptional expenditure

| | Six months to 30 June 2004 £000 | Six months to 30 June 2003 £000 | Year to 31 December 2003 £000 |
|---|--|--|--|
| Included with operating costs are the following exceptional expenses: Redundancy payments | – | 207 | 250 |

6. Dividends

| | Six months to 30 June 2004 £000 | Six months to 30 June 2003 £000 | Year to 31 December 2003 £000 |
|--|--|--|--|
| Ordinary dividends paid and proposed comprise: Dividends paid Dividends proposed | – 1,294 | – 1,116 | 1,116 1,767 |
| | <u>1,294</u> | <u>1,116</u> | <u>2,883</u> |

7. Earnings per ordinary 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 and QUEST have been excluded from the calculation. The weighted average number of shares on this basis was 35,681,128 in the six months to 30 June 2004; 33,951,603 in the six months to 30 June 2003 and 34,088,651 in the year to 31 December 2003.

Adjusted earnings per ordinary share have been calculated using the weighted average number of shares referred to above but earnings are stated before exceptional expenses.

8. Reconciliation of movements in equity shareholders' funds

| | Six months to 30 June 2004 £000 | Six months to 30 June 2003 (Restated) £000 | Year to 31 December 2003 (Restated) £000 |
|---|--|--|--|
| Profit for financial period | 4,192 | 3,665 | 7,679 |
| Dividends | (1,294) | (1,116) | (2,883) |
| | <u>2,898</u> | <u>2,549</u> | <u>4,796</u> |
| Issue of share capital | 18 | – | 1 |
| Share premium arising on issue of share capital | 4,158 | 23 | 227 |
| Write down of shares held by QUEST | (61) | (15) | (66) |
| Foreign currency translation differences on foreign currency net investments in subsidiaries | (464) | 43 | (496) |
| Own shares | 2 | 9 | 180 |
| | <u>6,551</u> | <u>2,609</u> | <u>4,642</u> |
| Net addition to equity shareholders' funds | 6,551 | 2,609 | 4,642 |
| Opening equity shareholders' funds | 17,136 | 14,237 | 14,237 |
| Prior year adjustment – ESOP trust | – | (1,743) | (1,743) |
| | <u>–</u> | <u>(1,743)</u> | <u>(1,743)</u> |
| Closing equity shareholders' funds | <u>23,687</u> | <u>15,103</u> | <u>17,136</u> |

Notes to the Accounts (continued)

For the six months ended 30 June 2004 (reviewed)

9. Debtors

| | At 30 June 2004 £000 | At 30 June 2003 (Restated) £000 | At 31 December 2003 £000 |
|---|-------------------------------|---|-----------------------------------|
| Trade debtors | 17,787 | 15,036 | 16,889 |
| Amounts owed by associated companies and joint ventures | 396 | 37 | 84 |
| Other debtors | 4,131 | 4,496 | 3,337 |
| Prepayments and accrued income | 16,562 | 10,353 | 9,148 |
| Corporation tax | 112 | 191 | 313 |
| | 38,988 | 30,113 | 29,771 |
| Included above are the following amounts falling due after more than one year: | | | |
| Prepayments and accrued income | 25 | 170 | 14 |

10. Creditors: amounts falling due within one year

| | At 30 June 2004 £000 | At 30 June 2003 £000 | At 31 December 2003 £000 |
|--|-------------------------------|-------------------------------|-----------------------------------|
| Bank loans and overdrafts | 13,371 | 13,000 | 13,245 |
| 'A' loan stock | – | 50 | – |
| 'C' loan stock | 195 | 168 | 243 |
| Obligations under finance leases and hire purchase contracts | 98 | 137 | 132 |
| Trade creditors | 1,906 | 2,262 | 1,766 |
| Amounts owed to associates | 96 | 83 | 97 |
| Corporation tax | 1,389 | 415 | 603 |
| Other taxation and social security | 891 | 630 | 811 |
| Other creditors | 1,157 | 1,410 | 858 |
| Accruals and deferred income | 5,927 | 3,480 | 4,440 |
| Proposed dividend | 1,294 | 1,116 | 1,767 |
| Deferred consideration | 4,400 | – | – |
| Client monies | 10,852 | 15,481 | 11,705 |
| | 41,576 | 38,232 | 35,667 |

11. Creditors: amounts falling due after more than one year

| | At 30 June 2004 £000 | At 30 June 2003 £000 | At 31 December 2003 £000 |
|---|-------------------------------|-------------------------------|-----------------------------------|
| Bank loans | 11,229 | 5,514 | 4,236 |
| Obligations under finance leases and hire purchase contracts | 244 | 181 | 182 |
| Deferred tax | 47 | 53 | 47 |
| | 11,520 | 5,748 | 4,465 |

12. Reconciliation of operating profit to net cash inflow from operating activities

| | Six months to 30 June 2004 | Six months to 30 June 2003 (Restated) | Year to 31 December 2003 |
|--|----------------------------------|--|--------------------------------|
| | £000 | £000 | £000 |
| Operating profit | 5,548 | 4,419 | 8,972 |
| Decrease in stock | - | - | 90 |
| Depreciation charges | 486 | 475 | 946 |
| Profit on sale of fixed assets | (27) | (22) | (29) |
| Decrease in debtors | 269 | 323 | 685 |
| (Decrease)/increase in creditors | (525) | 9,406 | 4,985 |
| Decrease in provisions | (3) | (137) | (522) |
| Other non-cash items | 100 | 184 | 488 |
| Net cash inflow from continuing operating activities | <u>5,848</u> | <u>14,648</u> | <u>15,615</u> |

13. Analysis of changes in net debt during the period

| | At 1 Jan 2004 £000 | Cash Flow £000 | Other non-cash changes £000 | Exchange movement £000 | At 30 June 2004 £000 |
|--------------------------|--------------------------|----------------------|--------------------------------------|------------------------------|----------------------------|
| Cash in hand and at bank | 16,369 | (1,300) | - | (84) | 14,985 |
| Overdrafts | (10,977) | 1,810 | - | 53 | (9,114) |
| | 5,392 | 510 | - | (31) | 5,871 |
| Debt due within one year | (2,268) | (1,200) | (836) | 47 | (4,257) |
| Debt due after one year | (4,236) | (7,830) | 836 | - | (11,230) |
| Loan stock | (243) | 48 | - | - | (195) |
| Finance leases | (314) | 68 | (104) | 8 | (342) |
| | (1,669) | (8,404) | (104) | 24 | (10,153) |
| Client monies | (11,705) | 853 | - | - | (10,852) |
| | (13,374) | (7,551) | (104) | 24 | (21,005) |

Included within the movement of cash is a £853,000 decrease in client funds held.

Independent Review Report to Charles Taylor Consulting plc

For the six months ended 30 June 2004

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2004 which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.



Deloitte & Touche LLP
Chartered Accountants
London

10 September 2004

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