

Charles  
Taylor



Technical Services  
for the global  
insurance market



Annual Report  
and Accounts  
2017

# Technical Services for the global insurance market

**Charles Taylor plc** (“Charles Taylor”) is a global provider of technical services that enable the insurance market to tackle the continually evolving challenges it faces. Our work makes the business of insurance fundamentally better.

We have been providing insurance-related technical services and solutions since 1884. Today, we employ around 2,100 staff in 107 locations spread across 29 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

We are confident that we are unique in our market in that our services support every stage of the insurance lifecycle and every aspect of the insurance operating model. For general insurance, we handle all major commercial lines, along with the more technical areas of personal lines; we do so similarly for life and health insurance.

The clients we support range from insurers – including corporates, mutuals, captives, MGAs, Lloyd’s syndicates and reinsurers – to brokers, distributors and corporate insureds.

Our market-leading **breadth of services**, world-class **technical expertise**, extensive **global presence** and **100% focus on insurance** means we can manage and resolve virtually any insurance-related matter, wherever and whenever it occurs.



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# Highlights

## Business highlights

- Revenue significantly increased
- Organic initiatives and further investment driving growth strategy
- Adjusted EBITDA increased
- Adjusted profit before tax and earnings increased
- Statutory profit before tax and earnings reduced
- Adjusting Services' working capital months significantly improved
- Refinancing completed on improved terms
- Net debt increased to fund growth strategy
- Final dividend increased

## Financial highlights<sup>1</sup>

### Revenue

£210.8m

+24.6% (2016: £169.3m)

### Adjusted profit before tax

£15.3m

+3.5% (2016: £14.8m)

### Statutory profit before tax

£7.4m

-31.3% (2016: £10.7m)

### Annual average net debt

£39.5m

(2016: £12.9m)

### Adjusted EBITDA<sup>2</sup>

£22.9m

+19.6% (2016: £19.1m)

### Adjusted earnings per share<sup>3</sup>

24.73p

+11.1% (2016: 22.27p)

### Basic earnings per share

13.14p

-17.1% (2016: 15.85p)

### Dividend per share

11.01p

+5.0% (2016: 10.50p)

	2017 £m	2016 £m
<b>Revenue</b>	<b>210.8</b>	169.3
Adjusted segmental operating profit	18.3	16.3
Share of loss of associates	(1.7)	(0.8)
Amortisation of acquired intangible assets	(5.5)	(3.0)
Non recurring costs	(2.7)	(1.3)
Net finance costs	(1.1)	(0.5)
Statutory profit before tax	7.4	10.7
Non controlling interests	(0.3)	(0.2)
Adjustments <sup>4</sup>	8.2	4.3
<b>Adjusted profit before tax</b>	<b>15.3</b>	14.8
Income tax credit	1.8	-
Tax on adjustments	(0.3)	-
<b>Adjusted earnings</b>	<b>16.8</b>	14.8

#### Notes:

1. Figures above are presented using unrounded numbers, so minor rounding differences may arise.
2. Adjusted EBITDA is adjusted profit before tax plus depreciation, amortisation and finance costs, before pre tax costs and before pre tax non controlling interests.
3. Adjusted earnings per share is calculated by dividing the adjusted earnings by the weighted average number of ordinary shares as disclosed in note 13. Details of adjustments are included on page 26.
4. Adjustments include non recurring costs and amortisation of acquired intangible assets.

# Charles Taylor at a Glance



Charles Taylor is a global provider of technical services and solutions that enable the insurance market to tackle the continually evolving challenges it faces. Our work makes the business of insurance fundamentally better. 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.

## Our Professional Services businesses

### 1 Management Services See more on page 16



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 their 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 solutions and support, investment management, customer service, corporate governance and company secretarial 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

**278 staff<sup>1</sup>**

#### Revenue (£m)

17		+7%	58.3
16			54.7
15			50.7

### 2 Adjusting Services See more on page 19



The Adjusting Services business provides loss adjusting and technical services across the aviation, energy, marine, property and casualty, and speciality risks sectors. We believe this breadth of expertise and capacity makes our Adjusting Services business unique among the world's major loss adjusting firms. The business specialises in the settlement of more complex losses arising from major insured incidents and claims. We also offer high net worth and general loss adjusting services.

#### Drivers of profitable growth

- Diversify into new specialist profitable and less volatile property and casualty sectors
- Reduce working capital requirements
- Optimise business operations
- Flex adjusting teams to increase adjuster utilisation
- Expand into new territories and grow in territories in which we are under represented
- Recruit additional top performing adjusters
- Develop further the skills of the next generation of adjusters

**833 staff<sup>1</sup>**

#### Revenue (£m)

17		+15%	74.9
16			65.4
15			59.0





**Our global presence**

Insurance is a global business and we have offices located strategically across the world to enable us to provide our services wherever they are required. We operate from 107 locations, spread across 29 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa. We have increased the number of our locations through acquisitions and organic growth. We also regularly serve clients across other locations and countries where we do not currently have offices.

**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
- Generate operational efficiencies from the combined books of business

**Revenue (£m)**



**3 Insurance Support Services**

See more on page 21



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

**Claims programme management**

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

**Insurance technology services and solutions from Charles Taylor InsureTech**

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

**Turn key managing agency services for Lloyd's syndicates and their investors**

**984 staff<sup>1</sup>**

**Revenue (£m)**



**Business Process Outsourcing (BPO)**

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

**Risk transfer solutions**

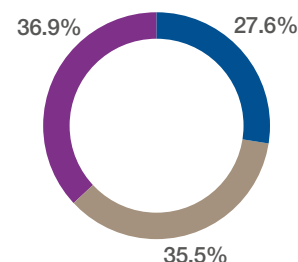
- Captive management and risk management services
- Coverholder, general agency services and niche/specialty insurance solutions

**Investment management**

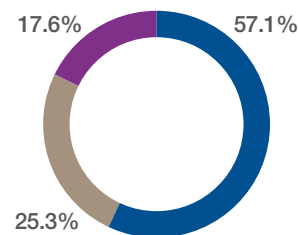
**Drivers of profitable growth**

- Win new mandates for assistance and travel claims accounts
- Cross sell assistance and travel claims services to other Group clients
- Win additional claims management programmes and TPA contracts
- Expand insurance technology solutions
- Secure new life, health and general insurance policy administration systems implementations
- Win additional delegated underwriting authority solution clients
- Enable employee benefits providers to develop technology frameworks
- Be appointed to manage new Lloyd's vehicles
- Expand our BPO services for general insurers, life insurers and fund managers
- Gain new captive management and risk management services mandates
- Develop investment and capital management solutions

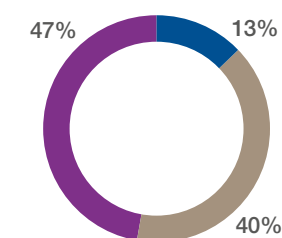
**Professional Services revenue 2017**



**Professional services operating profit 2017**



**Staff breakdown 2017**



■ Management Services  
■ Adjusting Services  
■ Insurance Support Services

1. Includes Global Business Services teams on a pro rata basis and non permanent contract staff.  
2. Includes inter segment revenue.

# Charles Taylor's Business Strategy

## Our business strategy combines our vision, business model and growth priorities

### Our vision

Our vision is to enable the insurance market to meet the continually evolving challenges it faces and to make the business of insurance fundamentally better by:

- 1 Building**  
a global professional services business in areas where superior technical skills are valued.
- 2 Achieving**  
leading market positions for each of our businesses and expanding into growing economies and markets.
- 3 Developing**  
new services that deliver sustainable revenue and profit.
- 4 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 a diversified set of income streams, providing in aggregate reliable, 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 technical services and solutions in an area we truly understand and to which we are committed. These are 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 technical services and solutions we offer is substantial and growing.

### Our core values

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

### Excellence in people

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

### Partnership with clients

We have a partnership mindset 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 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 and our people 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 mindset of external and internal partnership.
- **Employ exceptional staff:** We recruit diverse 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, inclusive and supportive talent management approach, spanning recruitment, reward, 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 (i.e., 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 are investing in our business development and marketing capabilities and encouraging more cross referrals between, and joint working across, our businesses.

### Quality work product

We have genuine pride in delivering high quality work. We stake our reputation on the provision of high quality technical services and it is this focus on quality which underpins our offering to clients.

### Supportive environment

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 technical services to enable our clients in the global insurance market to tackle the continually evolving challenges they face.

## Our priorities fall into three areas:

Optimise our business operations

Deliver growth in our core businesses

Capture new strategic opportunities

### Optimise our business operations:

We are strengthening the Group's core capabilities and support services to underpin growth.



See more in the Group Chief Executive Officer's report, starting on page 14

### 2017 highlights:

- Completed refinancing on improved terms, increasing the Group's borrowing and investment capacity.
- Enhanced invoicing and collections processes to reduce Adjusting Services' working capital requirements.
- Finalised our London property strategy to rationalise our operations into a single location, to increase efficiency, collaboration and joint working.
- Strengthened technology infrastructure by moving to "the cloud" and implementing Windows 10 to increase security.
- Enhanced staff learning and development programmes.
- Rolled out diversity and inclusion strategy.
- Enhanced invoicing and collections processes to reduce Adjusting Services' working capital requirements.

### Deliver growth in our core businesses:

We are working to achieve leadership positions for all the Group's businesses and to develop new, closely related technical services.



See more in the Group Chief Executive Officer's report, starting on page 14

### 2017 highlights:

- Secured or selected as preferred provider for major, multi year insurance technology contracts in Europe and Latin America.
- Appointed CEO and regional head for Adjusting Services in the USA, recruiting a strong team of loss adjusters and opening offices.
- Expanded our professional indemnity loss adjusting team and opened an office in Leeds.
- Secured significant new travel claims handling and medical assistance contracts from leading UK insurers.
- Launched medical screening proposition and secured new clients.

### Capture new strategic opportunities:

We are developing new capabilities and building our businesses through acquisitions, joint ventures and business investments. We only progress initiatives which are a good fit strategically, culturally and financially.



See more in the Group Chief Executive Officer's report, starting on page 14

### 2017 highlights:

- Acquired Criterion Adjusters to enter high net worth loss adjusting market.
- Bought Metro Risk Management to extend US claims management (TPA) capability.
- Acquired and integrated a book of business from Zurich international into the Group's wholly owned life insurer.
- Purchased Allied Dunbar International Fund Managers to enter the fund administration market.
- Participated in a funding round for Fadata to enable a strategic investment in a digital insurance technology specialist and support business growth.



# How we Measure Performance

Our key performance indicators show a solid overall performance by the Group in 2017. Revenues grew significantly, combined with steady growth in adjusted profits and earnings. Net debt increased following acquisitions, investments and capital expenditure. Our significant efforts to reduce the working capital requirements of Adjusting Services is yielding positive results, releasing around £5m.

## Group KPIs

### Adjusted profit before tax (£m)

17	+3.5%	15.3
16		14.8
15		14.2

Adjusted profit before tax is profit before tax after allowing for acquired intangible charges, pre tax non controlling interests and other adjustments. See *Financial Review*, page 26.

### Adjusted earnings per share (pence)

17	+11.1%	24.73
16		22.27
15		19.98

Adjusted earnings per share is explained on the highlights page.

### Annual average net debt (£m)

17	39.5
16	12.9
15	5.2

Net debt is explained in note 23 to the Financial statements.

### Interest cover (times)

17	8.7
16	12.3
15	12.8

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

### Free cash flow (£m)

17	-40.3%	4.3
16		7.2

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

17	+13.6%	2,095
16		1,844
15		1,324

Headcount includes all permanent and contract members of staff.

## Professional Services KPIs

### Revenue (£m)

17	+26.3%	211.2
16		167.2
15		141.9

Our policy for revenue recognition is explained in note 3 to the Financial statements.

### Adjusted segmental operating profit (£m)

17	+24.0%	17.7
16		14.3
15		15.2

Adjusted segmental operating profit is operating profit excluding acquired intangible amortisation and non recurring costs.

### Adjusted segmental operating profit margin (%)

17	-0.2 pts	8.4
16		8.6
15		10.7

Adjusted segmental operating profit margin is adjusted segmental operating profit as a percentage of revenue.

### Adjusting services' debtor months

17	-11.1%	4.0
16		4.5
15		4.3

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

### Adjusting services' work in progress months

17	-8.7%	4.2
16		4.6
15		4.8

Work In Progress months is the value of unbilled time divided by the value of time recorded on a count back basis.

# Market Overview

## Our capabilities are in demand in a changing insurance world

The global insurance market is consolidating and becoming more global. We are well placed to capitalise on these major market developments and provide services which meet the challenges our clients face.

### Global market trends

**Growing world economy driving demand for insurance.** Global growth is strengthening, with growth estimated by the IMF to have been 3.7% in 2017.

Emerging markets and developing economies are accelerating, with growth of 4.5% forecast by the World Bank in 2018.

In 2016 global insurance premiums grew by 3.1% in real terms – faster than global economic growth of 2.5%, according to Swiss Re.

### Consolidation across all market areas.

There is an accelerating trend of consolidation, with leading insurers such as Ace acquiring Chubb, Sompo buying Endurance and announcements by AIG of its plan to acquire Bermudian reinsurer Validus, and AXA of its intention to acquire XL.

### Disruptive and enabling emerging technology.

The global market for insurance technology is expected to exceed US\$217bn in 2018, according to technology consultant Gartner, as insurers move to capitalise on digital transformation of their businesses.

### Increased emphasis on cost reduction and regulatory compliance to drive profitability.

To meet their profit targets and release funds to invest in change programmes, insurers are increasingly focused on driving cost optimisation whilst also responding to increased regulatory requirements. 70% of insurance business leaders surveyed by PwC plan to implement cost reduction initiatives.

### Implications

Demand for insurance is growing and hence so is the demand for insurance services and solutions.

Emerging markets are a major driver of global insurance premium growth. In 2016, emerging markets accounted for 20% of global premiums, up from 5% two decades ago, according to Swiss Re.

Larger global insurers tend to procure services with more rigour and are seeking larger, more credible strategic partners to provide them with a wider range of services and solutions across their businesses.

Related to this, there is a trend for many insurers to consolidate their supply chains, by moving business to a smaller number of broader, more global providers.

Insurers and brokers need to understand how to use technology to deliver digital transformation while balancing change agendas, budgets, challenges of legacy systems and disruptive new entrants.

Insurers need to work with trusted suppliers that can provide specialist services and technological solutions that reduce costs and help them to achieve regulatory compliance.

### Charles Taylor advantages

Our wide range of services and global network means that our services are in demand in all market conditions.

Our global network, with strength in emerging markets, means we are located where our clients need us to deliver services and we are well positioned to benefit from emerging market growth.

Our strong reputation, global network, size and range of services across the entire insurance value chain makes us ideally positioned to serve larger global insurers in order to meet many of their needs.

Our InsureTech business, deep knowledge of the insurance industry and global network means that we can deliver blended technology solutions worldwide.

Our wide range of technical services and insurance technology capabilities means we can deliver services and solutions to reduce cost, increase efficiency and enable insurers to meet their regulatory requirements, allowing them to build and improve their core businesses.

# We understand the challenges our clients face

Against this background of change in global insurance markets, we understand the challenges our clients face to build their businesses and achieve their goals. These include:

**1** / **Deploying capital profitably**  
 Globally, insurers, brokers and insurance clients need to access the right markets to optimise capital allocation and risk adjusted returns. This may include accessing Lloyd's, setting up new insurance vehicles and managing a mutual or a captive.

**2** / **Winning new business**  
 In an increasingly competitive marketplace, with new disruptive market entrants and market conditions where capital is abundant, insurers and brokers need to address the market wide issues around winning new business and then retaining customers economically.

**3** / **Managing claims effectively**  
 Insurers, brokers and insurance clients need to ensure that their claims programmes and related supply chains operate efficiently. This includes a focus on reducing claims' operating costs, ensuring indemnity spend is properly managed, managing static or long tail claims, identifying fraud and data management.

**4** / **Accessing technical claims expertise**  
 Insurers, brokers and insurance clients need to access the right claims expertise to adjust claims, especially when they are large or complex. There is a demand for constantly available, trusted technical resources, objective auditing or management of the claim and a requirement to manage the relationship with the insured. Insurers also need to access resources to handle claims surges following major incidents or natural catastrophes.

**5** / **Managing legacy and run off**  
 The industry faces common challenges around managing legacy and run off portfolios. These include what to do with non core business or books that distract management, how to release low return capital, while maintaining service to policyholders and protecting their brand reputation.

**6** / **Improving operational effectiveness**  
 To compete effectively, insurers and brokers need to continually improve operational efficiency. This can include focusing on reducing cost, improving the quality of management information, freeing up resources for differing priorities or ensuring efficient management of uneconomic books of business.

There are common challenges relating to regulation, customer experience and technology across all of the themes outlined on the left:

- **Responding to regulatory demands**  
 The insurance market needs to cope with the increasing burden of regulation – both by meeting current requirements and understanding the impact of future changes.
- **Delivering an exceptional customer experience**  
 Across these challenges, there is a constant focus to improve the customer experience at multiple touch points with the insurer. This impacts every part of insurers' and brokers' operations.
- **Capitalising on insurance technology**  
 Insurers and brokers need to understand how to use technology to deliver digital transformation for external and internal customers. This can mean managing competing change agendas, dealing with budget pressures and managing legacy systems at a time when the speed of technological change is accelerating.



# Our Business Model in Action

## We offer a unique range of specialist, high value technical services and solutions that enable our clients to address their challenges

Our services have been developed to meet our clients' changing needs and challenges. We believe we are unique because our services support every stage of the insurance lifecycle and every aspect of the insurance operating model across all insurance business lines.

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

### Insurance management

End to end management of insurers and insurance programmes under a long term model of partnership.

- Mutual management
- Lloyd's managing agency
- Offshore life insurance and fund administration services
- Captive management

### Claims programme management

Third party claims administration and related services, spanning the full claims lifecycle from First Notice of Loss (FNOL) to settlement and analytics.

- Claims handling across the aviation, energy, marine, property and casualty, special risks and general sectors
- Travel and medical claims handling
- Workers' compensation and personal injury claims handling
- "Stand alone" specialist claims services (e.g. bordereaux management, claims audit, static claims management)
- Emergency and contingency planning services
- Medical screening services
- Pre travel advice
- Medical and security assistance
- Medical transfers

### Insurance technology services and solutions

Technology related solutions and services to help insurance businesses achieve change.

- Policy administration solutions
- Broking solutions
- Delegated authority solutions
- Claims technology solutions
- Insurance software solutions

### Loss adjusting

Loss adjusting and related services across all major lines and geographies, with a focus on large, complex losses.

- Loss adjusting across the aviation, energy, marine, property and casualty, special risks and general sectors
- Technical services (forensic accounting, surveying, risk engineering)

### Specialist outsourced services

Tailored services to support underwriting, broking, compliance, administration and investment management.

- Life insurance and investment administration
- Investment management
- Underwriting support
- Broker support
- Audit services
- Fraud and investigations services
- Risk management, assurance and governance outsourcing and advisory

### Legacy and run off services

Solutions for releasing capital from legacy non life and life portfolios via outsourced management or sale.

- Run off management
- International life acquisition and consolidation
- London market legacy claims

- Business intelligence and analytics services
- Technology development, integration and implementation
- Support and maintenance



# 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 technical services provider in the global insurance market, offering distinctive services and solutions. Our services and solutions are designed to make the business of insurance fundamentally better.

## Market leading breadth of service

We provide services and solutions that support every stage of the insurance lifecycle and every aspect of the insurance operating model. These are designed to enable our clients to increase efficiency and deliver exceptional services to their customers. (See “Our business model in action” page 10.)

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.

For example, we were 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.

We do not simply offer a menu of services and solutions, but combine our wide range of capabilities to offer an integrated solution that is tailored to clients’ specific needs and delivers direct business value.

## World class technical expertise

We work for clients operating across every sector of the insurance market, and range from insurers – including corporates, mutuals, captives, MGAs, Lloyd’s syndicates and reinsurers – to brokers, distributors and corporate insureds.

We recruit and retain technical experts, with practical experience and proven track records.

Our technical experts cover the entire insurance market – 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.

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

## Extensive global reach

Our services are available wherever and whenever our clients need us. With around 2,100 people, operating from 107 locations in 29 countries, we have the global reach to serve our clients across any time zone and geography.



## Delivered with a 100% focus on insurance

Charles Taylor has been serving insurance clients since 1884. We build long partnerships, lasting many decades, by tailoring our services to our clients' exact needs, backed by the highest levels of technical expertise. Underpinned by our core values (see page 4), our people take great pride in their relationships with clients and the service that they provide every day.

We operate to the highest ethical and governance standards, whilst our London Stock Exchange listing gives our clients the assurance of stability, transparency and excellent governance.

Our clients can be confident in our 100% focus on delivering long term solutions that serve their best interests.

# Group Chief Executive Officer's Report



Charles Taylor achieved a solid overall financial performance in 2017. We delivered significant revenue growth combined with steady growth in adjusted profits before tax and good growth in earnings.

David Marock  
Group Chief Executive Officer

Statutory profits were down year on year, largely due to the amortisation of intangible customer relationship assets following the acquisition of CEGA in 2016 and non recurring costs relating to office closures and operational efficiency. We do not consider that these costs reflect the Group's underlying performance. These are described in more detail in the Financial Review on page 26. We made excellent progress in executing our strategy by growing our businesses organically

and investing to expand our capabilities for global clients. These investments held back the underlying short term growth in adjusted profit before tax, which otherwise would have been substantially higher, but are expected to deliver improved long term growth for shareholders.

Investments have been made both to take forward our key strategic initiatives, whilst also improving the Group's underlying performance. These include:

## Growing our core businesses

- Growing InsureTech. The business has secured or has been selected as preferred provider for large and high profile, multi year contracts in Europe and Latin America.
- Developing our global property and casualty (P&C) loss adjusting capability with the creation of new teams, the expansion of existing teams and the opening of new offices in the UK, USA and Middle East.
- Securing significant new travel and medical assistance business wins from leading UK insurers, along with expanding our range of solutions utilised by clients.

## Capturing new strategic opportunities

- Acquiring Criterion Adjusters, a loss adjusting business focused on the UK high net worth insurance sectors.
- Strengthening our US TPA capability by acquiring Metro Risk Management, a workers' compensation insurance claims administrator.
- Acquiring the book of Zurich International life insurance bonds and integrating them into the Group's wholly owned Isle of Man life insurer.

Charles Taylor aims to deliver shareholder value by delivering a diversified set of income streams, providing reliable, sustainable year on year growth in earnings, while investing to create opportunities to achieve a step change in longer term earnings growth.

## Group results – continuing business

	2017	2016	%
Revenue (£m)	<b>210.8</b>	169.3	+24.6%
Adjusted profit before tax (£m)	<b>15.3</b>	14.8	+3.5%
Statutory profit before tax (£m)	<b>7.4</b>	10.7	-31.3%
Adjusted earnings per share (p)	<b>24.73</b>	22.27	+11.1%
Basic earnings per share (p)	<b>13.14</b>	15.85	-17.1%
Dividend (p)	<b>11.01</b>	10.50	+5.0%
Net debt (£m)	<b>57.2</b>	37.5	n/a

## Professional Services' performance

(£m)	Revenue		Adjusted segmental operating profit	
	2017	2016	2017	2016
Management Services	<b>58.3</b>	54.7	<b>10.1</b>	8.7
Adjusting Services	<b>74.9</b>	65.4	<b>4.5</b>	1.8
Insurance Support Services	<b>78.0</b>	47.0	<b>3.1</b>	3.8
Total	<b>211.2</b>	167.2	<b>17.7</b>	14.3

## Owned Life Insurers' performance

(£m)	Revenue		Adjusted segmental operating profit	
	2017	2016	2017	2016
Owned Life Insurers	<b>4.6</b>	4.7	<b>0.6</b>	2.0

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



We are well placed to grow our business by capitalising on the major market trends in the insurance market and providing services which meet the challenges our clients face. See *“Our capabilities are in demand in a changing insurance world”*, page 8. We believe these trends will encourage larger global insurers, brokers and corporates to work with strategic partners like Charles Taylor. We can leverage our technical services and technological solutions to enable our clients to deliver services to their clients in fundamentally better ways. Our global network, deep insurance knowledge, technical capabilities and specialist solutions mean we are ideally positioned to serve our clients across the globe and in every area of their operating model.

The effectiveness of our growth strategy has been recognised at The European Business Awards, Europe’s largest business competition. Charles Taylor was chosen by a panel of independent judges, including senior business leaders, politicians and academics, as the best in the UK in the “Elite Award for Growth Strategy of the Year” category.

#### Professional Services

- The overall performance of our **Management Services** business was strong. The UK & International business enabled The Standard Club to achieve an excellent result and return premium to members. We also introduced significant changes to the operating model of The Strike Club to improve the financial performance of the club. The Americas business also delivered an outstanding result for its main client, Signal Mutual, achieving 100% renewal of members.
- The **Adjusting Services** business made good progress in strengthening its business to increase regular, repeatable income streams and delivered a material improvement in its working capital requirements. The business achieved good revenue growth, while our efforts to reduce costs, increase efficiency and grow the business delivered a pleasing increase in both profit and margin. The acquisition of Criterion and the expansion of other teams are expected to deliver further performance improvements.
- The **Insurance Support Services** business delivered excellent top line growth, benefiting from a full year’s contribution from CEGA, which secured additional business from high profile UK insurers. Overall profit was down

because of our increased investment to build the capabilities of our insurance technology business. We are seeing good progress in our efforts to establish Charles Taylor InsureTech as a global insurance technology provider. It has been selected to deliver large and high profile, multi year projects in the UK and Latin America.

- We participated in funding rounds for Fadata, an associated business, in July 2017 and March 2018 as part of our technology strategy. Fadata made losses in 2016 and 2017, largely due to long lead times for software licence sales and investment to establish the Company in Western markets. Fadata is now seeing positive signs of a stronger sales pipeline, which includes significant sales opportunities in Latin America introduced by Charles Taylor InsureTech. We are confident in the business’ long term future and future growth prospects.

#### Owned Life Insurers

The Group’s **Owned Life Insurers’** revenue decreased modestly. Profit was down, given the prior year included a one off contribution to profit on acquisition.

Following the acquisition of a closed book of Zurich International life insurance bonds in early 2017, the business was transferred successfully into LCL International Life Assurance Company, the Group’s wholly owned Isle of Man life insurer, which led to a gain on acquisition of £0.9m.

#### Balance sheet

We are managing actively the Group’s cash profile while investing for growth. Net debt was £57.2m at the end of 2017 (2016: £37.5m) largely as a result of acquisitions and investments (£9.5m) and capital expenditure (£7.7m). See *Financial Review*, page 26. The Group’s annual average net debt, which we believe better represents the Group’s overall borrowing, was £39.5m for the year (2016: £12.9m). Free cash flow was £4.3m (2016: £7.2m). Taking into account the Group’s annual cashflow profile, the Board considers that the level of net debt is appropriate.

Our significant efforts to reduce the working capital requirement of Adjusting Services are yielding positive results. The working capital requirement reduced by about one month, releasing around £5m, which was used to support the growth in the adjusting business.

We completed a successful refinancing of the Group’s debt facilities, due to mature in November 2018, on improved terms whilst increasing the Group’s headroom to borrow to support further growth.

The Group’s pension scheme deficit fell during 2017, principally due to good investment returns and the payment of deficit funding contributions by the participating employers. The Group’s net pension liabilities were £44.7m at the year end (2016: £52.5m). Net of deferred tax, the liability was £37.1m (2016: £43.5m). See *Financial Review* page 26.

#### Dividend

An interim dividend for the year to 31 December 2017 of 3.31p (2016: 3.15p) per share was paid on 10 November 2017. The Directors recommend a final dividend of 7.70p (2016: 7.35p) per share to be put to shareholders at the Annual General Meeting on 15 May 2018. The total proposed dividend for the year is therefore 11.01p (2016: 10.50p). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 25 May 2018 to all shareholders on the register on 27 April 2018.

#### The Board

As announced at the half year, we were pleased to welcome Tamer Ozmen as a Non-Executive Director, from 29 June 2017. Tamer also joined the Audit, Remuneration and Nomination Committees with effect from the same date.

Tamer is an accomplished technology professional with over 20 years’ senior management experience. He currently runs Microsoft UK Services, which supports UK customers to digitally transform themselves and works with them to disrupt their business models to achieve better results.

# Group Chief Executive Officer's Report

continued

## 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 entities' 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 largest managed mutual clients continues to be excellent – 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 our Management Services business was strong. The UK & International business line enabled The Standard Club to achieve an excellent result and return premium to members. It improved the operating model of The Strike Club to improve and strengthen the future financial performance of the club. The Americas business delivered a strong result for its major client, Signal Mutual, achieving 100% renewal of members.



**Justin Gardner**  
Chief Underwriting  
Officer, Management  
Services, Wilton

Justin Gardner has over 27 years' experience in international insurance. He started his career at Gen Re, latterly as Chief Underwriter and Manager for the Global Marine segment, before joining Willis Re as Executive Vice President in New York. "I had a lot of interaction with Charles Taylor when I was at Willis, arranging the reinsurance for Signal Mutual and the launch of SafeShore, so I knew what a talented team they were," he said.

He joined the Group's Management Services business in 2017 to lead the underwriting team for Signal Mutual. "It was a tremendous opportunity to work with a market leading mutual insurer," he said. "I also wanted to work in a fast growing entrepreneurial business and that is exactly what Charles Taylor offers."

Justin is focused on improving efficiency and identifying how technology can enhance service delivery for Signal Mutual. He says that systems and processes worked well when he joined, giving him the opportunity to take a long view on future developments. "Nothing needed fixing, but the team at Charles Taylor embrace the idea of never ending improvement," he said. "People here are really invested in seeing the business develop and grow."

He enjoys the collegiate working environment and interaction with Signal Mutual's members. "The members take real pride in being members of the Association," he said. "We work together in a productive, collaborative environment."

Joining Charles Taylor has exceeded Justin's expectations. "I'm part of a high quality team of people with deep technical expertise and business acumen and above all they are a really enjoyable group of people to work with."

### Case study

## Delivering medical repatriation services to our mutual clients

Providing fast and effective medical repatriation for seriously ill seafarers combines the Group's medical assistance and mutual management capabilities for the benefit of The Standard Club's members.

"Working closely with CEGA means we can offer the club a one stop shop and it puts us in control of delivering exceptional repatriation services for members," said Richard Stevens, Divisional Claims Director, Management Services UK & International. "CEGA is outstanding in assisting members in hard to reach places," he added.

In one case, a seaman was taken ill off the coast of Bangladesh. He was transferred to Dhaka for treatment following a serious heart attack. CEGA advised on the case and arranged a transfer by plane equipped with oxygen and a doctor escort to repatriate the seaman home to Turkey.

The case was complicated by some areas of the country being rated as a high security travel risk. CEGA's security colleagues provided security vetting of the hotel, a meet and greet for the doctor escort and safe escorted road transfers. They also arranged photo ID and a mobile phone number for the doctor to avoid the risk of mistaken identity or kidnapping. The repatriation went smoothly, enabling the seaman to continue his recovery at home.

Paola Regini-Barnes, Corporate Assistance Technical Team Leader at CEGA, heads the team providing dedicated support to The Standard Club. "Getting involved in cases early means we can offer direction on care and reduce hospital stay time, achieving cost savings. Our worldwide network of medical specialists means we can deliver service to the club anywhere in the world," she said.



## “The work Charles Taylor delivers for The Standard Club is at the forefront of innovation in the P&I market.”

### Management Services – UK & International

**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’s shipping market. Our work has delivered an excellent result for the club.

The club’s entered tonnage grew by 7% during the 2016/17 policy year and 2% at renewal, an overall annual increase of 9%. This is well ahead of growth in the world fleet of 3% over the same period, demonstrating the quality of service and financial security which we enable the club to deliver to its members.

At the 2017/18 renewal, the club set no general increase and returned 5% of estimated total premium to members for the 2016/17 policy year, underlining the club’s financial strength. The club had a total premium income of US\$339m and free reserves of US\$430m at the close of the 2016/17 policy year.

In other activity, we are helping the club to prepare for Brexit. In this regard, we intend to establish an Irish insurer for the club and open a Charles Taylor office in Dublin, specifically to serve the club’s European Union based members post Brexit.

We have worked to enable the club to deliver its diversification strategy. The Standard Syndicate, established in 2015, is now established in the Lloyd’s market. After a difficult start in remarkably soft and challenging market conditions, the syndicate is now poised for growth. In common with most new market entrants, The Standard Syndicate’s business plans for 2015-2017 anticipated losses, due to start up costs. The Standard Syndicate’s business plan for 2018 moves the syndicate beyond its start up phase and is focused on profitable underwriting. The club diversified its business by agreeing a new mutual excess cover facility with the Korea P&I Club. This will help to expand the club’s business in the important Korean shipping market.

**The Strike Club.** The Strike Club is the only dedicated mutual insurer covering the running costs of vessels delayed by strikes, shore delays, collisions, groundings and other incidents outside an owner’s or charterer’s control.

We delivered a good result overall for the club in 2017, extending the range of insurance covers available, achieving a 98% renewal and welcoming new members for the 2017/18 policy year. We worked to improve the club’s efficiency and operations, closing the Monaco office in June 2017 and centralising its operations in London.

**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. The membership of the association remained stable during the year despite a dip in the oil price. We anticipate that the membership may now start to grow as activity increases in the North Sea on the back of improving oil prices.



**Heather Maxwell**  
Claims Executive,  
Charles Taylor  
Management  
Services, London

“The work Charles Taylor delivers for The Standard Club is at the forefront of innovation in the protection and indemnity market,” says Heather Maxwell, who manages insurance claims for the club’s members across Europe.

Heather is deeply engaged in the process of innovation through her work on the club’s “Technology in Shipping” project. “We’re looking at the future of insurance in the marine market, so we are fully prepared to meet the club’s members’ emerging needs. For example, what will be the impact on insurance of fully autonomous ships, which will probably be with us in the next 20 years? How should fleet owners respond to the challenges of cyber risk?”

Heather joined Charles Taylor in 2015 following three years in private practice, where she completed her legal training and developed her skills in the shipping market. Prior to starting her training contract, she gained experience across a range of sectors, but soon realised that the shipping market was where she wanted to develop her career.

“Joining Charles Taylor has been a great opportunity. I have been given responsibility to work across a huge range of different insurance claims. I work closely with the club’s members to reach outcomes which are in their very best commercial interests. It is a very supportive environment and I know that I can always call on the support and experience of my colleagues when I need it.”

# Group Chief Executive Officer's Report

continued

“Our work establishing SafeShore was recognised by the industry when we won the ‘Launch of the Year’ award at the prestigious Insider Honours awards in 2017.”

## Management Services – Americas

The Management Services – Americas business supported the further growth of Signal Mutual, increased the membership of SafeShore and delivered management services to SCALA.

**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.

Our work in 2017 helped ensure a very strong year for the Association. The Association achieved 100% retention of members for the 2017/18 policy year and reduced the advanced call charged to members for the 15th successive year. This reflects a reduction in the frequency of claims, driven by the highly effective safety services we provide to the Association's members. As the US economy strengthens, it leads to greater trade volumes through the ports and terminals operated by Signal's members. As a result, we are expecting growth in the payroll of members to US\$4.0bn in 2017/18.

**SafeShore**, the Longshoreman Workers' Compensation Small Account programme, backed by Signal Mutual, is growing strongly. We established SafeShore as a “for profit” programme on behalf of Signal in 2014 to offer a further source of high quality income for the mutual. 195 covered employers were entered in the programme in the 2016/17 policy year (which is an increase of 16 over the prior year), with payroll increasing to US\$60.4m, up from US\$40.6m in the prior year.

Our work establishing SafeShore was recognised by the industry when we won the “Launch of the Year” award at the prestigious Insider Honours awards in 2017.

**SCALA.** Charles Taylor has managed SCALA, which has provided marine workers compensation insurance to the majority of Canadian ship owners, since 1978. SCALA continued to perform well on behalf of its members.



**Rebecca Hamra**  
Claims Director,  
Management  
Services,  
New York

“One of the best parts of my job is feeling connected to the world stage,” said Becky Hamra, Claims Director in Charles Taylor's New York office. “The Standard Club's members ship goods all over the world, and you have to know what is going on in global politics to handle claims in sensitive areas.”

Becky joined Charles Taylor's Management Services team in New York in 2011 as a claims executive, handling marine insurance claims for The Standard Club. She is a graduate of Millsaps College in Jackson, Mississippi, with a Bachelor of Arts in English Literature, and holds a Juris Doctor from Tulane University Law School, New Orleans specialising in Maritime Law. “I was drawn to marine law after taking a marine pollution course at law school,” she said.

She has continued her education at Charles Taylor; she completed the Protection and Indemnity Qualification in 2016 and is planning to start the Association of Average Adjusters' exams. She was also admitted to the New York State Bar in 2012 and to the Supreme Court Bar in 2016. “Charles Taylor really emphasises education, and there is a wealth of knowledge within the Company that you can utilise for training and mentoring as well,” she said.

Becky has progressed quickly, being promoted to Senior Claims Executive in 2015 and to Claims Director in 2017, taking on responsibility for The Standard Club's North American claims.

She values the opportunity her job gives her to travel widely and to work with colleagues in different Group businesses. “I've travelled to a variety of locations such as Hawaii, San Francisco and Vancouver to support members and I'm over in London at least once a year. I've also spoken at the Signal Marine Conference and worked closely with marine surveyor colleagues in Charles Taylor's average adjusting business,” she said.

# Adjusting Services

The Adjusting Services business provides loss adjusting and technical support services across the aviation, energy, marine, property and casualty and special risks sectors (these include specialist professional indemnity, construction and engineering, property and high net worth claims).

We believe this breadth of expertise and capacity makes our Adjusting Services business unique among the world's major loss adjusting firms. The business specialises in the settlement of more complex losses arising from major insured incidents and claims. We also offer a high net worth and general loss adjusting services.

Adjusting Services made good progress in strengthening its business to increase regular, repeatable income streams and delivered a material improvement in its working capital requirements. The business increased revenue by 14.5%, while our efforts to improve business performance, increase efficiency and grow, delivered a pleasing increase in margin and more than doubled the profit for the year. This year's improvement is part of our longer term strategy and we are focused on delivering further improvements in 2018 and subsequent years. In particular, the acquisition of Criterion Adjusters and the expansion of our existing teams are expected to deliver further performance improvements.

## Diversified into profitable P&C lines

Our strategy to expand our business into specialist profitable property and casualty sectors is achieving positive results. In 2017, we:

- Entered the high net worth (HNW) adjusting market with the acquisition of Criterion Adjusters, a prominent player in the HNW sector. Criterion handles a significant share of the UK's HNW property, fine art and antique related claims as well as being the preferred loss adjuster to many specialist HNW insurers.
- Developed our US adjusting team. We appointed a new CEO and Regional Head for our US adjusting business in January 2017. Over the year, we have created a commercial property adjusting capability, enhanced our existing business lines and significantly strengthened our business development capabilities. We welcomed 15 senior adjusters to the team, extending our coverage across the country, including opening an office in Fort Lauderdale to increase our superyacht adjusting



**Heather Robinson**  
Director,  
Charles Taylor  
Adjusting, Dubai

Heather Robinson is an average adjuster with Richards Hogg Lindley (RHL), Charles Taylor Adjusting's marine hull adjusting business.

Heather graduated with a law degree from the University of Sheffield in 2008, joining RHL in 2010 after a year working in liability loss adjusting. She handles a variety of claims principally involving property damage to hull and machinery on board ships, loss of hire/business interruption, salvage and large general average claims, whereby the costs arising from marine casualty management are apportioned between ship owners, cargo and other property interests.

Heather has recently been promoted to director and relocated from London to Dubai to strengthen CTA's marine presence in the Middle East. Previously she had been seconded to CTA's Hong Kong office for six months, also spending time in its Jakarta and Tokyo offices. "I really enjoy the opportunities to work in CTA's different international offices. It is interesting to see how our own and our clients' businesses operate in other parts of the world. The work is always varied, and I enjoy the complexity and challenges of problem solving in marine claims adjusting. I also find the global nature of the work and meeting and working with our clients in different areas of the world really fascinating."

In 2017 Heather qualified as a Fellow of the Association of Average Adjusters after seven years' study. "Charles Taylor is a great company to work for," she said. "For average adjusting, the training here is widely recognised as the best in the industry; working together with experienced and qualified adjusters who are well supported by technical staff including in house marine consulting surveyors. The claims we are appointed on are often varied and complex."

## Case study

### Supporting a world class Arctic decommissioning project

When ConocoPhillips wanted to remove four massive, 5,500 ton concrete structures that had been part of an exploratory drilling platform in harsh arctic conditions, it turned to Charles Taylor Adjusting for the Group's marine surveying and consultancy capabilities.

The four caissons were watertight concrete structures, which had been used to reinforce the drilling platform. When the platform was decommissioned in 1984 the caissons were towed to Herschel Island in Canada's Yukon province, where they remained resting on the seabed, protruding above the surface.

The challenge was to remove the caissons intact and transport them to Mexico for decommissioning. This had to be achieved in harsh arctic conditions in one of the most remote locations in the world. At the same time, the team needed to protect the fragile environment, while respecting the needs of the local Inuvialuit people.

ConocoPhillips retained Charles Taylor Adjusting's Houston Marine team for our marine consultancy and surveying expertise during both the planning and execution phases. We were involved in every step of this complex and world class project.

The project was a complete success. After 30 years of sitting in the Beaufort Sea serving only as an eyesore to the indigenous people, the four caissons were safely re floated and transported to Mexico for "green" breaking and recycling without harm to the environment or any injuries to any of the team involved in the project.

"We had the best team imaginable," said Kim Clarke, ConocoPhillips Canada's Arctic Project Integration Manager. "Everyone was engaged and took ownership of their role in the project. I couldn't have been prouder to work with them."

# Group Chief Executive Officer's Report

continued

capabilities. Over the year, the US team won over 100 new clients.

- Delivered a positive performance for our UK construction and engineering team, established in 2016. We have benefited from considerable market support with important account nominations on major contractors and infrastructure providers' annual covers and significant commercial, residential, road, rail and waste to energy specific nominations.
- Extended our UK professional indemnity loss adjusting capability by establishing a new team and opening an office in Leeds.

## Focused on core loss adjusting business

We believe we are the only major global loss adjuster to have dedicated specialist teams for larger and more complex aviation, marine, natural resources, property and casualty claims. Our core adjusting business lines are focused mainly on complex high value incidents, so their performance is more dependent on the number and value of these type of claims in the market. These core business lines performed well throughout the year.

The quality of our work has been recognised by the industry and we won the Cuthbert Heath award at the Insider Honours. This prestigious award recognises the best response to a major insurance loss and was awarded for our work in spearheading the response to Hurricane Odile, which caused over US\$1bn in damage in Mexico.

## Natural disasters

2017 has been remarkable for the high number of insured losses from Hurricanes Harvey, Irma and Maria and earthquakes in Mexico. We led the programme to adjust losses relating to government infrastructure in Mexico. We have also been active adjusting property claims in the USA and yacht losses in Florida and the Caribbean. While these claims have supported our overall performance, we are not dependent on future major natural catastrophes to achieve further business growth. Most catastrophe related adjusting is focused on high volumes of lower value property claims. We are not active in the volume "cat" market as our expertise is focused mainly on complex high value incidents.

## Improved operational efficiency

Our focus has been on both significantly improving a small number of under performing offices, including closing our Halifax office in Canada, as well as improving business performance generally. Our programme, which includes restructuring teams and installing stronger central and local management, is delivering improved results. These initiatives will remain the key area of focus in 2018.

We have focused on improving adjuster utilisation, by flexing our teams to respond to demand surge wherever it occurs in the world. For example, our Canadian adjusters provided significant support and resources to our Mexico adjusting team, enabling them to respond effectively to the inevitable increase in claims management activity following the country's recent earthquakes.

## Reduced working capital

Our significant efforts to reduce our working capital requirement by invoicing faster and collecting debts more quickly are also yielding positive results. We have overhauled our invoicing and credit control process, particularly in the key London market collections, and have also strengthened our working capital management across all our business lines. This has resulted in an overall 10% reduction in our working capital from 9.1 to 8.2 months, which releases over £5m in working capital. Average Work In Progress months have reduced from 4.6 to 4.2 months and our debtors from 4.5 to 4.0 months. We believe that this positive reduction in working capital requirement will continue in 2018.

## Educated the next generation

It is critical to the development of the business that we invest in training to develop the next generation of loss adjusters. This year we saw success for three of our marine loss adjusters, who passed the last module of the Association of Average Adjusters exams and have become Fellows of the Association of Average Adjusters. There are very few Fellows worldwide, so to add three in one year is a great achievement and significantly strengthens our marine adjusting business.



**Shazia Rehman**  
Senior Adjuster,  
Charles Taylor  
Adjusting, London

"Charles Taylor is very open to change and provides opportunities for young people to develop and grow. If you have the drive, you are given the opportunities and support to succeed," said Shazia Rehman.

She joined CTA in 2010, after completing a degree in Materials Engineering at Queen Mary University of London. Her first role was in credit control for CTA's natural resources team, working alongside adjusters and clients.

Shazia's technical engineering abilities were soon recognised as transferable into loss adjusting. She spent a year as an assistant adjuster, shadowing adjusters and learning new skills, before becoming a loss adjuster with her own caseload in 2014. Shazia was promoted to senior adjuster in 2017.

She handles a wide range of complex natural resources claims with a focus on downstream petrochemical and power generation losses. These range from straightforward refinery claims to near billion dollar losses across multiple jurisdictions. "When engaging with various insured claimants we have to be very aware of the various cultural sensitivities and political differences that prevail in the many countries where our services to the insurance industry are delivered," she said.

Shazia values the opportunities to learn from colleagues. She has taken an industry training course at the Oil & Gas School in London and attended major energy conferences in Lillehammer and London amongst others.

Shazia regularly travels internationally to handle claims and meet clients, brokers and reinsurers. "Loss adjusting at CTA is essentially about project managing complex claims, working with a wide range of professional experts to deliver a timely solution to dynamic challenges on the ground," she said.





**Peter Fei**  
Senior Manager,  
Hong Kong

“It gives me great job satisfaction to be part of an adjusting team that is handling major, high profile marine casualties,” said Peter Fei, senior manager with Charles Taylor’s marine average adjusting business, Richards Hogg Lindley (RHL). He has been involved in adjusting several of the larger marine losses in Asia in recent years.

Based in Hong Kong, Peter has been with RHL for over 11 years. He joined the Group straight from university, where he studied International Shipping and Transport Logistics. Peter first encountered RHL during a university project, joining the business after he graduated. “The team at RHL gave me a fascinating introduction to the company. I was attracted to the business as its work is related to many of the shipping subjects I studied at university. It was a wonderful opportunity to get on board,” he said.

Peter values the training and development opportunities at Charles Taylor. He is an Associate of the Chartered Insurance Institute and is studying for the Association of Average Adjusters fellowship examinations. “Charles Taylor gives people the opportunity to develop and grow in their careers. The Group offers fantastic training support, offering study and exam leave as well as meeting the cost of examination fees,” he said.

Peter travels widely in his role, visiting clients in the major marine cities in mainland China, two or three times a year. He has also spent time in the Group’s average adjusting offices in London, Liverpool and Taipei to broaden his experience.

## Insurance Support Services

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

These include medical assistance and travel claims management services to insurers; 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 excellent top line growth, benefiting from a full year’s contribution from CEGA, which secured additional business from high profile UK insurers. Overall profit was down because of our increased investment to build the capabilities of our insurance technology business, Charles Taylor InsureTech.

**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.

CEGA has delivered a strong performance and integrated well into the Group in 2017. As reported at the half year, it has been appointed as travel claims handling and medical assistance provider by major UK clients and has since been awarded a contract with another top three insurer, extending its reach in the UK market. Onboarding of these new clients has now been completed successfully. CEGA has also renewed one of our largest insurer contracts with additional revenues.

The business has built and launched a new medical screening technology proposition, which has won strategically important new business.

CEGA has also made substantial progress in delivering services to the Group’s other businesses. It has added insurance fraud investigation services to Charles Taylor’s loss adjusting capabilities. CEGA has developed a major medical cost containment programme, to reduce insured medical treatment costs for our insurance clients. The business has introduced new insurer clients to Adjusting Services and has won new business from existing Charles Taylor clients, including The Standard Club and Signal Mutual, to provide medical assistance and repatriation.

**Charles Taylor InsureTech** draws together provision of the Group’s specialist and bespoke technology solutions, systems development and implementation solutions into a single client focused business.

We are making very good progress in our efforts to establish Charles Taylor InsureTech as a global insurance technology provider. It has been selected to deliver large and high profile, multi year contracts in Europe and Latin America.

It has been chosen to deliver TIDE, our delegated authority management solution, for the London insurance market. We have won the contract to implement a multi country life, health and general insurance policy administration system for one of Latin America’s largest insurers.

Charles Taylor InsureTech has also been selected by one of the world’s largest employee benefit (re)insurance providers to transform its technology infrastructure. Implementation of the new technology platform will support the client to deliver its ambitious business growth plans across Europe. Our solution will be based on Fadata’s INSIS policy administration software and InsureTech’s TIDE solution. The contract for the initial phase of work has been signed and the full project is expected to deliver consultancy, implementation and long term support revenues for InsureTech and licensing income for Fadata.



# Group Chief Executive Officer's Report

continued

“We are making very good progress in our efforts to establish Charles Taylor InsureTech as a global insurance technology provider.”

As part of our technology strategy, we participated in a funding round of €1.7m for Fadata, an associated business, in July 2017, and a further funding round of €1.9m in March 2018. Fadata is the specialist insurance policy administration software business acquired by the Group and The Riverside Company, a global private equity firm, in December 2015. The investments support Fadata's ongoing development and enabled it to make a strategic investment in IMPEO, a German digital insurance technology specialist.

Fadata has made a loss in 2016 and 2017, largely due to long lead times for software licence sales and the cost of investment to establish the Company in Western markets. The business is taking longer than anticipated to contribute to the Group's performance. Fadata's INSIS software is highly rated by the leading industry analysts and the business is now taking steps to transform its operating model and processes to capitalise on the competitive

advantage inherent in its INSIS software. Fadata is seeing positive signs of a stronger sales pipeline, including significant sales opportunities in Latin America introduced through Charles Taylor InsureTech. We are confident in the business's long term future and growth prospects and anticipate that its performance will improve in 2018.

**Charles Taylor Managing Agency** has experienced some turnover in its senior staff over the year as the business moved from its start up phase to becoming a more established business. It has delivered high quality services to its client, The Standard Syndicate, over the year. It is working to ensure that its systems and operations meet or exceed the governance standards required to win management contracts to manage further Lloyd's insurance vehicles.

**Charles Taylor TPA** is a global Third Party Administrator (TPA), which manages claims for insurers, coverholders and self insured employers. The business



**Nicola Jones**  
Business Producer,  
Charles Taylor  
Managing Agency,  
London

Nicola Jones joined Charles Taylor in 2016 as Business Producer for The Standard Syndicate, a client of the Group's turn key managing agency.

Nicola has 14 years' experience in marine insurance, starting her career with a Lloyd's broker. Initially she worked in the technical/ broker back up department, processing Lloyd's slips, which helped her build her knowledge of the market. "I put my hand up when there was an opening for a broker role. It was a great opportunity at a time when there were not any other women brokers in the company." She has since honed her skills, more specifically around Hull and Liability insurance alongside Protection and Indemnity insurance. She worked closely with many Protection and Indemnity clubs, including Charles Taylor's client and backer of The Standard Syndicate, The Standard Club.

"I joined Charles Taylor as I was attracted by the challenge of working with a start up syndicate and the range of insurance offerings available. I have been involved in many new developments and given huge responsibility, including travelling widely and working with some of The Standard Club's largest members," she said.

"One of the major benefits of working for Charles Taylor is the wide range of skills available", says Nicola. "The Group has many businesses and works across the insurance market. So, you can always find a colleague who knows the solution to any insurance question/situation."

## Case study

### Winning one of the largest Latin American insurers as an insurance technology client

Charles Taylor InsureTech has been appointed to implement Fadata's software solution for one of Latin America's top insurers in five Latin American countries with the option to extend to four further countries. InsureTech will also be providing ongoing systems support from its Centre of Excellence in Mexico City. This contract has firmly established InsureTech as one of the top insurance technology providers globally.

Our client is one of the largest life, general and health insurers in Latam, which operates in nine countries in the region. It has been running a multi year modernisation and transformation programme of its entire business to allow it to compete on the global insurance stage. The insurer was seeking a strategic partner to form a long term partnership to upgrade its core operating platform which is fundamental to the ongoing plans of the organisation.

InsureTech was selected to implement Fadata's software solution after an exacting selection process. Our capabilities were evaluated in depth by the client's risk, IT, procurement and legal teams. This was backed up by a detailed independent assessment of our capabilities by global technology research, advisory and consulting firm, Celent.

"Our clear long term commitment and investment into Latin America as well as our existing office network were important factors in our client's decision. Additionally, our domain expertise coupled with our established Centre of Excellence and insurance clients in the region were instrumental in us winning the business," said Jason Sahota, Charles Taylor InsureTech's Chief Executive Officer. "This was underpinned by a positive independent assessment of our approach and capabilities by Celent."

## “The Group’s 100% focus on insurance is a significant factor in winning new clients.”

takes on some or all of our clients’ claims management function, from white labelled first notification of loss services, through to claims investigation and delegated claims settlement and loss fund management.

Charles Taylor TPA has made good progress in the US and UK markets. It has appointed a senior industry practitioner to the new role of Director, Strategy and Performance to be responsible for strategy, sales and marketing performance and business development.

As part of our growth strategy, we acquired Metro Risk Management, a US West Coast based TPA specialising in US Longshore and State Act workers’ compensation claims. The acquisition will further strengthen the business’ presence in these major markets.

Separately, we extended our range of capabilities into the international fund administration market with the completion of the acquisition of Allied Dunbar International Fund Managers, announced in the Group’s 2016 Annual Report. These services complement the life policy administration services the Group provides in the Isle of Man.

### **Charles Taylor Insurance Services**

covers two separate business lines, providing outsourced insurance services to life insurance and non life clients. Both performed steadily during the period.

In the life sector, the business provides policy administration services to both life insurance businesses writing live business and those in run off. In the non life sector, Charles Taylor Insurance Services provides services to clients in the Lloyd’s, London and international insurance markets. Both businesses performed in line with management expectations.

Other business lines, including the Group’s investment management, captive management and risk consulting businesses, performed in line with management’s expectations.



**Amy Phelps**  
Senior Claims Adjuster, Insurance Support Services, Mobile, Alabama

Amy Phelps’ role as a claims adjuster is to manage workers’ compensation claims, following accidents or injuries involving employees working in US ports and terminals. Based in Mobile, Alabama, she is the lead account manager for clients based on the US Gulf coast.

“Our goal is to provide the injured employee with prompt, effective medical treatment and timely compensation benefits in order to expedite their recovery and return to work while minimising the overall cost to the employer,” she said. “While the majority of injured workers are legitimate, we must always be watchful for malingers who are exaggerating or faking their conditions because just those few claims can hugely impact our client’s overall losses.”

Amy enjoys the wide variety of tasks involved in adjusting Longshore claims. “At times you are part investigator, part attorney and part nurse,” she says.

Amy has 25 years’ experience in workers’ compensation claims, 21 of which have been in the Longshore sector. She started work with an insurer based in Tampa, Florida, “There was an opening for a claims assistant and I found I had a knack for it,” she said.

Amy has previously worked for self insured employers and mutual Longshore insurance providers along the Gulf coast. She says knowing the area and having long established relationships with doctors and lawyers working in workers’ compensation helps her to achieve the best outcomes.

She is excited about the growth prospects for Charles Taylor’s claims programme management (TPA) business, and for individuals. “The business is very encouraging and welcomes contributions from the whole team. Charles Taylor offers plenty of opportunities for education and personal growth. People are valued for their capabilities and experience here. I love that feeling,” she adds.



**Gonzalo Geijo**  
Sales Director, InsureTech, Buenos Aires

The key to growing an insurance technology business in Latin America is to demonstrate long term commitment to the region, according to Gonzalo Geijo. “That is where Charles Taylor InsureTech really scores,” he said. “The Group is well established in Latin America with offices across the region and it has invested in developing a technology Centre of Excellence in Mexico.”

Gonzalo Geijo joined Charles Taylor in 2017 from a major software solutions and services business in the region. He has 12 years’ experience of IT sales in Latin America and knows the market well. He has worked with some of the region’s largest insurance companies and has established an extensive network of contacts with consultants and providers.

“As soon as I met the senior team at Charles Taylor InsureTech I knew that I wanted to be part of this business,” he said. “I realised we shared a vision about how to build an insurance technology business in Latin America.”

The Group’s 100% focus on insurance is a significant factor in winning new clients. “Insurance is a complex regulated business and you need a fundamental understanding of the sector to succeed,” he said.

Gonzalo says that the market has been waiting for a major player to emerge. “We have set ourselves the target of becoming the leading InsureTech provider in Latin America and we are already well on the way.” Gonzalo points to Charles Taylor InsureTech’s success in winning business from major insurers and securing a contract to implement policy administration systems in five countries as a measure of the progress the business has made.

# Group Chief Executive Officer's Report

continued

## 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 business' revenue decreased modestly. As expected, profit was down, given there was a one off contribution to profit on acquisition in the prior year.

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 estimation of future expected expenses over many years can be a major factor in setting the actuarial reserves, such economies of scale can trigger reductions in those reserves, which can lead to positive revaluations, profits and cash releases arising at trigger points such as acquisition, reinsurance and following schemes of transfer.

Following the acquisition of a closed book of Zurich International life insurance bonds, this business was transferred successfully into LCL International Life Assurance Company, the Group's wholly owned Isle of Man life insurer.



**Chantel Garfield**  
Head of Financial Planning and Analysis, London

As Head of FP&A, Chantel Garfield works closely with the Group CFO to provide the financial forecasting and analysis that Charles Taylor's senior management team need to make strategic and operational decisions.

Chantel qualified as a Chartered Accountant in South Africa and relocated to the UK in 2005. She worked for Lexis Nexis, a provider of legal, regulatory and business information, for ten years, joining Charles Taylor in 2015.

"The beauty of working at Charles Taylor is the breadth of the business," she says. "It ranges from the established Management Services business to new high growth businesses such as Charles Taylor InsureTech."

Chantel says the Group has provided exceptional opportunities for professional development by giving her the opportunity of working across the Group's operating business as well as on central priorities. "I am regularly involved in briefing investment analysts and working on corporate finance, which adds hugely to the scope of the role," she says.

She particularly enjoys the approachable culture at Charles Taylor. "People regularly step out of their comfort zone and take on challenging new tasks, working across boundaries to do more than just get the job done."

Chantel is a working mum and values the Charles Taylor approach to flexible working. "I spend most of my work time in the office but have the flexibility to vary my start and finish times and also work from home when needed," she said.



**Ambereen Salamat**  
Director of Compliance & Risk, London

"If you want to specialise in insurance, you cannot come to a better organisation," said Ambereen Salamat. "Charles Taylor touches every aspect of insurance, right around the world."

Ambereen qualified as a barrister and a solicitor. She has over 25 years' experience working in private practice for law firms in the UK and US, advising clients on all aspects of insurance regulation; insurance related transfers, acquisitions and disposals; contractual arrangements; and policy wordings. This work involved regular trips to the US to lecture on insurance regulation in the US to a wide range of organisations, including the National Association of Insurance Commissioners.

Her first involvement with Charles Taylor was advising the Group as a client. "I had many dealings with Charles Taylor, so I knew the scope of the Group's expertise." Ambereen joined in late 2015 to head Charles Taylor's compliance and risk function, and reports to the Executive Committee and the Board's Audit, Risk and Compliance Committee on all compliance and risk matters.

She works across all Charles Taylor's regulated business lines, working closely with each business unit's risk and compliance teams, and on any new ventures that involve regulatory considerations.

"There is tremendous engagement with regulatory compliance issues at the Group," she said. "Our people understand the importance of compliance and recognise that getting it right makes the business operate better and saves a lot of money in the long term."

Ambereen enjoys the collegiate working environment at Charles Taylor. "People are refreshingly friendly and approachable, and they regularly collaborate to deliver the best outcome to the business and its clients."



### Other Group strategy initiatives

During 2017, we took forward further initiatives to optimise our core capabilities and support services to underpin growth:

#### Implementing London property strategy:

Charles Taylor currently operates from three London offices. We have been working to rationalise our operations into a single London location, to improve efficiency and support joint working and collaboration between our business units. We have now agreed lease terms on a high specification London office on competitive terms and are exiting our existing lease commitments. Our London operations and business units will relocate to the new office this summer. We will adopt an agile working model in the new office which will increase efficiency and collaboration whilst enabling us to reduce our total London property footprint.

#### Strengthened technology infrastructure:

We have improved the security and flexibility of our IT infrastructure by moving most systems and data into the “cloud”. We established a new IT service portal to improve the efficiency and cost effectiveness of our technology support for our staff.

#### Enhanced learning and development:

During the year, we introduced a programme to provide new people managers with the tools and techniques to enhance their skills. We also extended our core curriculum to add further learning and development opportunities.

#### Furthering diversity and inclusion:

We recognise that encouraging greater diversity and more inclusive practices brings benefits to our business, so we have developed a strategy to ensure that we recruit, develop and retain high quality staff irrespective of age, gender, race or sexual orientation. These initiatives are at an early stage, but include creating a diversity and inclusion forum, delivering educational and training programmes and establishing a health and wellbeing strategy.

### Current trading and outlook

Charles Taylor has had a solid start to 2018. At this early stage, we anticipate that our full year performance will be in line with market expectations. We are making good progress in delivering our growth strategy:

- Our **Management Services** business continues to provide a solid core to our business with deep and long standing client relationships and the delivery of steady, reliable growth. The UK and International business delivered a strong renewal for The Standard Club for the 2018/19 policy year, attracting new members and delivering year on year growth. The Americas business is building on the outstanding performance delivered for Signal Mutual at the 2017/18 policy year.
- The **Adjusting Services** business is a well established, global loss adjusting business, with leadership positions in key markets. It is well positioned to generate growth and improve profitability from its core business lines and diversification strategy. Adjusting Services is building its presence in selected property and casualty markets and continuing its efforts to increase efficiency and reduce its working capital requirements.
- The **Insurance Support Services** business includes established and newer businesses with the potential to deliver a material change in earnings in the longer term. The established travel assistance and claims management business is performing well for its existing and new clients. In the insurance technology space, we anticipate that we will successfully conclude contract negotiations with further major clients in Europe and Latin America.

We continue to look at ways to optimise our operational activity across the Group by making our processes more consistent, regulatory compliant, robust, scalable and efficient. Our aim is both to strengthen the Group’s current businesses and to provide a stronger platform for future organic and inorganic growth.

We intend to further strengthen our Group by continuing to make carefully targeted acquisitions, joint ventures and business investments. These build scale, leverage our infrastructure and expand our range of services for our global clients. We have an attractive pipeline of acquisition opportunities under consideration. All potential acquisitions are tested against our criteria of having a compelling strategic and financial rationale, strong cultural fit and acceptable risk profile.

Our work is focused on enabling the insurance market to meet the continually evolving challenges it faces and to make the business of insurance work fundamentally better. This could not be achieved without the full commitment of our highly professional team. I would like to thank all our staff for their hard work and dedication throughout the year.

We are very positive about the long term prospects for Charles Taylor. We are taking forward numerous growth initiatives and our investments are delivering good results overall. We are confident that our strategy will deliver further growth, increased profit and deliver greater shareholder value.

#### David Marock

Group Chief Executive Officer  
14 March 2018

# 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.

## Adjustments

Charles Taylor is a global provider of technical 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 technical 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 profit fluctuations; acquisition related costs are considered to be a core element of this business' underlying performance.

For these reasons, the Group makes adjustments to statutory profit before tax in order to report profit before tax which better reflects the Group's underlying performance ("adjusted profit before tax"). These adjustments, the largest of which are listed below, are as follows in 2017:

- The amortisation of intangible assets recognised on acquisitions by the Professional Services division of £5.5m (2016: £3.0m) is adjusted because this expense, which is higher in 2017 than 2016 because of the Criterion and Metro Risk Management acquisitions, does not relate to underlying performance.
- The Adjusting Services business also incurred costs optimising their business operations, including rationalising legacy remuneration and office locations. These expenses do not relate to the underlying performance of this business and £1.6m has been adjusted as a result.

	Professional Services businesses				Owned Life Insurers		2017 Group	2016 Group
	Insurance Management Services £m	Adjusting Services £m	Insurance Support Services £m	Total £m	Insurance companies £m	Eliminations £m	Total £m	Total £m
<b>Revenue</b>	58.3	74.9	78.0	211.2	4.6	(5.0)	<b>210.8</b>	169.3
Depreciation and amortisation	(0.3)	(0.7)	(5.0)	(6.0)	(0.3)	–	<b>(6.3)</b>	(3.6)
Other expenses	(48.5)	(71.3)	(69.8)	(189.7)	(3.7)	4.5	<b>(188.9)</b>	(150.7)
Non recurring costs	0.5	1.6	–	2.1	–	0.5	<b>2.6</b>	1.3
<b>Adjusted segmental operating profit</b>	10.1	4.5	3.1	17.7	0.6	–	<b>18.3</b>	16.3
Share of loss of associates							<b>(1.7)</b>	(0.8)
Amortisation of acquired intangible assets							<b>(5.5)</b>	(3.0)
Non recurring costs							<b>(2.7)</b>	(1.3)
Net finance costs							<b>(1.1)</b>	(0.5)
Statutory profit before tax							<b>7.4</b>	10.7
Non controlling interests							<b>(0.3)</b>	(0.2)
Adjustments <sup>1</sup>							<b>8.2</b>	4.3
<b>Adjusted profit before tax</b>							<b>15.3</b>	14.8
Depreciation and amortisation							<b>6.3</b>	3.6
Net finance costs							<b>1.1</b>	0.5
Non controlling interests							<b>0.3</b>	0.2
<b>Adjusted EBITDA<sup>2</sup></b>							<b>22.9</b>	19.1

Note: Figures above are presented using unrounded numbers, so minor rounding differences may arise.

1. Adjustments include non recurring costs and amortisation of acquired intangible assets.

2. Adjusted EBITDA is adjusted profit before tax plus depreciation, amortisation and finance costs, before pre tax non controlling interests.

- In 2017 the Management Services business closed The Strike Club's Monaco office in June and centralised operations in London, resulting in a net restructuring cost of £0.5m. These costs do not relate to the underlying performance of this business and have been adjusted.
- The Professional Services business incurred £0.5m in acquiring Criterion Loss Adjusters and Metro Risk Management and refinancing its debt facilities and the Group's share of an associate's acquisition and refinancing costs; these costs do not relate to the Group's underlying performance and have been adjusted.

### Net debt, cash flow and financing

The Group ended 2017 with net debt of £57.2m (2016: £37.5m) largely as a result of investments in Zurich International Portfolio Bonds/Allied Dunbar International Fund Managers, Criterion Adjusters, Metro Risk Management, funds at Lloyd's and Fadata AD (through REF Wisdom Limited) of £9.5m and capacity expenditure of £7.7m, which includes £5.1m of capitalised development costs. Free cash flow was £4.3m (2016: £7.2m). We are continuing to focus on managing our debt while investing for growth.

In October 2017, the Group completed a refinancing of its debt facilities, due to mature in November 2018, on improved terms. The finance has been provided by Charles Taylor's existing UK lenders, HSBC and Royal Bank of Scotland, with the addition of a new lender, the Bank of Ireland. These increased facilities will support Charles Taylor in driving forward its growth strategy.

The new financing provides an increase in facilities over a five year term, maturing in October 2022 with the option to extend by a further year. The details are as follows:

- Revolving credit facility: £70m, increased from £40m, including the repayment of an existing £10m term loan
- Accordion facility: £25m, increased from £10m

The amended facilities are subject to a "margin ratchet" with the margin varying from 2.00% – 3.00% over three month LIBOR. This is an improvement of 25bp on the previous terms of 2.25% – 3.25%.

The facilities contain two key financial covenants which are tested quarterly: (i) the interest cover in respect of any 12 month period ending on a quarterly test date shall not be less than 5:1 and (ii) leverage in respect of any 12 month period ending on a quarterly test date shall not exceed a target of 1.75 and 2.5:1. The leverage covenant is calculated as Adjusted EBITDA to net debt, including a full 12 months of any acquired EBITDA.

The leverage covenant is calculated on a 12 month rolling basis and we will be able to include the 12 months' EBITDA for all acquisitions including the Zurich book, Criterion and Metro Risk, irrespective of the date of acquisition.

In addition, the Group has a US\$9m facility with Citizens Bank which remains in place and additional local overdraft facilities. Following the refinancing and including existing facilities, but excluding the Accordion, Charles Taylor has total available facilities of c. £85m (Sterling equivalent).

### Retirement benefit schemes

The Group's pension scheme deficit fell during 2017, principally due to good investment returns and the payment of deficit funding contributions by the participating employers. The retirement benefit obligation in the Group balance sheet at 31 December 2017 was £44.7m, compared with £52.5m at the previous year end. Net of deferred tax, the liability was £37.1m (2016: £43.5m). 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 2017 is 7.70p (2016: 7.35p) making the total dividend for the year 11.01p (2016: 10.50p).

### 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 US\$ and Sterling. The US\$ profits of the Group were translated at US\$1.30 in 2017 (2016: US\$1.36). The sensitivity of the Group's results to movements in exchange rates is explained in note 28 to the Financial statements.

### Taxation

During 2017, the effective tax rate on statutory profit was 23.8% (2016: 0%) due to the recognition of deferred tax assets in respect of brought forward UK tax losses. Following a detailed review and our confidence in future profits, the remaining deferred tax asset was released at year end, which resulted in £1.8m credit to Statutory profit before tax and a £1.5m credit to Adjusted profit before tax.

### Mark Keogh

Group Chief Financial Officer  
14 March 2018



# How we Manage Risk

The Group's risk management framework and processes are designed to identify, evaluate and manage the risk of the Group not achieving its business objectives or incurring losses, enabling the Group's executives to manage the risk profile of its operations. The main elements of the Group's risk management framework are as follows:

- The Group Assurance Committee monitors the Group's risks throughout the year. For each of the main risks facing the Group, the committee defines risk appetite using a mix of financial and non financial metrics; it assesses whether risks are within appetite; it reviews the effectiveness of the controls that are in place; and it drives changes in controls where appropriate. In addition, it considers emerging risks informally on an ongoing basis and formally once a year. The Group Assurance Committee comprises executives leading the Group's compliance and risk, legal, company secretariat, and internal audit functions, as well as control function holders from the Group's main regulated entities. It reports to the Group Executive Committee and to the Board through the Audit, Risk and Compliance Committee.
- Risks are also managed by the relevant businesses through their management teams. They are supported by the compliance and risk officers embedded across the Group, who report to the Group Assurance Committee (and vice versa) through the Group's Director of Compliance and Risk.
- Risk registers are used at Group and business unit level to capture and assess the primary risks and the controls relevant to each risk. In the event that a risk is assessed as being outside appetite, existing controls are reviewed and enhancements introduced wherever appropriate. There are currently ten risks on the Group risk register; there is an executive "owner" for each risk, responsible for ongoing monitoring and a formal annual review.
- The internal audit function undertakes regular reviews of the controls highlighted in the risk register through a regular inspection of systems, processes and practices across the Group's offices. This follows an annual programme defined by the Board's Audit, Risk and Compliance Committee, which is reviewed at least quarterly and supplemented by additional audit work where appropriate. The audit programme is designed to focus on the mitigation of the Company's principal risks. The internal audit team's effectiveness is reviewed annually by the Audit, Risk and Compliance Committee.
- The Audit, Risk and Compliance Committee assesses the Group's risks and controls through the annual rolling review cycle of each of the principal risks, with input from the executive "owner" of each risk. To support this, the external auditor's reports to the Audit, Risk and Compliance Committee include the auditor's views as to the principal risks facing the Group, from an audit perspective, and how the external audit approach seeks to review and manage them.
- 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 Group Executive Committee and the Audit, Risk and Compliance Committee throughout the year.

The ten material risks identified at Group level are detailed overleaf; these fall into the three categories of business, financial and legal/regulatory risk. In addition, controls against a cyber attack – which might trigger various of the ten material risks below (indicated with an asterisk) – are maintained, documented, reviewed and monitored separately; this is also detailed overleaf.

Type of risk	Risk description	Management action
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**1 Business risks**

<p><b>Service commitment risks*</b></p>	<p>The Group has many business units, business lines and office locations. Business development can sometimes make additional demands on key staff outside their day to day job specification. In addition, external events (e.g. cyber or terror attacks, natural disasters) could impact the Group's operations.</p> <p>As a result, 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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>- We have comprehensive policies and procedures in place to ensure that we maintain service standards and monitor compliance through peer review and our internal audit function. In addition, we carry out comprehensive training to ensure that our service commitments are fulfilled.</li> <li>- 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.</li> <li>- Contracts are in place with our major clients and standard terms and conditions, and disclaimers where appropriate, are widely used across our businesses.</li> <li>- Periodic client surveys provide important feedback to senior management and careful business planning, performance management and peer review reduce this risk further.</li> <li>- The Group has an Incident Response Team that is ready to deal with emergency situations under the direction of the Group CEO. Crisis management and business continuity plans have been developed. We maintain professional indemnity insurance to mitigate the financial impact should we suffer a claim against the Group.</li> </ul>
<p><b>Concentration of revenue risks</b></p>	<p>The Management Services business is a material part of the Group; Management Services is reliant upon three high value and growing mutual client relationships. In addition, across the Group's other businesses, there are a number of other important global clients who use multiple services. The loss of any of these clients would have a negative financial impact on the Group.</p> <p>Where a small number of key clients purchase an increasing number of services, the risk of conflicts of interests and the impact of those conflicts may be higher.</p>	<ul style="list-style-type: none"> <li>- Management of our mutual clients involves long term relationships with deep connections between the manager and the mutual, mainly 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.</li> <li>- Diversification of the business and the client base is a key strategic objective of the Group. This has been achieved through acquisitions such as CEGA and Criterion, 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.</li> <li>- 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. A client leadership programme, in which a specific senior executive maintains a Group wide oversight of specific important clients across the Group, has been introduced in 2017 to support this.</li> </ul>

# How we Manage Risk

continued

Type of risk	Risk description	Management action
<b>Failure to deliver growth initiative risks*</b>	There are both external and internal drivers for Charles Taylor to achieve sustainable and profitable growth in the business. Charles Taylor invests in a range of growth initiatives, joint ventures and acquisitions to deliver this growth. Areas of focus currently include the diversification of Adjusting Services, the growth of CEGA, the development of our US TPA business, and the establishment of our technology business and capabilities both through organic investment and our stake in an insurance software company, Faddata. Any investment in growth has some risk of failure, and such a failure might lead to a loss of investment or reputational damage.	<ul style="list-style-type: none"> <li>- The Board sets the overall strategic direction and approves priorities for the year ahead together with major initiatives.</li> <li>- The Group's strategy is to pursue a broad range of growth initiatives, reducing the potential impact of failure of any one initiative.</li> <li>- Robust business plans for each business unit are developed and then actively monitored and managed. This has been supported by enhancements to the Group's financial forecast processes over the last year. Outside the business units, a small number of Group wide organic growth initiatives are typically pursued at any one time and are subject to business case approval.</li> <li>- Various discussions are held throughout the year with M&amp;A advisers together with potential targets, partners and clients in an effort to identify opportunities for further growth, and to assess their strategic suitability.</li> <li>- Thorough due diligence on a target or potential joint venture partner is conducted prior to commitment. Business cases are developed for initiatives involving significant investment. Contractual protections are set out in documentation for the benefit of the Group. Our corporate development team and support functions have the capability and capacity to enable this diligence to be carried out in house in a cost effective manner.</li> <li>- Acquisitions and joint ventures are monitored against initial projections regularly during the year.</li> </ul>
<b>External events risks*</b>	The Group is at risk in the event 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.	<ul style="list-style-type: none"> <li>- 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.</li> <li>- The Group actively monitors market changes, trends and potential risks to its various businesses. Each business carries out a review of potential internal and external risks annually, and this is reflected within its business plan. The Group Assurance Committee reviews current and emerging risks across the Group, and the controls for each, on an ongoing basis.</li> <li>- 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. A "Brexit Working Group" spanning all relevant businesses and support functions has been established and reports to the Group Assurance Committee and Audit, Risk and Compliance Committee.</li> <li>- The Group has an Incident Response Team that is ready to deal with emergency situations under the direction of the Group CEO. Crisis management and business continuity plans have been developed. However, although the risk of external events occurring is generally inevitable, in many scenarios there is likely to be warning and time to plan.</li> </ul>
<b>Staff related risks</b>	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.	<ul style="list-style-type: none"> <li>- We aim to attract and retain high quality staff by providing competitive remuneration and benefits packages and offering training and career development.</li> <li>- Our working conditions and recruitment processes are carefully planned and implemented and our procedures are reviewed regularly.</li> <li>- The implementation of the Group HR strategy has improved the control environment (for example, through enhancements to compensation, talent management, learning and development and succession planning).</li> <li>- Resourcing levels are monitored on an ongoing basis by line management, business unit leadership and HR business partners.</li> <li>- 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.</li> </ul>

Type of risk	Risk description	Management action
<b>Material errors risks*</b>	Our business is complex, operates in many countries and offers a diverse range of insurance related services. As a result, the Group is presented with 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 and the diversity of their activities across various time zones.	<ul style="list-style-type: none"> <li>– The controls put in place, particularly as a consequence of the Group's management model, focus on employee engagement, investment in staff and incident control processes; these controls are critical in managing this risk.</li> <li>– 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.</li> <li>– Where possible, the Group's standard business terms are used as the basis for contracting; these include contractual protections.</li> <li>– Financial control processes, including budgetary control and financial reporting, are designed to produce timely and accurate financial information from across the Group businesses.</li> <li>– The placing and renewing of insurance cover to ensure appropriate coverage and limits is overseen by senior management and relevant boards.</li> </ul>

## 2 Financial risks

<b>High fixed cost base risk</b>	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 immediate impact on earnings. There is also a risk that revenue lags investment in revenue generating resources.	<ul style="list-style-type: none"> <li>– 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.</li> <li>– Senior management is focused on containing/reducing costs and on making the cost base more flexible (e.g. through its purchasing of services and through remuneration structures) without adversely affecting either the delivery of services or participation in opportunities for growth.</li> <li>– 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.</li> <li>– Investments that result in increased costs are subject to business case approval. Where investments are not generating the revenues anticipated in the business case, action is taken to reduce costs where appropriate.</li> </ul>
<b>Pensions funds deficit risks</b>	<p>The Group operates four defined benefit pension schemes.</p> <p>We face the risk that outstanding pension scheme deficits may need to be funded within a short timescale, requiring an increase in CT's contributions, and thus materially weakening our balance sheet.</p>	<ul style="list-style-type: none"> <li>– All the defined benefit pension schemes are closed to new members. The largest scheme has been closed to future accruals.</li> <li>– There is regular dialogue between the trustees, their investment managers and senior management covering investment policy and assessment of asset and liability risks.</li> <li>– The financial position of the Group's defined benefit pension schemes is regularly monitored. The size of any deficit is not a direct indicator of risk to the Group, which is driven primarily by its ability to meet future pension payment obligations as and when they become due.</li> <li>– We have an agreed programme of deficit funding; this was updated in 2017 after the triennial pension revaluation.</li> <li>– We monitor pension regulations to ensure compliance with the latest requirements.</li> <li>– We have strengthened the control environment in relation to this risk, particularly around our analytical and administrative capabilities.</li> </ul>



# How we Manage Risk

continued

Type of risk	Risk description	Management action
<b>Banking covenant breaches and liquidity risks*</b>	<p>The Group maintains banking facilities on market standard terms to maintain an efficient capital structure and access working capital funds. These facilities contain financial covenants and restrictions on conduct.</p> <p>In the event of a breach of covenant or conduct restrictions, the banking facilities might be withdrawn, not renewed, or renegotiated on disadvantageous terms.</p> <p>If the Group's financing performance deteriorates, financing may not be secured for amounts outstanding when a facility expires.</p> <p>There is a decreasing risk that facility headroom may be insufficient.</p>	<ul style="list-style-type: none"> <li>– The funding position has improved over the last few years as the Group has grown, providing greater financial flexibility and covenant headroom. We manage working capital and monitor relevant performance indicators to identify and take appropriate management steps to mitigate the risk. Covenant compliance is reported to and considered by the Board.</li> <li>– In addition, the Group's facilities – following the refinancing in 2017 – now provide greater headroom and flexibility to cover future cash flow requirements.</li> <li>– Regular cash flow forecasts to project the future funding position and to monitor expected headroom against banking facilities and covenants are carried out. The risk reward profile of new investments and other uses of cash is considered carefully by management.</li> <li>– The Group maintains an open and regular dialogue with a small number of relationship banks; the number of banks providing the Group's main facilities has increased from two to three.</li> <li>– 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. Progress has been made in this area in 2017.</li> <li>– 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 being less financially advantageous than originally projected.</li> </ul>

### 3 Legal and regulatory risks

<b>Legal and regulatory risks*</b>	<p>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.</p>	<ul style="list-style-type: none"> <li>– The Group Assurance Committee and Compliance and Audit, Risk and Compliance Committee 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.</li> <li>– The legal, compliance and risk functions across the Group have been bolstered further during 2017. Minimum risk management requirements have been introduced for all unregulated businesses, with which they need to comply.</li> <li>– The Group regularly reviews its policies and procedures in relation to regulatory matters and to ensure appropriate training is conducted.</li> <li>– Internal audit and external auditors test compliance with the controls put in place to protect against legal and regulatory risks. These efforts are supplemented by additional external advisory resource where appropriate.</li> <li>– The Audit, Risk and Compliance Committee oversees the Group's assurance, risk management and compliance activities. This includes challenge and recommendations, where appropriate. It reports to the Board.</li> <li>– Where there are specific material regulatory changes, Group wide projects and working groups are set up to identify and implement the internal changes required. The General Data Protection Regulation, which comes into force on 25 May 2018, is one such example. A Group Data Privacy Officer was recruited in Q2 2017, and Data Privacy Champions have been identified in the relevant businesses to prepare for this change.</li> </ul>
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### Cyber and information security

Technology is embedded in all the Group's activities. And, as a result, we consider a potential cyber attack or a material information security failure as a trigger for one or more of the Group's principal risks (marked with an asterisk above), rather than a separate risk in its own right. Information security controls are implemented, maintained, documented and reviewed by the Group's Chief Information Security Officer and the Information Security team. These controls include core technology resilience and access management, training and awareness, incident detection and handling, ongoing security testing and validation, data mapping, external accreditation and insurance. The controls are reviewed annually by both the Group Assurance Committee and the Audit, Risk and Compliance Committee. In addition, the Chief Information Security Officer reports throughout the year to the Group Assurance Committee on the results of ongoing testing and the ongoing actions to strengthen the Group's information security.

# Long term Viability Statement

The Directors have carefully assessed the risks and uncertainties set out on pages 28 to 32 of this report and, having considered the risks, 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; 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, as evidenced by the Group's recent refinancing exercise, and key potential mitigating actions available to the business, and the three year planning cycle adopted by 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 reviews in depth and agrees the Group's annual business plan 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 and an assessment of the Company's longer term viability can be made.

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' strategic priorities and the more detailed annual plans and budgets that are subsequently agreed and used by the Board to monitor performance.

The Board regularly monitors the strategy and business plans against the Group's principle risks and uncertainties (as set out on pages 28 to 32 of this report), considering the Group's robust risk management procedures and the mitigating risk management actions taken by management, and is of the opinion that controls and mitigations are of an appropriate robustness.

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

# 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.

We are disclosing information and policies in relation to employees, the environment, social matters, human rights, anti corruption and anti bribery matters in accordance with the EU Non Financial Reporting Directive requirements.

## Core values

The Group has adopted a set of core values (see page 4), 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, our regulators and our local communities.

## Environmental policy

The Group's environmental policy is determined by the Board. The Group Corporate Development and Operations Director is the Group Executive Committee member responsible for the Group's environmental policy.

While the Group's operations as a service provider, rather than a manufacturer, 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, both 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 IT systems, thereby giving rise to energy savings and a reduction in emissions. Details of the Group's greenhouse gas emissions are set out below.

Electronic document management systems have been implemented in most business units to reduce paper usage.

To reduce travel related emissions, the Group encourages the use of video conferencing and other technologies. 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, Compass.

## 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.
- Scope 2 emissions: Indirect emissions attributable to the Company due to its consumption of purchased electricity, heat or steam.
- Scope 3 emissions: Indirect emissions due to the activities of the Company.

To assess the quantification of our annual emissions associated with our activities, we have used permanent and contract employees to calculate our intensity ratio, which provides the best comparative measure over time; see the table at the foot of this page for the figures.

## Employees

Our employees play a vital role in accomplishing the Group's goals. As at

31 December 2017, the Group had 2,095 permanent and contract employees compared to 1,844 permanent and contract employees as at 31 December 2016.

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 gender, race, religion, beliefs, political opinions, creed, colour, ethnic origin, citizenship, nationality, marital/parental status, identity expression, sexual orientation, age or disability. Appropriate training and career development are available at all levels and the Group is committed to helping all employees to realise their potential by gaining relevant skills and experience.

The Group seeks to ensure the health, safety and welfare of all its employees and to meet all its obligations under the relevant legislation. Employees are expected to cooperate with management to create a safe and healthy working environment for themselves and others and to take reasonable care of 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

## GHG emissions for period 1 January 2017 to 31 December 2017

	Global tonnes of CO <sub>2</sub> e	
	2017	2016
Scope 1 (m)	0.0	–
Scope 2 (m)	2.5	14.4
Scope 3 (m)	12.6	–
<b>Total</b>	<b>15.0</b>	<b>14.4</b>
Intensity ratio		
Tonnes CO <sub>2</sub> e/Full time employees	7.1	7.8

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

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 and encourage two way communications through the management hierarchy. Employees are kept informed of developments in our business through internal communications, including staff meetings with the Group Chief Executive Officer and other senior executives, all staff emails and the Company intranet, Compass.

Employees are encouraged to become shareholders in the Company, primarily through the operation of the Company's SAYE share option schemes, details of which are set out in the Directors' Remuneration Report starting on page 50. Senior management and many managers across the business also receive deferred shares as part of any annual bonus award. The Company publishes its employment policies on the Company's intranet, Compass.

#### **Anti bribery and corruption**

Charles Taylor values its reputation for lawful and ethical behaviour and has a zero tolerance of any form of bribery or inappropriate inducement. Our global anti bribery/corruption policy has been communicated to all staff and has been published on the Company intranet, Compass.

#### **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 2017 appears on the Group's website: [www.ctplc.com](http://www.ctplc.com).

#### **Diversity and inclusion**

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 multiple different nationalities. We have 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 regards to the Board, there were three Executive and five Non-Executive Directors of the Company during 2017, of which seven were male and one female. Eleven people were senior managers – defined as the Executive Directors and members of the Group Executive Committee – of the Company during 2017, of which ten were male and one female. The Company employed 1,157 male and 938 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 charities through various activities during 2017. During the year, the Group made charitable contributions of £19,003 (2016: £14,724), 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 (2016: £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  
14 March 2018





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

**Corporate Governance**

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# 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 and Governance, Audit, Risk and Compliance and Remuneration Committees, provides an overview of our corporate governance practices and summarises our activities in this area during the year.

During the year the Nomination and Governance Committee commenced a thorough search process to identify a suitable additional Non-Executive Director; we were successful in our search and we welcome Tamer Ozmen to the Board. As Tamer was appointed since the last AGM he will be subject to election by shareholders at this year's AGM.

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 46. The Nomination and Governance Committee reviewed the appropriateness of each of the Directors putting themselves forward for election or re election at the forthcoming AGM. I am pleased to report that I am satisfied that the Board is operating effectively and that each of the Directors are performing effectively. I am therefore happy to recommend that each of the Directors should be elected or re elected, as appropriate, at the 2018 AGM.

During 2017, we have maintained our policy of shareholder engagement by continuing our rounds of dialogue with many of our shareholders at the time of our half year and final results and by holding a half day presentation on the Company's activities and strategy for our institutional shareholders; as a result, 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, in order 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 38 and 39, 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](http://www.frc.org.uk). Throughout the year ended 31 December 2017 the Board has complied with the principles and provisions recommended by the Code.

### Edward Creasy

Chairman  
14 March 2018

# 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 approving a coherent growth strategy for the Group, monitoring its implementation and 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 and Operations Director, the Chief Information Officer, the Group Company Secretary and General Counsel, and the Director of Human Resources.



1

**Edward Creasy**<sup>1,2,3</sup>

Non-Executive Chairman  
Nomination and Governance  
Committee Chairman

Edward was appointed to the Board on 1 January 2014 and became Chairman on 28 August 2015. He has worked throughout his career in the London Market Insurance industry. He is currently a director of WR Berkley Insurance (Europe) Limited, WR Berkley Syndicate Limited and Deputy Chairman of WR Berkley Syndicate Management Limited. Edward is also Senior Independent Director and Chairman of the Audit, Risk and Compliance Committee at Pacific Horizon Investment Trust plc and a Member of the Council of Lloyd's Market Supervision and Review Committee.

2

**Gill Rider**<sup>1,2,3</sup>

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**<sup>1,2,3</sup>

Non-Executive Director  
Audit, Risk and Compliance  
Committee Chairman

Paul was appointed to the Board on 17 November 2016 and became Chairman of the Audit, Risk and Compliance Committee on 30 November 2016. He is an experienced Chief Financial Officer, Chairman and Non-Executive Director. He has chaired Audit, Risk and Compliance Committees for Tokio Marine Kiln, 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.

4

**Barnabas Hurst-Bannister**<sup>1</sup>

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 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

**Tamer Ozmen**<sup>1,2,3</sup>

Non-Executive Director

Tamer was appointed to the Board on 29 June 2017 and is an accomplished technology professional with over 20 years' senior management experience. Tamer currently runs Microsoft UK Services. Prior to joining Microsoft UK, Tamer was Managing Director of Microsoft Turkey. He started his career at Priceline.com in the US as Senior Vice President of Sales and Product Development and later moved to Europe to start Priceline Europe in London.

6

**David Marock**

Group Chief Executive Officer

David was appointed Group Chief Executive Officer and a Director of the Board on 1 July 2011. He joined from specialist insurer Beazley plc, where he was Group Chief Operating Officer. 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 and two of its subsidiaries.

7

**Damian Ely**

Executive Director and 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.

8

**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 and Governance Committee
2. Remuneration Committee
3. Audit, Risk and Compliance Committee



# Executive Committee

The day to day management and leadership of the Company is delivered by the Executive Committee.



1

**David Marock**

Group Chief Executive Officer

(See Board of Directors, page 39 for biography)

2

**Damian Ely**

Executive Director and Chief Executive, Adjusting Services

(See Board of Directors, page 39 for biography)

3

**Mark Keogh**

Group Chief Financial Officer

(See Board of Directors, page 39 for biography)

4

**Suzanne Deery**

Director of Human Resources

Suzanne joined the Group in 2014 as the Director of Human Resources with responsibility for the Group's global HR strategy and for the operational management of HR. She started her career in the insurance industry working for Guardian Royal Exchange and then at AXA. Suzanne joined from 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 &amp; International

Jeremy joined the Group in 1991 and became responsible for Charles Taylor's Eastern Mediterranean business. He then became Operations Director and subsequently Chief Operations Officer for the Management Services business. Jeremy was appointed Chief Executive Officer – Management Services – UK and International in February 2014. He is a Director of The Standard Club Limited and The Standard Club Europe Limited.

6

**Alistair Hardie**

Chief Executive Officer, CEGA

Alistair joined the Group 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. Prior to CEGA, Alistair was CEO Europe of Cigna (Individual Insurance) and CEO and Managing Director at FirstAssist Insurance Services. He also has responsibility for the specialist claims handling and UK TPA business units within Charles Taylor, and an external role as Non-Executive Chairman at JCRA Group.

7

**Ivan Keane**

Group Company Secretary and General Counsel

Ivan joined the Group 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 mutual insurance companies, joint ventures and cooperation agreements, TPA and consortium arrangements, as well as business development. He was appointed Group Company Secretary in 2005 and acts as Group General Counsel and as the Global Head of Group Legal. He is a member of the Group Executive & Assurance committees, the Global Business Services Working Group, Chairman of the Pensions Governance Committee and of our Saudi Arabian and Qatar joint ventures.

8

**Jeffrey More**

Chief Executive Officer, Life Insurance Support Services

Jeffrey joined the Group 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.

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**Jason Sahota**

Chief Information Officer and Chief Executive Officer, Charles Taylor InsureTech

Jason joined the Group in 2015, and leads the Group's InsureTech business which he re modelled and launched in April 2016. He joined from KPMG, where he was a director responsible for delivering business transformation advisory services. Prior to that he was UK Data Centre Director and Head of Programmes and Projects at Atos, a multinational IT services business.

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**Richard Wood**

Chief Executive Officer, Management Services – Americas

Richard joined the Group in 1997 moving to Signal Administration in 2001 and being appointed as Chief Operating Officer in 2005. He was promoted to CEO of Management Services – Americas in January 2017. Richard started his career in marine insurance in London with Richards Hogg International in 1976, rising to partner in 1986. His early career was spent in Asia, principally in Tokyo before moving to New York in 1983. He is a Fellow of the Association of Average Adjusters, as well as an Associate of the Chartered Insurance Institute.

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**Richard Yerbury**

Group Corporate Development and Operations Director

Richard joined the Group in 2014 as Performance and Strategy Director of Management Services – UK & International and became Group Corporate Development Director in late 2015. He is responsible for acquisitions, joint ventures and investments; the Group's compliance, risk management and other assurance activity; and several of the Group's Global Business Services. He joined from Bain & Company, where he was a Principal in the Financial Services team leading growth, performance improvement and M&A and regulatory projects for insurers, investors and banks.

# Board Responsibilities

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

## Nomination and Governance Committee

Edward Creasy chairs the Nomination and Governance Committee, on which the Non-Executive Directors Barnabas Hurst-Bannister, Gill Rider, Tamer Ozmen and Paul Hewitt also sit. The Nomination and Governance Committee Report is set out on page 46.

## Audit, Risk and Compliance Committee

Paul Hewitt chairs the Audit, Risk and Compliance Committee on which the Non-Executive Directors Edward Creasy, Tamer Ozmen and Gill Rider also sit. Paul Hewitt is considered by the Board to have recent and relevant financial experience. The Audit, Risk and Compliance Committee Report is set out on pages 47 to 49.

## Remuneration Committee

Gill Rider chairs the Remuneration Committee on which the Non-Executive Directors Edward Creasy, Paul Hewitt and Tamer Ozmen also sit. The Directors' Remuneration Report is set out on pages 50 to 70.

## 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 within its budget;
- developing the Company's corporate strategy, three year business plans and annual budget and recommending these to the Board for review and approval;
- 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:

	Board	Committee meetings		
		Audi, Risk and Compliance	Nomination and Governance	Remuneration
Total number of meetings in 2017	8	4	4	5
Number of meetings attended in 2017:				
Edward Creasy – Non-Executive Chairman <sup>1</sup>	8	4	4	5
David Marock – Group Chief Executive Officer	8	–	–	–
Damian Ely – Executive Director	8	–	–	–
Mark Keogh – Group Chief Financial Officer	8	–	–	–
Paul Hewitt – Non-Executive <sup>1</sup>	8	4	4	4
Barnabas Hurst-Bannister – Non-Executive <sup>2</sup>	8	–	4	–
Tamer Ozmen <sup>1</sup> – Non-Executive (appointed 29 June 2017)	3	3	1	3
Gill Rider – Non-Executive <sup>1</sup>	8	4	4	5

1. Member of the Audit, Risk and Compliance, Remuneration and Nomination and Governance Committees during the year.

2. Member of the Nomination and Governance 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) no other Director held a material interest in any contract of significance with the Company or any of its subsidiary undertakings at any time during the year 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 50 to 70.

The Non-Executive Directors Gill Rider, Tamer Ozmen 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 not considered to be significant by the Board. 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, in accordance with the Code he is not treated as being independent.

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 and 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 39, 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 74. The preparation of this document is coordinated by the Finance, HR, Corporate Communications 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.

#### Going concern

The Directors' responsibilities for preparing the Financial statements and supporting assumptions that the Company is a going concern are set out on page 74.



# Board Responsibilities

continued

## 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 33.

## Risk management

The Group's risk management framework and processes are designed to identify, evaluate and manage the significant risks the Company faces. These risks include strategic, operational, legal, regulatory, reputational, financial and external risks. The Board aims to manage, rather than eliminate, those risks which may result in the Company failing to achieve its business objectives, and consequently can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Further information on financial risks is given on pages 31 and 32 and in note 28.

The Board is responsible for the Company's risk management frameworks and processes. These are managed by the compliance and risk and internal audit management teams, who ensure that various controls, systems and procedures in each of the Company's business units are operating effectively. The main elements of the Group's risk management framework are as follows:

- The Group Assurance Committee monitors the Group's risks throughout the year. For each of the main risks facing the Group, the Committee defines risk appetite using a mix of financial and non financial metrics; it assesses whether risks are within appetite; it reviews the effectiveness of the controls that are in place; and it drives changes in controls where appropriate. In addition, it considers emerging risks informally on an ongoing basis and formally once a year.
- Risks are also managed by the relevant businesses through their management teams. They are supported by the compliance and risk officers embedded across the Group, who report to the Group Assurance Committee.
- Risk registers are used at Group and business unit level to capture and assess the primary risks and the controls relevant to each risk. In the event that a risk is assessed as being outside appetite, existing controls are reviewed and enhancements introduced wherever appropriate.
- The Internal Audit function undertakes regular reviews of the controls highlighted in the risk register through a regular inspection of systems, processes and practices across the Group's offices. The audit programme is designed to focus on the mitigation of the Company's principal risks.
- The Audit, Risk and Compliance Committee assesses the Group's risks and controls through the annual rolling review cycle of each of the principal risks, with input from the executive owner of each risk. To support this, the external auditor's reports to the Audit, Risk and Compliance Committee include the auditor's views as to the principal risks facing the Group.
- 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, Risk and Compliance Committee throughout the year.

One of the Group's principal risks managed through the above processes relates to the impact of external events. The Company's offices worldwide have plans in place 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 pandemic. Business continuity planning arrangements, especially, have been developed and are tested to enable all offices around the world to have a business continuity capability.

The Board reviews annually the effectiveness of the Company's system of internal control in accordance with the Code, and continues to take steps to ensure that risk management processes are established as a critical part of the operations of the Company. The Board confirms that the actions it considers necessary have been or are being taken to remedy any significant failings and/or weaknesses. This has involved considering those matters reported to it and ensuring that appropriate plans and programmes are put in place that it considers are reasonable in the circumstances.

## Regulatory compliance

The Company's compliance obligations are overseen by the Director of Compliance and Risk, and by the Group Assurance Committee and the Group Compliance and Risk Committee, which are senior management level committees. The Director of Compliance and Risk submits reports to the Group Assurance Committee and the Audit, Risk and Compliance 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 reviewed regularly and enhancements made, where appropriate.

The UK regulated activities of the Company are carried out through the following subsidiaries: Charles Taylor Services Limited, Charles Taylor & Co. Limited (which became regulated in its own right on 9 January 2018 having previously been an Appointed Representative of Charles Taylor Services Limited and The Strike Club) and Charles Taylor Broker Services Limited, all 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 Regulation 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 of the Company's 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 useful information for shareholders, 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, the AGM and through the release of regulatory announcements to the market. The Company also meets with major shareholders, when requested. The AGM is held in a central London location and the Notice of AGM 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 2017 and all Directors are due to attend the AGM to be held on 15 May 2018.

# Nomination and Governance Committee Report

Edward Creasy chairs the Nomination and Governance Committee (formerly the Nomination Committee), on which the Non-Executive Directors Barnabas Hurst-Bannister, Paul Hewitt, Tamer Ozmen and Gill Rider also sit. Tamer Ozmen joined the Committee as a member on his appointment as a Director, with effect from 29 June 2017. In 2017 there were four meetings of the Committee.

## Board composition and balance

The Board comprises the Chairman, four Non-Executive Directors and three Executive Directors. 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 and Governance 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, race, religion, beliefs, political opinions, creed, colour, ethnic origin, citizenship, nationality, marital/parental status, identity expression, sexual orientation, age or disability. The aim is to promote equality, respect and understanding, and to avoid discrimination of any kind.

All Board appointments are subject to recommendation from the Nomination and Governance 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, and should reflect and enhance the existing experience and skillsets of the current members of the Board. The Nomination and Governance 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 recommended the appointment of Tamer Ozmen to the Board. The Committee also considered Board and senior management succession in the Company, governance issues, reviewed its Terms of Reference (including changing the name of the Committee to better reflect its role and responsibilities) and made various recommendations to the Board, particularly relating to training for Directors.

## Board performance and evaluation

The performance of individual Directors, the Board, its Committees and the Chairman is reviewed annually.

These performance reviews take into consideration whether or not the Board and its Committees respectively have discharged their duties, as set out in their Terms of Reference, and whether their Terms of Reference in each case require updating or amendment. In order to evaluate the performance of the Board, each member of the Board is asked to complete a detailed questionnaire. The responses to the questionnaire are reviewed by the Chairman, who summarises the findings, which are subsequently shared and discussed 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 and Governance 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 outside 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 and Governance Committee  
14 March 2018

# Audit, Risk and Compliance Committee Report

The Audit, Risk and Compliance Committee (formerly 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, Risk and Compliance Committee membership

The members of the Committee during the year were Paul Hewitt (Chairman), Edward Creasy, Tamer Ozmen and Gill Rider. Tamer joined the Committee as a member on his appointment as a Director with effect from 29 June 2017.

## 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. During the year the Company's external auditor, the internal audit and compliance and risk management executives met with the Committee or the Committee Chairman and were provided with opportunities to raise any issues without management present.

At the Chairman's invitation, others may attend for part or all of a Committee meeting. The Group Company Secretary and General Counsel typically attends the meetings along with the Head of Internal Audit and, when requested, the Group Chief Executive Officer, Group Chief Financial Officer, Group Corporate Development and Operations Director, the Director of Compliance and Risk and the external auditor 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 Report on pages 42 and 43.

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 2017 and minor amendments were made, including changing the Committee's name to better reflect its role and scope of responsibilities.

The Committee Chairman will attend the AGM on 15 May 2018 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 that have been made;
- 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 risk management activity, including by reviewing the Group's material risks, the risk appetite, current exposure and

- control framework for each; 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 management functions; and
- to oversee the appointment, remuneration and relationship with the external auditor, and the plans and scope of the external audit process, including monitoring the external auditor's 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 annual and half year results, including the deliberation of key accounting issues and judgements made by management and external auditor commentaries thereon;
- determined the appropriateness and consistent application of the Company's revenue recognition policies;
- considered the appropriate accounting treatment of the Company's acquisitions and disposals;
- reviewed the Financial statements and Annual Report and the report from the external auditor on those documents;
- considered the representations of management requested by the external auditor;
- reviewed and approved the Board statement on internal control practices, principal risks and uncertainties and the Audit, Risk and Compliance Committee Report in the 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 Annual Report and the decisions and judgements that underpin that statement.

### Risk management and compliance; the Committee

- continued a rolling programme to review the Group's most material risks, risk mitigation plans and controls in order to facilitate a better understanding of, and a more detailed discussion on, risk management;
- reviewed the Group's risk appetite for its most material risks, as input to its ongoing consideration of the exposure versus appetite for each risk and the adequacy of the relevant controls;
- 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; and
- reviewed regular reports from the Group's compliance and risk functions.



# Audit, Risk and Compliance 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, making recommendations for their improvement; and, where appropriate, requesting follow up actions or clarification; and
- reviewed the internal audit function five year strategic business plan.

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

## Significant financial judgements

The Committee reviews the annual 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 and Operations 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, Risk and Compliance Committee review work

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 12 month period to 31 December 2017. The Committee concluded that the pension valuations were calculated using appropriate inputs and reasonable assumptions.
Revenue recognition	The Committee reviewed the revenue recognition policies of each of the businesses, in particular the activities of our growing technology business, and challenged whether the policies had been applied properly and consistently. The Committee concluded that revenue had been recognised properly and consistently.
Calculation and reporting of adjusted profit	The Committee reviewed and challenged the reasonableness of the adjustments to statutory profit that are made when calculating adjusted profit and adjusted earnings. The Committee concluded that the calculation and the reporting of adjusted profit and adjusted earnings were reasonable.
Valuation of internally generated intangibles	The Committee reviewed management's application of IAS 38 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 is 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.
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.
Acquisition accounting	The Committee reviewed the accounting treatment of acquisitions during the year and, in particular, the acquisitions of the Criterion Group in the UK and Metro Risk Management in the US. They reviewed management's proposals for the attribution of consideration to intangibles (customer relationships and trade name) and the present value of deferred consideration. 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 cash generating units ("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 forecasted cash flows of the respective CGUs.

Significant financial judgement Audit, Risk and Compliance Committee review work

Carrying value of investment in REF Wisdom Limited ("Fadata")	The Committee reviewed and challenged the carrying value of the investment in Fadata. This included reviewing the estimates of Fadata's pre tax cash flows, assessing the sensitivity of management's assumption in preparing these cash flows, determining the appropriateness of the discount rate used to fair value these cash flows and comparing Fadata's fair value to its carrying value. The Committee concluded that the carrying value of the investment in Fadata was supported by the forecasted cash flows from Fadata.
Taxation	The Committee reviewed and challenged management's recognition of the remaining deferred tax assets, resulting in a tax credit in the Financial statements. They reviewed management's projections of current and future taxable profits which support the carrying value of these tax assets. The Committee concluded that the recognition of the remaining deferred tax assets was appropriate.

**Auditor re appointment**

The Company's audit services were provided by PricewaterhouseCoopers LLP in 2017. 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, Risk and Compliance 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, Risk and Compliance 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 uncertainty over the external auditor's independence and therefore require specific approval by the Audit, Risk and Compliance Committee before the external auditor is engaged to carry out such services. 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 out non audit services during 2017 to the value of £164,500 (2016: £25,000 from appointment). Non audit fees for the Group auditor and other Group auditors for the year ended 31 December 2017 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, Risk and Compliance Committee  
14 March 2018

# 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 2017.

The report comprises:

- the Annual Report on Remuneration: the report sets out how the Directors' Remuneration Policy was implemented in the financial year ended 31 December 2017 and how we intend to apply it for the financial year ending 31 December 2018. Together with this introductory statement, it is subject to an advisory shareholder vote at the 2018 AGM.
- The Directors' Remuneration Policy: the current Policy was updated and approved with a 93% vote in favour at the 2017 AGM. The Policy is included, for information, on pages 63 to 70.

The Committee aims to ensure that the remuneration for Executive Directors and staff is: clear and simple; tied to performance; and closely aligned to the business strategy and the interests of shareholders. A video animation, outlining our reward strategy in clear terms, has been rolled out to all staff and is used as part of our induction process.

We also recognise the changing context of executive remuneration and take developments in guidelines and market practice into account when implementing the existing Policy and when setting remuneration. The Committee has thoroughly reviewed all aspects of the Policy against current guidance. As a result of this review, the Committee has raised the level of the Minimum Shareholding Requirement applying to the Group Chief Executive Officer from 1x salary to 1.5x salary from 2018.

### Base salary

The Group Chief Executive Officer, David Marock, received a base salary increase of 2% at the 1 January 2018 review date. This is below the average percentage increase for the wider UK employee population. The Executive Directors, Damian Ely and Mark Keogh, received no increase in 2018.

### Annual bonus

Annual bonus awards have been made in respect of the 2017 performance year to all Executive Directors. The performance targets consisted of both financial and non financial measures, with 70% of the award weighted to financial measures. Non financial targets relate to specific operational, people and client indicators. Taking account of individual performance, the Committee has awarded bonuses ranging between 77% and 86% of the maximum level. The Group Chief Executive Officer, David Marock, was awarded a total bonus payment for 2017 performance of £486,000 (129% of base salary; 86% of maximum bonus).

These bonuses are primarily a reflection of the good financial performance with year on year growth in revenue (24.6%), in adjusted PBT (3.5%) and adjusted EPS (11.1%). 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.

We noted commentary given last year concerning the proportion of Damian Ely's bonus award based on non financial objectives. For 2017, his objectives were set to reflect both Group performance (30% weighting), the financial performance of his business unit (40% weighting), and other strategic aspects of his business unit performance (30% weighting). In aggregate 70% of his objectives were based on financial measures. This is continued for 2018. Further details of the threshold, target and maximum bonus performance requirements, and related outcomes for each Executive Director are disclosed in the Annual Report on Remuneration.

### Long term incentive awards

The Company achieved a Total Shareholder Return (TSR) of 55.3% over the period 2014 to 2016 and an Earnings per share (EPS) growth of 14.7 percentage points ahead of the growth in RPI in the same period. The performance outcomes for these metrics resulted in the 2014 LTIP awards vesting at 100% of maximum during the year.

The Company achieved a TSR of 42.0% over the period 2015 to 2017 and an EPS growth of 12.3 percentage points ahead of the growth in RPI in the same period. The performance outcomes for these metrics will result in the 2015 LTIP awards vesting at 69.2% of maximum in 2018.

### Additional considerations

The Committee notes the trend towards post vesting holding periods for LTIP awards and continues to monitor market practice and shareholder views on this topic. Charles Taylor Executive Directors 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, until they have met their minimum shareholding requirement. The shareholding requirement for the Group Chief Executive Officer has been increased from 2018.

The Directors' Remuneration Report resolution received votes in favour from over 96% of the votes cast at the AGM in 2017. I hope you will extend equal support in respect of this year's report.

### Gill Rider

Chairman of the Remuneration Committee  
14 March 2018

### 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, 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 2017

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives <sup>1</sup> £	Pension related benefits £	Other <sup>2</sup> £	Total £
David Marock – GCEO	375,870	8,368	486,000	228,952	45,511	11,091	1,155,792
Damian Ely – Executive Director	232,537	20,064	143,359	102,072	30,651	11,434	540,117
Mark Keogh – GCFO	243,057	6,233	140,183	163,239	32,037	11,434	596,183
Edward Creasy – Chairman	100,000	–	–	–	–	–	100,000
Paul Hewitt	51,000	–	–	–	–	–	51,000
Barnabas Hurst-Bannister	41,000	–	–	–	–	–	41,000
Tamer Ozmen <sup>2</sup>	20,815	–	–	–	–	–	20,815
Gill Rider	56,000	–	–	–	–	–	56,000

- The long term incentives figures include the estimated value of the 2015 LTIP awards which will vest at 69.2% on 18 March 2018. The value is based on a share price of 276.85p which is the average share price for the last quarter of 2017.
- The "Other" figures include the value of the 2014 SAYE options which matured on 1 December 2017. For David Marock the value is the gain made, based on the share price on the date the options were exercised; for Damian Ely and Mark Keogh the value is the theoretical gain made (as the options had not been exercised at year end) based on the share price of 276.85p, which is the average share price for the last quarter of 2017.
- Tamer Ozmen was appointed a Director on 29 June 2017 and a member of the Remuneration, the Audit, Risk and Compliance and the Nomination & Governance Committees.

#### Year ended 31 December 2016

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives <sup>1</sup> £	Pension related benefits £	Other £	Total £
David Marock – GCEO	368,500	8,573	475,365	337,948	53,599	–	1,243,985
Damian Ely – Executive Director	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
Edward Creasy – Chairman	90,000	–	–	–	–	–	90,000
Paul Hewitt <sup>2</sup>	5,865	–	–	–	–	–	5,865
Barnabas Hurst-Bannister	41,000	–	–	–	–	–	41,000
Gill Rider	56,000	–	–	–	–	–	56,000

- The long term incentives figures include the estimated value of the 2014 LTIP awards which vested 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.
- Paul Hewitt was appointed a Director on 17 November 2016 and Chairman of the Audit, Risk and Compliance Committee on 30 November 2016.

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

<b>Total salary and fees</b>	The amount of salary and fees received in the year.
<b>Taxable benefits</b>	The taxable value of benefits received in the year. These are car allowance, private medical insurance, life assurance, permanent health insurance and subscriptions.
<b>Annual bonus</b>	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.
<b>Long term incentives</b>	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 2017 this includes the 2015 LTIP awards which will vest at 69.2% of maximum and for 2016 this includes the 2014 LTIP awards which vested at 100%. See details on page 54.
<b>Pension related benefits</b>	The pension figure represents the cash value of pension contributions or allowances received by the Executive Directors.
<b>Other</b>	Other includes the value of SAYE options vesting in the financial year.



# Directors' Remuneration Report

continued

## Annual bonus for the year ended 31 December 2017

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. All the objectives are shared within the Executive Committee to ensure the entire executive team works collectively.

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

	On target % of salary	Maximum % of salary
David Marock – GCEO	100%	150%
Damian Ely – Executive Director	50%	75%
Mark Keogh – GCFO	50%	75%

At the end of the year, performance is assessed against objectives. Quantifiable measures are used wherever possible. The Committee assesses the performance of the Company, each business unit, the support service teams and each individual executive and determines the performance level achieved against the objectives set.

A proportion of the assessment of the 2017 performance review was weighted to key financial targets, and the remainder related to the achievement of strategic objectives in respect of the Executive Directors. The proportions are captured in the table below.

The key financial targets for 2017 were:

Performance measure	Weighting: David Marock and Mark Keogh	Weighting: Damian Ely	Performance condition	Threshold performance	Target performance	Stretch performance	Actual growth	% of maximum payable (max 100%)
Annual growth in revenue	10%	4%					24.6%	100%
Annual growth in adjusted PBT (attributable to owners of the Company)	20%	9%	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	80% of Prior Year	106% of Prior Year	112% of Prior Year	3.5%	62%
Annual growth in adjusted EPS	40%	17%					11.1%	95%
<b>Total (Group)</b>								
David Marock	70%							86%
Mark Keogh	70%							86%
Damian Ely		30%						86%
Business Unit Financial performance (Damian Ely only)		40%	Business financial performance against key metrics (Revenue, Segmental profits, and Working Capital)	Not disclosed as commercially confidential <sup>1</sup>			Above target performance	75%

<sup>1</sup> The metrics are not disclosed as they are commercially confidential. Information on the 2017 performance of the Charles Taylor Adjusting business unit is included in the Strategic report on pages 19 to 20.

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

Year on year performance	2017	2016	2015	2014	2013	2012
Growth in revenue	<b>24.6%</b>	18.0%	17.1%	8.7%	5.3%	5.5%
Growth in adjusted PBT (attributable)	<b>3.5%</b>	4.0%	24.4%	11.3%	9.2%	(4.6%)
Growth in adjusted EPS	<b>11.1%</b>	11.5%	22.4%	15.6%	9.4%	(7.7%)

### Strategic objectives

The personal strategic performance component was assessed against a range of strategic objectives which relate to business, people and clients, including the key priorities listed below. For each of the Executive Directors, this component has a weighting of 30% of the maximum bonus payable:

Executive Director	Key priorities for the year:	% of personal component achieved
David Marock	<ul style="list-style-type: none"> <li>– Deliver the business units' and Global Business Services' business plans</li> <li>– Implement the Group's M&amp;A, joint venture and business investment strategy</li> <li>– Develop further the Group's business development and marketing capabilities</li> <li>– Deliver the Group's people strategy</li> </ul>	86.0%
Damian Ely	<ul style="list-style-type: none"> <li>– Deliver Charles Taylor Adjusting's business plan</li> <li>– Secure new and develop existing important client relationships</li> <li>– Drive Charles Taylor Adjusting's performance improvement programme</li> <li>– Attract, retain, and develop top talent</li> <li>– Strengthen further Charles Taylor Adjusting's leadership team</li> <li>– Capture opportunities to innovate Charles Taylor Adjusting's offering and cross sell the wider Group</li> </ul>	87.5%
Mark Keogh	<ul style="list-style-type: none"> <li>– Implement the Group's ongoing financing strategy to support its growth plans</li> <li>– Support the development and execution of new business initiatives and acquisitions</li> <li>– Maintain trust based relationships with all key stakeholders internally and externally</li> <li>– Improve further the Group's core finance processes and analytical capabilities</li> <li>– Build a strong, cohesive, and effective finance community across the Group</li> </ul>	55.0%

The resulting bonuses for 2017 were as follows:

	Total £	% of maximum	Cash £	Shares £
David Marock – GCEO	486,000	86.2%	375,870	110,130
Damian Ely – Executive Director	143,359	82.2%	116,269	27,090
Mark Keogh – GCFO	140,183	76.9%	121,529	18,654

# Directors' Remuneration Report

continued

## 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 ended 31 December 2016 and vested 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 quartile 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 vested in full.

## Vesting of 2015 LTIP awards

The LTIP awards granted on 19 March 2015 were based on the financial performance of Charles Taylor plc for the three years ended 31 December 2017 to vest on 19 March 2018. 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 2015 awards, in respect of TSR, Charles Taylor plc ranked in the second quartile of the peer group, being ranked 133rd out of 291 constituent companies in the FTSE Small Cap Index with TSR growth over three years of 42.0%. In respect of EPS growth, Charles Taylor's growth was 12.3 percentage points ahead of the growth in RPI. Therefore, the 2015 awards will vest at 38.4% for the TSR half of the award and at 100% for the EPS half of the award. This results in an overall vesting at 69.2% of the 100% maximum.

**LTIP awards made in 2017**

LTIP awards were made on 10 March 2017 at a share price of 238.5p (the closing 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. The Plan rules, however, 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	2017 awards (number of shares)	Face value £
David Marock – GCEO	75% of £375,870	118,198	£281,902
Damian Ely – Executive Director	50% of £232,537	48,749	£116,268
Mark Keogh – GCFO	50% of £243,057	50,955	£121,528

The awards are subject to a three year performance period ending 31 December 2019 and are due to vest on 10 March 2020. 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 it is necessary to take account of a broader assessment of the performance of the Company.



# Directors' Remuneration Report

continued

## 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 any 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 2017.

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

There is an MSR for the Executive Directors. Damian Ely and Mark Keogh are required to build up and maintain a holding of Charles Taylor plc shares equivalent in value to 1x base salary. The Committee has raised the level of the MSR applying to the Group Chief Executive Officer in 2018 from the previous 1x salary to 1.5x salary. Until they have achieved the MSR, Executive Directors 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 2017 and 31 December 2016 were as follows:

	At 31 December 2017		At 31 December 2016		Outstanding performance based share Awards <sup>1</sup>	Outstanding share awards <sup>1</sup>	Unexercised vested option awards	Outstanding unvested option awards	% of MSR achieved at 31 December 2017
	1p ordinary shares	% of issued capital	1p ordinary shares	% of issued capital					
David Marock	395,375	0.57%	303,185	0.45%	338,442	96,651	–	–	100
Damian Ely	139,268	0.20%	106,926	0.16%	143,173	21,449	10,631	–	100
Mark Keogh	55,352	0.08%	28,709	0.04%	177,160	19,833	10,631	–	63
Edward Creasy	36,930	0.05%	36,930	0.05%	–	–	–	–	N/A
Paul Hewitt <sup>2</sup>	19,508	0.03%	19,508	0.03%	–	–	–	–	N/A
Barnabas Hurst-Bannister	9,298	0.01%	8,908	0.01%	–	–	–	–	N/A
Tamer Ozmen <sup>3</sup>	–	–	–	–	–	–	–	–	N/A
Gill Rider	3,428	0.01%	3,428	0.01%	–	–	–	–	N/A
<b>Total of Directors' interests</b>	<b>659,159</b>	<b>0.95%</b>	<b>507,594</b>	<b>0.75%</b>	<b>658,775</b>	<b>137,933</b>	<b>21,262</b>	<b>–</b>	

1 Includes awards structured as nil cost options.

2 Paul Hewitt was appointed a Director on 17 November 2016.

3 Tamer Ozmen was appointed a Director on 29 June 2017.

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 324,247 shares as at 31 December 2017. Since the year end, Mark Keogh acquired 10,631 shares, taking his total holding to 65,983 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 2016	Awards and options granted during 2017	Options exercised during 2017	Options lapsed during 2017	Awards and options cancelled during 2017	Awards and options held at 31 December 2017	Exercise price (p)	Exercisable dates
David Marock	a	110,387	–	(110,387)	–	–	–	Nil	20 Mar 2017
David Marock	b	10,631	–	(10,631)	–	–	–	169.2991	Dec 2017 – May 2018
David Marock	c	107,438	–	–	–	–	107,438	Nil	19 Mar 2018
David Marock	d	15,954	–	(7,977)	–	–	7,977	Nil	April 2017 & April 2018
David Marock	e	112,806	–	–	–	–	112,806	Nil	11 Mar 2019
David Marock	d	65,801	–	(21,934)	–	–	43,867	Nil	April 2017, April 2018 & April 2019
David Marock	d	–	118,198	–	–	–	118,198	Nil	10 March 2020
David Marock	f	–	44,807	–	–	–	44,807	Nil	April 2018, April 2019 & April 2020
Damian Ely	a	49,214	–	(49,214)	–	–	–	Nil	20 Mar 2017
Damian Ely	b	10,631	–	–	–	–	10,631	169.2991	Dec 2017 – May 2018
Damian Ely	c	47,899	–	–	–	–	47,899	Nil	19 Mar 2018
Damian Ely	d	2,616	–	(1,308)	–	–	1,308	Nil	April 2017 & April 2018
Damian Ely	e	46,525	–	–	–	–	46,525	Nil	11 Mar 2019
Damian Ely	d	13,293	–	(4,431)	–	–	8,862	Nil	April 2017, April 2018 & April 2019
Damian Ely	f	–	48,749	–	–	–	48,749	Nil	10 March 2020
Damian Ely	d	–	11,279	–	–	–	11,279	Nil	April 2018, April 2019 & April 2020
Mark Keogh	b	10,631	–	–	–	–	10,631	169.2991	Dec 2017 – May 2018
Mark Keogh	c	76,602	–	–	–	–	76,602	Nil	19 Mar 2018
Mark Keogh	d	2,158	–	(1,079)	–	–	1,079	Nil	April 2017 & April 2018
Mark Keogh	e	49,603	–	–	–	–	49,603	Nil	11 Mar 2019
Mark Keogh	d	22,476	–	(7,492)	–	–	14,984	Nil	April 2017, April 2018 & April 2019
Mark Keogh	f	–	50,955	–	–	–	50,955	Nil	10 March 2020
Mark Keogh	d	–	3,770	–	–	–	3,770	Nil	April 2018, April 2019 & April 2020
		754,305	277,758	(214,453)	–	–	817,990		

- (a) Charles Taylor Long term Incentive Plan 2007 – subject to three years relative TSR and EPS performance conditions measured to 31 December 2016 with 25% vesting at threshold.
- (b) Charles Taylor Sharesave Scheme 2007 – Part A.
- (c) Charles Taylor Long term Incentive Plan 2007 – subject to three years relative TSR and EPS performance conditions measured to 31 December 2017 with 25% vesting at threshold.
- (d) Charles Taylor Deferred Annual Bonus Plan – shares released in three equal tranches after one, two and three years.
- (e) Charles Taylor Long term Incentive Plan 2007 – subject to three years relative TSR and EPS performance conditions measured to 31 December 2018 with 25% vesting at threshold.
- (f) Charles Taylor Long term Incentive Plan 2007 – subject to three years relative TSR and EPS performance conditions measured to 31 December 2019 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 £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 £2.845 at the year end (2016: £2.426) and traded in the range £2.054 to £2.878 throughout the year.

## Pension and other arrangements

All the Executive Directors are in receipt of a cash allowance at 15% of base salary less employer NIC.

Damian Ely is a deferred member of the Charles Taylor & Co Limited benefits scheme, which closed in 2011. 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 <sup>1</sup> 31 December 2016 £000	Contributions made by the Director in 2017 £000	Increase/(decrease) in full transfer value in the year net of contributions £000	Transfer value 31 December 2017 £000	Cutback transfer value <sup>1</sup> 31 December 2017 £000
Damian Ely	1,980	–	(291)	1,689	–

1 In 2017 the defined benefit scheme trustees reviewed their transfer value basis with their scheme actuary and agreed to calculate cash equivalent transfer values with no cutback.

The decrease in transfer value in 2017 was as a result of financial conditions over the year; the increase in age of the member; and changes in the cash equivalent transfer value calculation basis. The normal retirement date under the Charles Taylor defined benefit pension scheme for 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), Paul Hewitt and Tamer Ozmen. Gill Rider, Paul Hewitt and Tamer Ozmen are independent Non-Executive Directors and do not 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.

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 four times during 2017. No Director plays a part in any decision about his or her own remuneration.

The Terms of Reference of the Committee are available on the Company's website at [www.ctplc.com](http://www.ctplc.com) under the Investor section – Corporate Governance or from the Company Secretariat department.

### Committee effectiveness

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

### Advisers

New Bridge Street (NBS), a trading name of Aon Hewitt Ltd, is retained as the adviser to the Remuneration Committee. NBS provides 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 £27,456.

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 close 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 16 May 2017:

Resolution	Votes for/discretionary	% of vote	Votes against	% of vote	Votes withheld
Approve Remuneration Report	44,513,458	96.13	1,791,115	3.87	29,874
Approve Remuneration Policy	42,999,835	92.92	3,275,839	7.08	59,190



# Directors' Remuneration Report

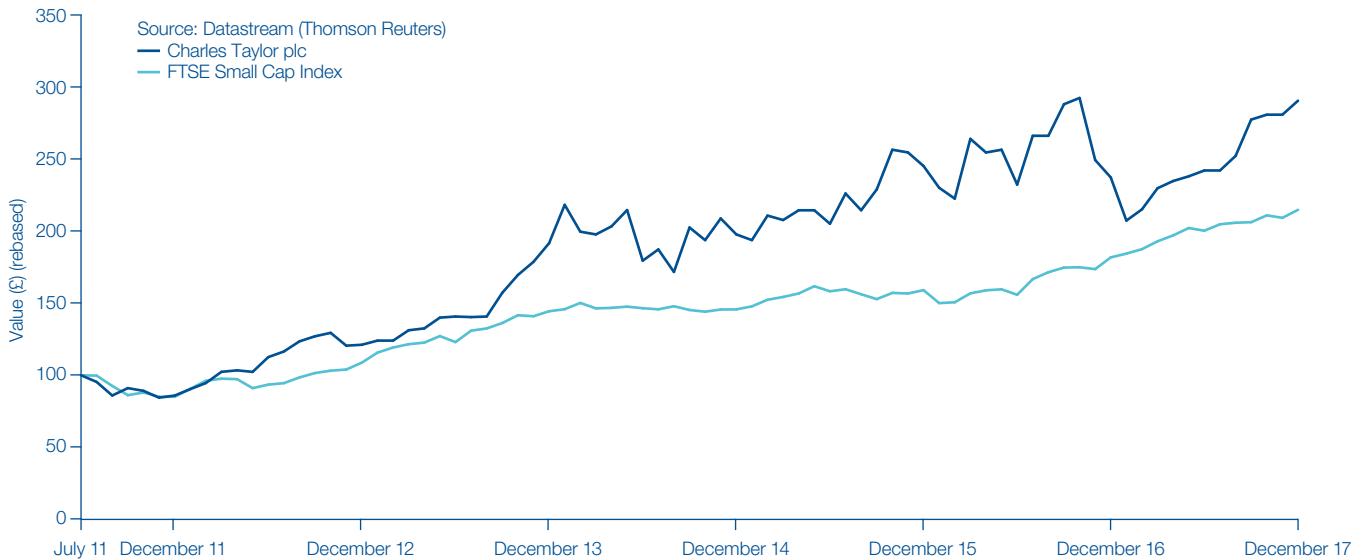
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## Performance graph

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 nine years

	2009 JR	2010 JR	2011 JR <sup>1</sup>	2011 DM <sup>1</sup>	2012 DM	2013 DM	2014 DM	2015 DM	2016 DM	2017 DM
Single figure of total remuneration (£000)	562	479	235	347	650	696	1,605	1,820	1,244	1,156
Annual bonus payout against maximum opportunity %	55	–	–	N/A <sup>2</sup>	57	67	78	98.5	86	86
LTI vesting rates against maximum opportunity %	–	–	N/A	N/A	–	–	100	100	100	69.2

- 1 John Rowe (JR) retired on 30 June 2011 and David Marock (DM) was appointed 1 July 2011.
- 2 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 in 2017 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 <sup>1</sup>	2.00%	2.29%
Benefits <sup>2</sup>	(2.39)%	(2.79)%
Annual bonus <sup>3</sup>	(2.24)%	10.56%

1. This reflects all increases in base salary, including any promotions, changes in development levels, skill, market rates or responsibilities.
2. The reductions in the cost of the benefits reflect savings negotiated which reduced the overall cost of these benefits.
3. 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 paid in the year and the overall expenditure on pay (as a whole across the Group):

	2016	2017	% change
Dividends	£6.73m <sup>1</sup>	£7.23m	7.41
Overall expenditure on pay	£97.73m	£115.95m	18.64

- 1 The 2016 figure has been restated from dividends relating to the period to dividends paid in the period for a consistent presentation with the 2017 figure.

### External appointments

As detailed in the Remuneration Policy, in order to develop further 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 and is a Director of two of its subsidiaries. No other Executive Director 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 2017, there were 697,030 shares available for such awards, of which 17,100 shares were available for discretionary schemes. The following table sets out the calculation:

	All shares	Discretionary (LTIP and DABP)
Issued shares	68,869,887	68,869,887
Investment Associations limits	6,886,989	3,443,494
Issued (exercised and outstanding) in last ten years	6,189,959	3,426,394
Available	697,030	17,100

# Directors' Remuneration Report

continued

## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2018

### Base salary

The Group Chief Executive Officer, David Marock, received a base salary increase of 2% at the 1 January 2018 review date. Details are in the table below:

	Base salaries		Increase
	1 January 2018	1 January 2017	
David Marock – GCEO	£383,387	£375,870	2%
Damian Ely – Executive Director	£232,537	£232,537	Nil
Mark Keogh – GCFO	£243,057	£243,057	Nil

### Annual bonus awards

Under the annual bonus arrangement for 2018, 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.

In respect of the Executive Directors in Group roles, 70% of the weighting of objectives are financial. Consistent with 2017 the key financial targets will be growth in revenue; growth in adjusted PBT; and growth in adjusted EPS. Personal objectives comprise 30% of the weighting and relate to specific operational, people and client related objectives.

The split differs in respect of Damian Ely, who holds a business unit leadership role. His 2017 objectives reflected both Group performance (30% weighting), the financial performance of his business unit (40% weighting), and other strategic aspects of his business unit performance (30% weighting). In aggregate 70% of his 2017 objectives were based on financial measures. The same breakdown will apply in 2018.

For 2018, the bonus opportunities for the Executive Directors will be as follows:

	On target % of salary	Maximum % of salary
David Marock – GCEO	100%	150%
Damian Ely – Executive Director	50%	75%
Mark Keogh – GCFO	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 2018 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%

### All employee schemes

Shareholders approved the extension of the SAYE Scheme and the introduction of a new Share Incentive Plan (SIP) at the 2017 AGM. These schemes provide the Company with alternatives as to how to encourage greater employee share ownership and further align employees' interests with those of shareholders. The Company is considering whether to implement a SIP and/or offer further SAYE invitations.

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

### Non-Executive Directors

The Non-Executive Directors have individual letters of engagement and their remuneration is determined by the Board in accordance with the Articles of Association and based on surveys of the fees paid to Non-Executive Directors of similar companies. Following a benchmarking exercise, the fee paid to the Board Chairman was increased from £90,000 to £100,000 at 1 January 2017 to address the below market position of the previous fee. The fees paid to the Board Chairman and the other Non-Executive Directors were not increased at 1 January 2018. A summary of the current fees is as follows:

	2018	2017	% increase
Board Chairman	£100,000	£100,000	Nil
Basic fee	£41,000	£41,000	Nil
Additional fee for Senior Independent Director	£5,000	£5,000	Nil
Additional fee for Committee Chairman	£10,000	£10,000	Nil

### DIRECTORS' REMUNERATION POLICY

This part of the Report sets out the Directors' Remuneration Policy for the Company which was approved by shareholders at the 2017 AGM. The Policy therefore came into effect for three years from 16 May 2017. It included no material changes from the previous Policy approved in 2014 (other than the renewal of the Long term Incentive Plan and the SAYE scheme and the introduction of 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 and our remuneration consultants.

If the Committee contemplates making any material changes to the Remuneration Policy outlined in this section, Charles Taylor 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
<b>Base salary</b>	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.	<p>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.</p> <p>Periodic reference is also made to median levels amongst relevant FTSE and industry comparators of similar size and scope.</p> <p>The Committee considers the impact of any basic salary increase on the total remuneration package.</p> <p>Executive Directors' salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.</p>	<p>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.</p> <p>Salary levels may be changed from time to time by the Committee within this Policy.</p> <p>Current salaries are set out in the Annual Report on Remuneration.</p>
<b>Benefits</b>	To provide cost effective and market competitive benefits to support the well being of Executive Directors.	<p>Executive Directors receive certain benefits in kind such as a car or car allowance, private medical insurance and other insurance benefits.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p> <p>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p> <p>Other ancillary benefits may be provided, including relocation assistance (as required).</p>	<p>Benefits constitute only a small percentage of total remuneration and the value is not subject to a specific cap.</p> <p>The benefits provided may be subject to minor amendment from time to time by the Committee within this Policy.</p>
<b>Pension</b>	To provide Executive Directors with a market competitive pension/long term savings option to assist with recruitment and retention.	A cash allowance is provided to each Executive Director.	<p>Any employer contribution is limited to a maximum of 15% of base salary.</p> <p>This is reviewed periodically by the Committee and may be subject to minor change within the Policy.</p>

Element	Purpose and link to strategy	Operation	Maximum opportunity
<b>Annual bonus</b>	<p>To tie a proportion of remuneration to the Company's annual performance.</p> <p>Compulsory partial deferral serves further to align the Executive Directors' interests with those of shareholders.</p>	<p>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.</p> <p>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.</p> <p>For awards in respect of 2018, where a bonus award exceeds the on target level, the portion above the on target level will be deferred as described above.</p> <p>Annual bonus awards are non pensionable.</p> <p>There is a malus and clawback provision in place. This allows the Committee to seek to recoup paid and deferred bonus in certain circumstances.</p> <p>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.</p>	<p>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.</p> <p>For on target performance the bonus opportunity is usually limited to no more than two thirds of the maximum.</p> <p>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.</p>
<b>Long term Incentive Plan (LTIP)</b>	<p>To tie a proportion of remuneration to the Company's longer term performance to further align the Executive Directors' interests with those of shareholders.</p>	<p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>There is a malus and clawback provision in place. This allows the Committee to seek to recoup LTIP awards in certain circumstances.</p>	<p>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.</p> <p>For threshold performance, 25% of the award will vest, increasing on a straight line basis up to 100% of the award for maximum performance.</p> <p>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.</p>

# Directors' Remuneration Report

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
<b>All employee share schemes</b>	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.	The schemes are subject to the limits set by tax authorities.
<b>Minimum shareholding requirement (MSR)</b>	To further align Executive Directors' interests with shareholders.	<p>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.</p> <p>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.</p>	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 (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards; and
- the annual review of performance measures, weightings and setting targets for the annual bonus and discretionary share plans from year to year.

Any performance 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 a 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 (e.g. 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 are disclosed in the biographies in the Corporate Governance Report on pages 38 and 39.

## 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.



# Directors' Remuneration Report

continued

## 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.

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
<b>Notice period from either party</b>	12 months	12 months	12 months
<b>Contract commencement date</b>	1 July 2011	16 June 2014	1 October 2005
<b>Payments on termination</b>	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.		
<b>Remuneration entitlements</b>	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.		
<b>Change of control</b>	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.

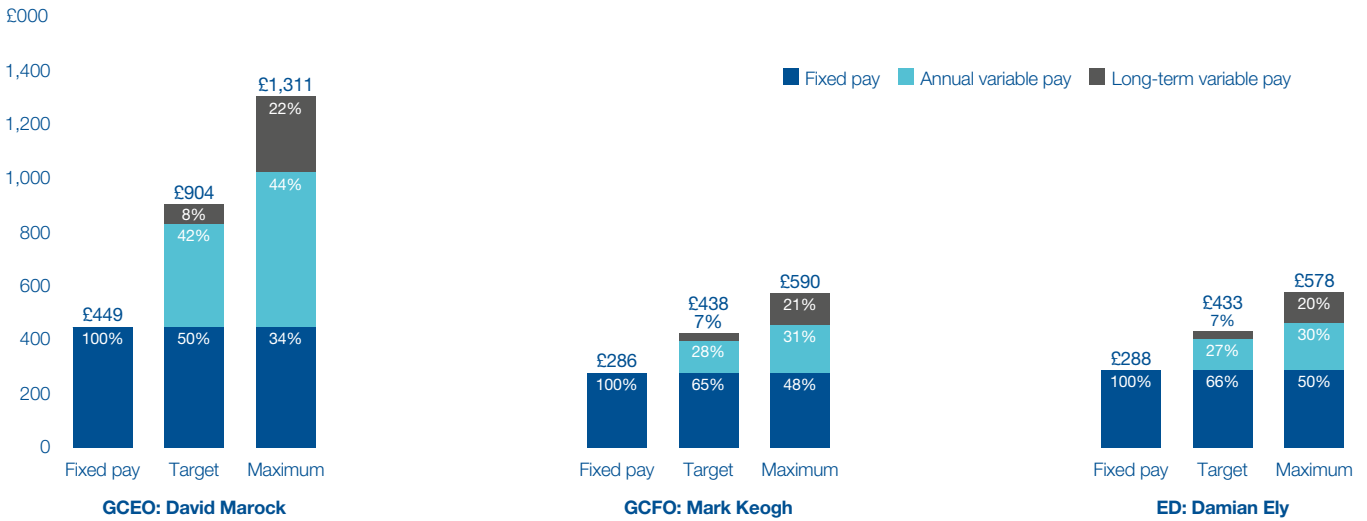
## Legacy arrangements

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 2018 salaries at minimum, target and maximum levels of performance**



**Assumptions:**

- Fixed pay = salary + benefits + pension contribution
- Target = 67% of the annual bonus and 25% of the LTIP awards vesting
- Maximum = 100% of the annual bonus and 100% LTIP awards vesting

Base salary levels are based on those applying on 1 January 2018. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2017.

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 are 75% of base salary. Whilst under this Policy the awards can be higher, the customary award sizes used for Mark Keogh and Damian Ely are 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
<b>Non-Executive Director fees</b>	To attract and retain a high calibre Chairman and Non-Executive Directors by offering market competitive fee levels.	<p>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.</p> <p>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.</p> <p>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.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p>	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 14 March 2018 and signed on its behalf by:



## Gill Rider

Chairman of the Remuneration Committee  
14 March 2018

# Directors' Report

for the year to 31 December 2017

The Directors' Report should be read in conjunction with the Strategic Report on pages 4 to 35 and the Corporate Governance Report on page 37, 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.

Going concern	Page 91
Board membership	Pages 38 to 39
Dividends	Page 15
Directors' long term incentives	Pages 50 to 70
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## 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 25. 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 2017 the issued share capital of the Company was 68,869,887 ordinary shares and the average monthly trading volume was 842,571 ordinary shares (2016: 1,574,967 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 Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Awards over 217,902 ordinary shares under the Charles Taylor Long term Incentive Plan 2007 (LTIP) were granted on 10 March 2017 to the Executive Directors. Full details of the awards are set out in the Directors' Remuneration Report on page 55.

As at 31 December 2017, the Charles Taylor Employees Share Ownership Plan (ESOP) held 324,247 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 50 to 70 and note 27.

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

Resolutions to purchase or issue shares in the capital of the Company within certain limits, approved at the last AGM, will be proposed again at this year's AGM – see resolutions 15 to 18 in the Notice of the AGM.



# Directors' Report continued

for the year to 31 December 2017

## 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 2017 and 13 March 2018:

	Number of shares held at 31 December 2017	% of voting rights held	Number of shares held at 14 March 2018	% of voting rights held
Miton Group PLC	7,710,779	11.27	7,710,779	11.27
NN Group NV	7,374,538	10.89	7,374,538	10.89
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
Fidelity International <sup>1</sup>	No notification	–	4,460,180	6.46
Legal & General Group Plc	3,964,291	5.88	3,964,291	5.88
Majedie Asset Management Ltd	3,917,590	5.81	2,334,343	3.38
Artemis Investment Management LLP	3,783,429	5.62	3,783,429	5.62

<sup>1</sup> First notification received from Fidelity International on 27 February 2018.

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 56 and 57, having a disclosable interest in the issued ordinary share capital of the Company.

## Directors

The following Directors served during the year ended 31 December 2017 and as at the date of this report, except as indicated:

Name	Appointment
Edward Creasy	Chairman and Chairman of the Nomination and Governance 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
Paul Hewitt	Independent Non-Executive Director and Chairman of the Audit, Risk and Compliance Committee
Tamer Ozmen	Independent Non-Executive Director (appointed 29 June 2017)

Brief biographies of the current Directors, indicating their experience and qualifications, are given on page 39. All the Directors have elected to retire from the Board at the forthcoming AGM and offer themselves for re election except for Tamer Ozmen, who is standing for election having been appointed since the last AGM.

Details of the Directors' notice periods are given on page 68.

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 42.

A statement of Directors' interests in the shares of the Company and their remuneration is set out on pages 51 to 58.

## Political donations

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

**Auditors**

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 auditors 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 auditors are aware of that information.

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

The Company's auditors PricewaterhouseCoopers LLP were re appointed as the Company's auditor at the 2017 AGM. A resolution is to be proposed at the 2018 AGM for the reappointment of PricewaterhouseCoopers LLP as auditors of the Company at a rate of remuneration to be determined by the Audit, Risk and Compliance Committee.

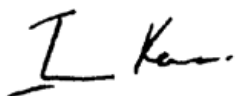
**Annual General Meeting**

The AGM will be held at 10.00 a.m. on Tuesday 15 May 2018 at 88 Leadenhall Street, London EC3A 3BA. 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 being sent to shareholders. It is also available to be viewed on the Company's website.

**Events after the balance sheet date**

On 7 March 2018, the Group made a further investment of €1,875,000 in REF Wisdom Limited, the parent company of REF Wisdom 2 Limited which is itself the parent of Fadata AD. In return for its investment, the Group was issued with additional preference shares in REF Wisdom Limited, conferring the same rights as existing preference shares issued to the Group by REF Wisdom Limited in connection with previous investments.

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

**Ivan Keane**

Group Company Secretary and General Counsel  
14 March 2018

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 and the Company's 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 the Company and of the profit or loss of the Group and the 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's and the Company's Financial statements, subject to any material departures that are disclosed and explained in those 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 the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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 the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's and the 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's and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report by reference to page 39 confirm that, to the best of their knowledge:

- the Company's 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 Strategic and 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's 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's and the 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

14 March 2018





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

**Financial Statements**

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# Independent Auditors' Report

to the members of Charles Taylor plc

## Report on the audit of the financial statements

### **Opinion**

In our opinion, Charles Taylor plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Balance Sheets as at 31 December 2017; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Cash Flow Statements, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

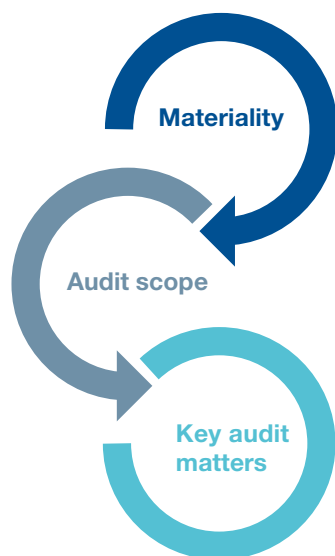
To the best of our knowledge and belief, we declare that non audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Audit Committee's Report we have provided no non audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.



## Our audit approach

### Overview



#### Materiality

- Overall Group materiality: £1.5 million based on c.0.71% of revenue (2016: £1.2 million).
- Overall Company materiality: £0.9 million based on 1% of net assets (2016: £1.0 million).

#### Audit scope

- We performed audit work over the complete financial information for 19 legal entities.
- We engaged PwC Isle of Man to audit the Group's Owned Life Insurers.
- 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 70% of revenue and 72% of profit before tax.

#### Key audit matters

- Revenue recognition
- Impairment of goodwill
- Valuation of pension scheme obligations
- Internally generated intangible assets

### The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation and local laws and regulations applicable in the Isle of Man and other territories, where relevant. Our tests included, but were not limited to, inspecting correspondence with regulators, discussions with internal legal and external legal counsel and testing particular classes of transactions. There are inherent limitations in the audit procedures described above and the further removed non compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

# Independent Auditors' Report **continued**

to the members of Charles Taylor plc

## Key audit matter

### Revenue recognition

Refer to page 47 – 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 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.

In addition to the Adjusting revenue, we also focused on significant revenue contracts across the rest of the Group, particularly within newer, growing areas such as Insurance Support Services. For example, as set out on page 21, the Group won a contract to implement a multi country life, health and general insurance policy administration system for a large insurer. Such contracts are expected to be material and may have complex, judgemental accounting treatments.

## How our audit addressed the key audit matter

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 check 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 check 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 reperforming 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.

The procedures performed above provided us with sufficient evidence on the level of revenue recognised in respect of this part of the business.

Our audit work in respect of significant contracts concluded that revenue is appropriately recognised in the current year.

Specifically we challenged management around revenue cut off and the potential 'linking' of different elements of revenue as set out in the contract. This was done through obtaining and auditing copies of the legal documents, debating with management over the real nature of products and services provided and considering other factors such as dates of signing of contracts and receipt of cash.

We note that the impact of several of existing and future contracts is expected to be more material and judgemental in future periods.

**Key audit matter****Impairment of goodwill**

Refer to page 47 – audit committee report, note 3 of the financial statements and note 15 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.

The Group Balance Sheet as at 31 December 2017 includes £61.4m of goodwill resulting from acquisitions, including £3.6m from two acquisitions in the current year. 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 cash 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 2017.

**How our audit addressed the key audit matter**

At the year end we obtained management's models of impairment and carried out the following audit tests:

- a) 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 Group's reporting structures and control;
- b) tested that the internal integrity of the models was robust by checking formulae and the methodology used;
- c) agreed future cash flow projections for all CGUs back to Board approved forecasts for 2018 and strategic five year plan;
- d) considered the appropriateness of those budgets by considering management's ability to estimate appropriately by reviewing previous estimates;
- e) considered the appropriateness of the discount rates used by considering market benchmarks; and
- f) 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.

**Valuation of pension scheme obligations**

Refer to page 47 – audit committee report, note 3 of the financial statements and note 32 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 £44.7m as at 31 December 2017 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:

- a) 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;
- b) tested the existence and valuation of assets in the Group's schemes by obtaining external confirmations of the assets held and their market value;
- c) tested the accuracy of a sample of underlying participant data to payroll records; and
- d) tested that disclosure in note 32 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.

# Independent Auditors' Report **continued**

to the members of Charles Taylor plc

## Key audit matter

### Internally generated intangible assets

Refer to page 47 – 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 2017 includes £16.9m of internally generated intangible assets, of which £5.1m relates to additions in the year. These are principally associated with programme development costs in the Insurance Support Services business which provides technology enabled solutions to the insurance industry.

Capitalisation of 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.

## How our audit addressed the key audit matter

In order to verify the valuation and recoverability of internally generated intangible assets we carried out the following audit procedures:

- a) tested a sample of additions to projects in the year to ensure that the costs were capitalised appropriately. 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;
- b) met with project managers and obtained an understanding of the projects along with satisfactory explanations for assumptions made, supporting the judgement that benefits would exceed the expected cost;
- c) Obtained and documented business cases setting out the budgeted costs and the anticipated benefits of these. We challenged management over the capitalisation of certain de minimis costs and further understood the drivers for instances where costs exceeded those originally budgeted;
- d) challenged management in respect of the inclusion of NI, pensions and other benefits which were capitalised as part of internal staff costs, in order to ascertain whether they were directly attributable costs incurred for the purpose of the development of the project. Whilst total additions in respect of these costs were immaterial, we highlighted them to both management and the Audit Committee; and
- e) audited management's assessment of the proposed economic benefits of the projects and therefore whether the costs were recoverable.

We had no material exceptions to report in respect of these tests and we concluded that the costs capitalised within projects during the year were accurate and appropriate to be capitalised, in accordance with IAS 38 and as set out in the Group's accounting policies.

We did not identify any indicators of impairment in respect of the carrying value of assets remaining on the balance sheet as at the year end date.

## How we tailored the audit scope

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

**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 in aggregate on the financial statements as a whole.

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

	<b>Group financial statements</b>	<b>Company financial statements</b>
Overall materiality	£1.5m (2016: £1.2m).	£0.9m (2016: £1.0m).
How we determined it	c.0.71% of revenue.	1% of net assets.
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 £0.4m to £2.1m. We determined that a materiality level based on c.0.71% of revenue resulted in a suitable materiality which reflects the size and quantum of the Group and its underlying activities.	We believe that net assets is the primary measure used by the shareholders in assessing the position of the Company, and is an accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £75,000 (Group audit) (2016: £60,000) and £47,500 (Company audit) (2016: £48,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

<b>Reporting obligation</b>	<b>Outcome</b>
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.



# Independent Auditors' Report continued

to the members of Charles Taylor plc

With respect to the Strategic Report, Directors' Report and Corporate Governance Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

## Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 37) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 37) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 28–32 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 33 of the Annual Report 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 to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (*Listing Rules*)

## Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 74, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 47 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

**Responsibilities for the financial statements and the audit****Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 74, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the 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.

**Other required reporting****Companies Act 2006 exception reporting**

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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.

**Appointment**

Following the recommendation of the audit committee, we were appointed by the directors on 4 November 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2016 to 31 December 2017.


**Darryl Phillips (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 March 2018

# Consolidated Income Statement

	Note	Year to 31 December	
		2017 £000	2016 £000
<b>Continuing operations</b>			
Revenue from Professional Services		206,237	164,551
Revenue from Owned Insurance Companies			
Gross revenue		5,609	5,567
Outward reinsurance premiums		(1,026)	(854)
Net revenue from Owned Insurance Companies	30	4,583	4,713
<b>Total revenue</b>	5	<b>210,820</b>	169,264
Expenses from Owned Insurance Companies			
Claims incurred		(52,779)	(120,926)
Reinsurance recoveries		915	2,950
Other gains from insurance activities		55,455	120,464
Net operating expenses		(7,160)	(5,212)
Net expenses		(3,569)	(2,724)
Administrative expenses	6	(197,905)	(154,275)
Gain on acquisition	14	926	–
Share of loss of associates	18	(1,780)	(1,028)
<b>Operating profit</b>		<b>8,492</b>	11,237
Investment and other income	8	903	823
Finance costs	9	(2,022)	(1,333)
<b>Profit before tax</b>		<b>7,373</b>	10,727
Income tax credit	10	1,758	–
<b>Profit for the year from continuing operations</b>		<b>9,131</b>	10,727
Attributable to:			
Owners of the Company		8,910	10,541
Non controlling interests	26	221	186
		<b>9,131</b>	10,727
<b>Earnings per share from continuing operations</b>			
Basic earnings per share (p)	13	13.14	15.85
Diluted earnings per share (p)	13	13.01	15.73

# Consolidated Statement of Comprehensive Income

	Note	Year to 31 December	
		2017 £000	2016 £000
Profit for the year		<b>9,131</b>	10,727
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gains/(losses) on defined benefit pension schemes	32	<b>4,740</b>	(15,224)
Tax on items taken directly to equity		<b>(1,310)</b>	1,790
		<b>3,430</b>	(13,434)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		<b>(1,909)</b>	6,091
Gains/(losses) on cash flow hedges		<b>709</b>	(374)
		<b>(1,200)</b>	5,717
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>2,230</b>	(7,717)
<b>Total comprehensive income for the year</b>		<b>11,361</b>	3,010
Attributable to:			
Owners of the Company		<b>11,283</b>	2,570
Non controlling interests		<b>78</b>	440
		<b>11,361</b>	3,010

# Consolidated Balance Sheet

	Note	At 31 December	
		2017 £000	2016 £000
<b>Non current assets</b>			
Goodwill	15	61,375	58,264
Other intangible assets	16	46,605	34,180
Property, plant and equipment	17	8,793	8,690
Investments	18	1,547	1,486
Financial assets	19	8,492	6,682
Deferred tax assets	20	11,909	12,707
<b>Total non current assets</b>		<b>138,721</b>	<b>122,009</b>
<b>Current assets</b>			
Total assets in insurance businesses	30	1,103,032	1,251,017
Trade and other receivables	21	82,655	78,178
Cash and cash equivalents	23	146,057	141,436
<b>Total current assets</b>		<b>1,331,744</b>	<b>1,470,631</b>
<b>Total assets</b>		<b>1,470,465</b>	<b>1,592,640</b>
<b>Current liabilities</b>			
Total liabilities in insurance businesses	30	1,089,039	1,236,898
Trade and other payables	22	37,627	37,074
Deferred consideration	14	2,688	2,979
Current tax liabilities		1,934	458
Borrowings	23	15,708	10,002
Client funds	23	121,395	125,198
<b>Total current liabilities</b>		<b>1,268,391</b>	<b>1,412,609</b>
<b>Net current assets</b>		<b>63,353</b>	<b>58,022</b>
<b>Non current liabilities</b>			
Borrowings	23	66,153	43,670
Deferred tax liabilities	20	4,386	6,309
Retirement benefit obligation	32	44,738	52,467
Provisions	24	302	338
Obligations under finance leases	23	28	41
Deferred consideration	14	8,187	7,044
<b>Total non current liabilities</b>		<b>123,794</b>	<b>109,869</b>
<b>Total liabilities</b>		<b>1,392,185</b>	<b>1,522,478</b>
<b>Net assets</b>		<b>78,280</b>	<b>70,162</b>
<b>Equity</b>			
Share capital	25	689	674
Share premium account		73,781	72,372
Merger reserve		6,872	6,872
Capital reserve		662	662
Own shares		(369)	(430)
Accumulated losses		(5,136)	(12,126)
<b>Equity attributable to owners of the Company</b>		<b>76,499</b>	<b>68,024</b>
Non controlling interests	26	1,781	2,138
<b>Total equity</b>		<b>78,280</b>	<b>70,162</b>

The financial statements on pages 84 to 142 were approved by the Board of Directors and signed on its behalf by



**Mark Keogh**

Director  
14 March 2018

Company number: 03194476



# Company Balance Sheet

	Note	At 31 December	
		2017 £000	2016 £000
<b>Non current assets</b>			
Investments	18	126,522	126,522
<b>Current assets</b>			
Trade and other receivables	21	199,437	127,165
Cash and cash equivalents		1,774	3,691
<b>Total current assets</b>		<b>201,211</b>	<b>130,856</b>
<b>Total assets</b>		<b>327,733</b>	<b>257,378</b>
<b>Current liabilities</b>			
Trade and other payables	22	160,369	113,032
Deferred consideration		–	114
Borrowings	23	6,142	5,081
<b>Total current liabilities</b>		<b>166,511</b>	<b>118,227</b>
<b>Net current assets</b>		<b>34,700</b>	<b>12,629</b>
<b>Non current liabilities</b>			
Borrowings	23	66,153	39,766
<b>Total liabilities</b>		<b>232,664</b>	<b>157,993</b>
<b>Net assets</b>		<b>95,069</b>	<b>99,385</b>
<b>Equity</b>			
Share capital	25	689	674
Share premium account		73,781	72,372
Retained earnings		20,599	26,339
<b>Total equity</b>		<b>95,069</b>	<b>99,385</b>

The financial statements on pages 84 to 142 were approved by the Board of Directors and signed on its behalf by



**Mark Keogh**

Director  
14 March 2018

Company number: 03194476

# Cash Flow Statements

	Note	Year to 31 December	
		2017 £000	2016 £000
<b>Group</b>			
<b>Net cash generated from operating activities</b>	31	7,697	71,200
<b>Investing activities</b>			
Interest received		420	394
Proceeds on disposal of property, plant and equipment		145	278
Purchases of property, plant and equipment		(2,645)	(1,753)
Purchases of other intangible assets		(5,102)	(6,091)
Purchase of investments		(3,739)	(3,320)
Acquisition of subsidiaries – net of cash acquired		(7,146)	(23,507)
Payment of deferred consideration		(6,027)	(8,214)
<b>Net cash used in investing activities</b>		<b>(24,094)</b>	<b>(42,213)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		760	442
Dividends paid	12	(7,232)	(6,732)
Repayments of borrowings		(78,500)	(12,590)
Repayments of obligations under finance leases		–	(16)
New bank loans raised		104,000	40,587
Increase in bank overdrafts		3,140	3,465
<b>Net cash generated from financing activities</b>		<b>22,168</b>	<b>25,156</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,771</b>	<b>54,143</b>
Cash and cash equivalents at beginning of year		141,436	80,170
Effect of foreign exchange rate changes		(1,150)	7,123
<b>Cash and cash equivalents at end of year</b>		<b>146,057</b>	<b>141,436</b>
<b>Company</b>			
<b>Net cash used in operating activities</b>	31	<b>(23,453)</b>	<b>(16,978)</b>
<b>Investing activities</b>			
Interest received		391	370
Payment of deferred consideration		(76)	–
<b>Net cash generated from investing activities</b>		<b>315</b>	<b>370</b>
<b>Financing activities</b>			
Proceeds from issue of shares		760	442
Dividends paid	12	(7,232)	(6,732)
Repayments of borrowings		(78,500)	(12,553)
New bank loans raised		104,000	37,053
Increase in bank overdrafts		2,193	1,267
<b>Net cash generated from financing activities</b>		<b>21,221</b>	<b>19,477</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,917)</b>	<b>2,869</b>
Cash and cash equivalents at beginning of year		3,691	822
<b>Cash and cash equivalents at end of year</b>		<b>1,774</b>	<b>3,691</b>

# 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 2017	674	72,372	6,872	662	(430)	(12,126)	2,138	70,162
Issue of share capital	15	–	–	–	–	–	–	15
Share premium arising on issue of share capital	–	1,409	–	–	–	–	–	1,409
Profit for the financial year	–	–	–	–	–	8,910	221	9,131
Dividends paid (note 12)	–	–	–	–	–	(7,232)	–	(7,232)
Actuarial gains on defined benefit pension schemes (note 32)	–	–	–	–	–	4,740	–	4,740
Tax on items taken to equity	–	–	–	–	–	(1,310)	–	(1,310)
Gains on cash flow hedges	–	–	–	–	–	709	–	709
Foreign currency exchange differences	–	–	–	–	–	(1,766)	(143)	(1,909)
Movement in share based payments	–	–	–	–	–	1,999	–	1,999
Movement in own shares	–	–	–	–	61	–	–	61
Other movements	–	–	–	–	–	940	(435)	505
<b>At 31 December 2017</b>	<b>689</b>	<b>73,781</b>	<b>6,872</b>	<b>662</b>	<b>(369)</b>	<b>(5,136)</b>	<b>1,781</b>	<b>78,280</b>
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 32)	–	–	–	–	–	(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

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

Own shares comprise 324,247 (2016: 311,120) shares held by the Charles Taylor Employee Share Ownership Plan Trust (ESOP). The market value of these shares was £0.9m (2016: £0.8m) 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 2017	674	72,372	26,339	99,385
Issue of share capital	15	–	–	15
Share premium arising on issue of share capital	–	1,409	–	1,409
Profit for the financial year	–	–	784	784
Dividends paid (note 12)	–	–	(7,232)	(7,232)
Losses on cash flow hedges	–	–	708	708
<b>At 31 December 2017</b>	<b>689</b>	<b>73,781</b>	<b>20,599</b>	<b>95,069</b>
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

# 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 34 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 31.

### *v) New and amended standards adopted by the Group*

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017, have had a material impact on the Group or Parent Company.

### *vi) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The 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.

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.



# Notes to the Financial Statements

continued

## **2. Basis of preparation** continued

### ***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**

For the Group, transition to IFRS 15 will take effect from 1 January 2018. The half year results for FY18 will be IFRS 15 compliant, with the first Annual Report published in accordance with IFRS 15 being the 31 December 2018 report. The Group plans to adopt a fully retrospective transition approach and so comparatives for the year ended 31 December 2017 will be restated.

IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand alone selling price basis, based on a five step model.

During 2017 the Group completed a comprehensive transition exercise at each of its businesses. The autonomous nature of the Group means that each business sets its own terms and conditions and operating procedures and as such this was the appropriate level for the transition exercise. The transition exercise has involved scoping the Group's revenues to identify revenue streams with like commercial terms and performing reviews of material contracts to determine the appropriate revenue recognition under IFRS 15. To ensure a consistent approach to the exercise and consistent judgements, the exercise has been supported from the centre through setting the approach to transition and providing guidance.

The Directors are satisfied that, based on current revenue streams, there will not be a material change in the timing or quantum of revenue recognition.

The Directors anticipate that the main impact of adopting IFRS 15 is likely to arise in the Management Services business and its Signal Mutual contract. This business currently recognises a higher proportion of revenue in the second half of the financial year whereas under IFRS 15 the revenue recognition will be spread evenly over the period, resulting in less revenue being reported in the first half of the year. For the year ended 31 December 2017 the application of IFRS 15 would result in £1.6m of additional revenue and profit before tax being recognised by Management Services in the first of the year relative to the second half. As the impact of IFRS 15 will be treated as a Prior Year Adjustment, we expect that there will be no material year on year variance.

### **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 29. 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.

#### ***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.

### **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 deconsolidated 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.

Unrealised 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. Unrealised 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.

# Notes to the Financial Statements

continued

## 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 remeasured 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 realised 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 utilise 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 realise 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.

# Notes to the Financial Statements

continued

## 3. Significant accounting policies continued

### Leases

Leases of property, 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 capitalised 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 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 remeasured 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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement 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 amortised 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, reevaluates this designation at the end of each reporting period. See note 28 for details about each type of financial asset.

##### **ii) Derecognition**

Financial assets are derecognised 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 and 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 28.

##### **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.

# Notes to the Financial Statements

continued

## 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 remeasured 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 28. Movements in the hedging reserve in shareholders' equity are shown in note 28. 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 reclassified 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 derecognised 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% p.a.
Fixtures and equipment	20%–25% p.a.
Leasehold buildings	Over the shorter of lease term and expected useful life
Computers	25% p.a.
Motor vehicles	25% p.a.

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 which ranges between three and ten years. 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.

# Notes to the Financial Statements

continued

## 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 drawdown 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 capitalised 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. Remeasurements 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 12 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.

Remeasurement 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: a long term incentive scheme (LTIP) for senior employees; a share save (SAYE) scheme open to all qualifying employees; and a deferred share award scheme,

##### *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 27 and in the Directors' Remuneration Report.



# Notes to the Financial Statements

continued

## 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 reissued. Where such ordinary shares are subsequently reissued, 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 authorised 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 policyholders own contracts with the Group that transfer insurance risk or financial risk, or both.

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

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

### 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 policyholders may receive a bonus, generally based on investment performance. Unit and non unit linked policies may or may not have DPF.

#### **Revenue recognition**

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

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

#### **Claims**

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

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

#### **Provisions for liabilities**

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

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

#### **Value of business acquired**

On acquisition of a portfolio of contracts, either directly from another insurer or through the acquisition of a subsidiary, the Group recognises an intangible asset 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 32.

### **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.

### **Carrying value of investments in REF Wisdom Limited (Fadata)**

The Group has made investments in ordinary and preference shares of REF Wisdom Limited, which is the ultimate parent of Fadata AD ("Fadata"). The Company is required to assess annually, or more often if there is an indication of impairment, the carrying value of these investments, and the associated accrued preference share interest. It does this by assessing the future cash flows generated by Fadata and by discounting those cash flows to assess whether the discounted value is higher or lower than the carrying value of the investments in Fadata. Management judgement is applied in assessing future cash flows and in determining appropriate discount rates.

## 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 – provides end to end management services to insurance companies, mutuals and associations.
- Adjusting Services – provides loss adjusting services across the aviation, energy, marine, property and casualty, and special risks sectors.
- Insurance Support Services – provides a wide range of professional, technology and support services, enabling our clients to select the specific services they require.
- Owned Life Insurers – 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 cyclicity 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 Financial Review. Reconciliations of segmental results to the Group profit before tax are set out below.

### Information about major customers

The Group derived revenue, within its Management Services business, of £36.1m (31 December 2016: £34.3m) from one external customer which accounts for more than 10% of Group revenue.

Year to 31 December 2017 Continuing operations	Professional Services businesses				Total £000	Owned Life Insurers	Adjustments	Group Total £000
	Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000		Insurance Companies £000	Eliminations/ other £000	
Revenue from external clients	58,345	74,929	72,957	6	206,237	4,583	–	210,820
Revenue from other operating segments	–	–	5,004	–	5,004	–	(5,004)	–
<b>Total revenue</b>	<b>58,345</b>	<b>74,929</b>	<b>77,961</b>	<b>6</b>	<b>211,241</b>	<b>4,583</b>	<b>(5,004)</b>	<b>210,820</b>
Depreciation and amortisation	(262)	(700)	(5,029)	–	(5,991)	(268)	–	(6,259)
Other expenses	(47,954)	(69,738)	(69,820)	(6)	(187,518)	(3,701)	(4,850)	(196,069)
<b>Operating profit/(loss)</b>	<b>10,129</b>	<b>4,491</b>	<b>3,112</b>	<b>–</b>	<b>17,732</b>	<b>614</b>	<b>(9,854)</b>	<b>8,492</b>
Investment and other income								903
Finance costs								(2,022)
<b>Profit before tax</b>								<b>7,373</b>

# Notes to the Financial Statements

continued

## 5. Segmental information continued

	Professional Services businesses				Total £000	Owned Life Insurers	Adjustments Eliminations/ other £000	Group Total £000
	Management Services £000	Adjusting Services £000	Insurance Support Services £000	Unallocated £000		Insurance Companies £000		
Year to 31 December 2016 Continuing operations								
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)
Profit before tax								10,727

	At 31 December 2017 £000			At 31 December 2016 £000		
	Professional Services businesses	Owned Life Insurers	Group	Professional Services businesses	Owned Life Insurers	Group
Management Services business	2,890	–	2,890	3,643	–	3,643
Adjusting Services business	220,238	–	220,238	209,560	–	209,560
Insurance Support Services business	120,083	–	120,083	106,021	–	106,021
Unallocated assets and eliminations	22,514	–	22,514	20,427	–	20,427
Owned Insurance Companies business	–	1,104,740	1,104,740	–	1,252,989	1,252,989
<b>Total assets</b>	<b>365,725</b>	<b>1,104,740</b>	<b>1,470,465</b>	<b>339,651</b>	<b>1,252,989</b>	<b>1,592,640</b>
– Non current assets	137,012	1,708	138,720	120,037	1,972	122,009
– Current assets	228,713	1,103,032	1,331,745	219,614	1,251,017	1,470,631
<b>Total assets</b>	<b>365,725</b>	<b>1,104,740</b>	<b>1,470,465</b>	<b>339,651</b>	<b>1,252,989</b>	<b>1,592,640</b>
Current liabilities	(176,665)	(1,089,039)	(1,265,704)	(172,732)	(1,236,898)	(1,409,630)
Deferred consideration	(2,688)	–	(2,688)	(2,979)	–	(2,979)
<b>Net current assets</b>	<b>49,360</b>	<b>13,993</b>	<b>63,353</b>	<b>43,903</b>	<b>14,119</b>	<b>58,022</b>
Non current liabilities	(115,606)	–	(115,606)	(102,825)	–	(102,825)
Deferred considerations	(8,187)	–	(8,187)	(4,612)	(2,432)	(7,044)
<b>Total liabilities</b>	<b>(303,146)</b>	<b>(1,089,039)</b>	<b>(1,392,185)</b>	<b>(283,148)</b>	<b>(1,239,330)</b>	<b>(1,522,478)</b>
<b>Net assets</b>	<b>62,579</b>	<b>15,701</b>	<b>78,280</b>	<b>56,503</b>	<b>13,659</b>	<b>70,162</b>
Non controlling interests	(1,781)	–	(1,781)	(2,138)	–	(2,138)
<b>Equity attributable to owners of the Company</b>	<b>60,798</b>	<b>15,701</b>	<b>76,499</b>	<b>54,365</b>	<b>13,659</b>	<b>68,024</b>



**5. Segmental information** continued

Geographical information	Revenue Year to 31 December		Non current assets <sup>1</sup> At 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Continuing operations</b>				
United Kingdom	<b>86,798</b>	59,467	<b>111,646</b>	96,813
Other Europe	<b>18,556</b>	11,381	<b>4,870</b>	2,683
Middle East	<b>4,310</b>	3,885	<b>132</b>	116
North America	<b>17,449</b>	14,462	<b>7,673</b>	6,918
Central and South America	<b>7,390</b>	5,483	<b>146</b>	180
Asia Pacific	<b>18,326</b>	17,676	<b>1,507</b>	1,637
Bermuda	<b>57,991</b>	56,910	<b>838</b>	955
	<b>210,820</b>	169,264	<b>126,812</b>	109,302

1 Excluding deferred tax.

**6. Administrative expenses**

Continuing operations	Year to 31 December	
	2017 £000	2016 £000
Administrative expenses are as follows:		
Staff costs	<b>131,364</b>	110,980
Depreciation and other amounts written off tangible fixed assets	<b>2,006</b>	1,403
Other operating charges	<b>64,535</b>	41,892
Total administrative expenses	<b>197,905</b>	154,275
Operating profit is stated after charging:		
Rentals under operating leases:		
Land and buildings	<b>6,032</b>	5,858
Hire of other assets	<b>207</b>	125
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	<b>1,987</b>	1,374
Assets held under finance leases	<b>19</b>	29
Amortisation of other intangible assets (Professional Services)	<b>9,453</b>	4,874
Amortisation of other intangible assets (Owned Insurance Companies)	<b>264</b>	379
Research costs	<b>–</b>	10
Loss/(gain) on foreign exchange	<b>342</b>	(69)
Auditor's remuneration:		
Audit fees payable to:		
– Group auditor	<b>689</b>	550
– Other auditors	<b>40</b>	53
Total audit fees	<b>729</b>	603
Fees payable for non audit services		
– Group auditor prior to appointment	<b>–</b>	374
– Group auditor post appointment	<b>165</b>	25
– Other auditors	<b>138</b>	182
Total other fees	<b>303</b>	581

The audit fee in respect of the Company was £65,000 (2016: £65,000).

# 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:

	Year to 31 December	
	2017 £000	2016 £000
<b>Continuing operations</b>		
Wages and salaries	115,954	97,734
Social security costs	9,087	7,539
Other pension costs	6,323	5,707
	<b>131,364</b>	<b>110,980</b>

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.

	Year to 31 December	
	2017 £000	2016 £000
<b>Key management personnel compensation</b>		
Short term employee benefits	4,195	4,562
Long term benefits	135	110
Share based payments	962	1,125
	<b>5,292</b>	<b>5,797</b>

## Employees

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

	Year to 31 December	
	2017 number	2016 number
<b>Continuing operations</b>		
Management business	275	324
Adjusting business	647	638
Insurance Support Services business	793	456
	<b>1,715</b>	<b>1,418</b>

## 8. Investment and other income

	Year to 31 December	
	2017 £000	2016 £000
<b>Continuing operations</b>		
Loss on sale of fixed assets	(20)	(5)
Interest receivable and similar income	923	828
	<b>903</b>	<b>823</b>

Interest receivable includes £502,000 due on the Group's preference share investment in REF Wisdom Limited (see note 18).

## 9. Finance costs

	Year to 31 December	
	2017 £000	2016 £000
<b>Continuing operations</b>		
Bank loans and overdrafts repayable within five years	1,640	925
Deferred consideration discount unwind	377	402
Other loans	2	2
Finance leases	3	4
	<b>2,022</b>	<b>1,333</b>

## 10. Income tax

	Year to 31 December	
	2017 £000	2016 £000
<b>Continuing operations</b>		
Corporation tax:		
Current year	2,169	1,008
Deferred tax	(3,927)	(1,008)
	<b>(1,758)</b>	<b>–</b>

UK corporation tax is calculated at 19.25% (2016: 20.0%) 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 23.8% (2016: nil).

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.

	Year to 31 December	
	2017 £000	2016 £000
<b>Continuing operations</b>		
Profit before tax	7,373	10,727
Tax at the UK corporation tax rate of 19.25% (2016: 20.0%)	1,419	2,145
<b>Effects of:</b>		
Recognition of previously unrecognised deferred tax	(3,018)	(1,013)
Expenses not deductible	486	160
Taxable items excluded from profit	(26)	(18)
Other permanent differences	(951)	(435)
(Higher)/lower tax rates on overseas earnings	332	(839)
<b>Income tax credit</b>	<b>(1,758)</b>	<b>–</b>

## 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 £0.8m profit (2016: £15.7m profit).

## 12. Dividends paid

	Year to 31 December	
	2017 £000	2016 £000
Ordinary dividends paid comprise:		
Final dividend (2016: 7.35p)	4,974	–
Second interim dividend paid (2015: 7.0p)	–	4,622
Interim dividend paid (2017: 3.31p; 2016: 3.15p per share)	2,258	2,110
	<b>7,232</b>	<b>6,732</b>

A final dividend, of 11.01p per share, will be paid on 25 May 2018. Dividends paid have been shown as a movement in shareholders' funds.

# Notes to the Financial Statements

continued

## 13. Earnings per share

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	
	2017 £000	2016 £000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<b>8,910</b>	10,541

	Number	Number
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>67,824,263</b>	66,526,347
Effect of dilutive potential ordinary shares:		
Share options	<b>654,371</b>	473,825
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>68,478,634</b>	67,000,172

## 14. Acquisition of subsidiaries

### **Metro Risk Management**

On 4 September 2017 Charles Taylor acquired all of the equity of Metro Risk Management LLC ("MRM"). MRM is an insurance claims third party administrator ("TPA") that specialises in managing workers' compensation claims in California. This acquisition helps the Group to expand its US TPA business.

	MRM		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Identifiable intangible assets	–	1,130	1,130
Trade and other receivables	76	–	76
Cash and cash equivalents	202	–	202
Trade and other payables	(46)	–	(46)
Identifiable assets and liabilities	232	1,130	1,362
Goodwill			–
Consideration			1,362

### **Satisfied by:**

Cash	1,001
Deferred consideration	361
Consideration	1,362

Charles Taylor has committed to pay deferred consideration, of £0.4m (US\$0.5m), in three years, based on profitability targets being met.

Acquisition related costs of £0.1m are included in administrative expenses in the consolidated income statement and in the operating cash flows in the cash flow statements.

**14. Acquisition of subsidiaries** continued**Criterion**

On 9 August 2017 Charles Taylor acquired all of the equity of Criterion Adjusters Limited, Criterion Surveyors Limited and Criterion Claims Management Limited. These three companies, which are described collectively as "Criterion", were separately owned by the vendors, rather than via a holding company. Criterion Adjusters is a loss adjusting practice specialising in the high net worth insurance market. Criterion Surveyors provides insurance surveys for listed, high value or unique properties. Criterion Claims offers a desk based service for lower value, less complex claims.

This acquisition gives Charles Taylor access to the lucrative high net worth adjusting market and should provide stable, repeatable revenues with lower working capital requirements than the Group's core adjusting business.

	Criterion		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Identifiable intangible assets	–	10,063	10,063
Deferred tax liability recognised on intangible assets	–	(1,912)	(1,912)
Property, plant and equipment	148	–	148
Trade and other receivables	771	(388)	384
Cash and cash equivalents	110	–	110
Trade and other payables	(811)	–	(811)
Tax liabilities	(16)	–	(16)
Identifiable assets and liabilities	202	7,763	7,965
Goodwill			3,602
Consideration			11,567
<b>Satisfied by:</b>			
Cash			5,112
Deferred consideration			6,455
Consideration			11,567

Charles Taylor has committed to pay deferred consideration, subject to a cap on the total initial cash and deferred consideration of £14.6m, undiscounted, over the next three years, based on profitability targets being met. The fair value of contingent consideration of £6.5m was estimated by calculating the present value of future expected cash flows using a discount rate of 2.49%.

Acquisition related costs of £0.2m are included in administrative expenses in the consolidated income statement and in the operating cash flows in the cash flow statements.



# Notes to the Financial Statements

continued

## 14. Acquisition of subsidiaries continued

### **Closed book of Zurich International Portfolio Bonds and Allied Dunbar International Fund Managers Limited**

On 28 April 2017, Charles Taylor Group completed the acquisition of the closed book of Zurich International Portfolio Bonds (the "Book") from Zurich International Life Limited and 100% of the equity of Allied Dunbar International Fund Managers Limited (ADIFM) from Zurich Insurance Company Ltd.

The transaction will enable Charles Taylor to increase its revenue by managing the closed book and by providing policy administration services. The acquisition of ADIFM, which manages a collective investment scheme, will also enable Charles Taylor to generate fund management revenues and further extend its range of professional services by entering the international fund administration services market.

ADIFM has been renamed as Charles Taylor International Fund Managers (IoM) Limited.

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

	The Book plus ADIFM		
	Carrying amount before acquisition £000	Adjustments £000	Amount recognised at acquisition £000
Investment contract assets	271,299	–	271,299
Cash and cash equivalents	1,177	–	1,177
Loans and receivables	584	–	584
Investment contracts unit linked liabilities	(271,253)	–	(271,253)
Other creditors	(723)	(84)	(807)
Identifiable assets and liabilities	1,084	(84)	1,000
VOBA (see note 16)			5,864
Gain on acquisition			926
Consideration			5,938

### **Satisfied by:**

Initial cash consideration	2,519
Deferred consideration	3,419
Consideration	5,938

### **Deferred consideration**

Included in the prior year deferred consideration of £11.7m, as set out below, is the amount of £1.7m included within total liabilities in insurance businesses. Acquisitions include Zurich International Portfolio Bonds/Allied Dunbar International Fund Managers, Criterion Adjusters and Metro Risk Management, as described above, offset by revisions for acquisitions within 12 months. £2.7m of the total is due within one year.

At 1 January 2017	11,694
Acquisitions	9,586
Amounts paid	(8,333)
Revaluation through Income Statement	(2,437)
Interest unwind	365
At 31 December 2017	10,875

If the above acquisitions had been completed on the first day of the financial year, the combined revenue and statutory profit before tax would have been £215.7m and £7.9m respectively.

**15. Goodwill**

	2017 £000	2016 £000
At 1 January	58,264	44,844
Additions (note 14)	3,602	12,683
Other movements	(331)	89
Foreign currency exchange differences	(160)	648
At 31 December	61,375	58,264

Goodwill additions relate to the acquisition of the Criterion Group of companies.

The Group tests goodwill for impairment annually and for new acquisitions in the first full year after 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 11.67% for those cash generating units that are not subject to tax and 9.42% 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 Group's five year strategic plan (years 2018 to 2022). For the calculation of the terminal value, revenue and cost growth rates of 2% have been used. 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 reperformed 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 reasonable 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.

	2017 £000	2016 £000
Management Services business	343	357
Adjusting Services business	24,857	21,329
Insurance Support Services business	26,558	26,961
Owned Insurance Companies business	9,617	9,617
	61,375	58,264

# Notes to the Financial Statements

continued

## 16. Other intangible assets

	Software licences £000	(i) IT assets £000	(ii) Customer relationships £000	(iii) Intellectual property £000	(iv) Brand name £000	(v) Life insurance VOBA £000	Total £000
<b>Cost</b>							
At 1 January 2016	–	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
Acquisitions	–	–	–	–	–	5,864	5,864
Additions	34	5,068	10,431	–	713	–	16,246
Disposals	–	(88)	–	(5)	–	–	(93)
Foreign currency exchange differences	–	–	(175)	–	–	–	(175)
<b>At 31 December 2017</b>	<b>508</b>	<b>25,822</b>	<b>32,754</b>	<b>2,367</b>	<b>2,532</b>	<b>13,891</b>	<b>77,874</b>
<b>Accumulated amortisation</b>							
At 1 January 2016	–	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
Amortisation	6	2,657	4,573	468	423	1,590	9,717
Disposals	–	(88)	–	–	–	–	(88)
Foreign currency exchange differences	–	–	(212)	–	–	–	(212)
<b>At 31 December 2017</b>	<b>6</b>	<b>8,882</b>	<b>12,434</b>	<b>1,727</b>	<b>575</b>	<b>7,645</b>	<b>31,269</b>
<b>Net book value</b>							
<b>At 31 December 2017</b>	<b>502</b>	<b>16,940</b>	<b>20,320</b>	<b>640</b>	<b>1,957</b>	<b>6,246</b>	<b>46,605</b>
At 31 December 2016	474	14,529	14,425	1,113	1,667	1,972	34,180

(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 trade names of the CEGA and Criterion Groups.

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

## 17. Property, plant and equipment

	Freehold buildings £000	Leasehold buildings £000	Computers £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>						
At 1 January 2016	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
Additions	–	130	1,967	460	88	2,645
Acquisition of subsidiaries	–	–	76	85	25	186
Disposals	–	(113)	(1,107)	(126)	(168)	(1,514)
Foreign currency exchange differences	(40)	(76)	(232)	(220)	(34)	(602)
<b>At 31 December 2017</b>	<b>2,384</b>	<b>5,659</b>	<b>8,711</b>	<b>7,688</b>	<b>858</b>	<b>25,300</b>
<b>Accumulated depreciation</b>						
At 1 January 2016	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
Charge for the year	38	175	1,179	483	131	2,006
Acquisition of subsidiaries	–	–	15	24	18	57
Disposals	–	(1)	(736)	(95)	(160)	(992)
Foreign currency exchange differences	(18)	(49)	(185)	(180)	(27)	(459)
<b>At 31 December 2017</b>	<b>262</b>	<b>2,976</b>	<b>5,950</b>	<b>6,674</b>	<b>645</b>	<b>16,507</b>
<b>Net book value</b>						
<b>At 31 December 2017</b>	<b>2,122</b>	<b>2,683</b>	<b>2,761</b>	<b>1,014</b>	<b>213</b>	<b>8,793</b>
At 31 December 2016	2,182	2,867	2,330	1,047	264	8,690

# Notes to the Financial Statements

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## 17. Property, plant and equipment continued

Additions included in the above are motor vehicles held under finance leases:

	Motor vehicles £000
<b>Cost</b>	
At 1 January 2016	165
Foreign currency exchange differences	25
At 31 December 2016	190
Additions	16
Foreign currency exchange differences	(2)
<b>At 31 December 2017</b>	<b>204</b>
<b>Accumulated depreciation</b>	
At 1 January 2016	122
Charge for the year	29
Foreign currency exchange differences	18
At 31 December 2016	169
Charge for the year	19
Foreign currency exchange differences	(2)
<b>At 31 December 2017</b>	<b>186</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>18</b>
At 31 December 2016	21

## 18. Investments

The Group agreed to pay further amounts of €1.5m (£1.3m) and €0.7m (£0.6m) on 12 July 2017 and 26 July 2017 respectively, for ordinary shares of REF Wisdom Limited, an intermediary holding company of Fadata AD, and €0.5m (£0.4m) for preference shares (see note 19). The Group paid a further €1.9m (£1.6m) for preference shares on 8 March 2018.

	At 31 December 2017		At 31 December 2016	
	Fadata	Korhi	Fadata	Korhi
% ownership	27.4%	30.0%	25.9%	30.0%
Fair value of the investment (£000)	1,653	3,197	1,761	3,133
Proportion of the Group's ownership interest (£000)	453	959	456	940



**18. Investments** continued

	Associated undertakings £000	Other £000	Total £000	Associated undertakings £000	Other £000	Total £000
<b>Group</b>						
<b>Cost</b>						
At 1 January	1,396	90	1,486	1,839	66	1,905
Acquisition of ADIFM	–	45	45	–	–	–
Additions	1,917	4	1,921	356	17	373
Share of (loss)/profit through income statement	(1,780)	–	(1,780)	(1,028)	–	(1,028)
Share of profit through equity	–	–	–	195	–	195
Dividends received	(67)	–	(67)	(55)	–	(55)
Foreign currency exchange differences	(54)	(4)	(58)	89	7	96
<b>At 31 December</b>	<b>1,412</b>	<b>135</b>	<b>1,547</b>	<b>1,396</b>	<b>90</b>	<b>1,486</b>

	2017 £000	2016 £000
<b>Company</b>		
<b>Cost of Group undertakings</b>		
At 1 January	126,522	131,589
Capital injection into subsidiaries	–	115
Disposals	–	(3,000)
Transfer to Group companies	–	(2,182)
<b>At 31 December</b>	<b>126,522</b>	<b>126,522</b>

**19. 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 18) 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.

	2017 £000	2016 £000
Preference shares held to maturity		
At 1 January	3,562	2,656
Issued	447	477
Interest accrued	502	429
At 31 December	4,511	3,562
Funds at Lloyd's at 31 December	3,981	3,120
	<b>8,492</b>	<b>6,682</b>

# Notes to the Financial Statements

continued

## 20. Deferred taxation

	2017 £000	2016 £000
At 1 January	6,398	7,282
Retirement benefit obligation	(1,306)	1,790
US tax losses	6	(65)
UK tax losses	749	1,542
UK timing differences	1,857	(4,127)
Overseas timing differences	(146)	62
Foreign currency exchange differences	(35)	(86)
<b>At 31 December</b>	<b>7,523</b>	<b>6,398</b>
Deferred tax comprises:		
Pension liability	7,641	8,945
Losses	3,099	2,350
Other timing differences	1,169	1,412
Deferred tax assets	11,909	12,707
Other timing differences	4,386	6,309
Deferred tax liabilities	4,386	6,309

At the balance sheet date the Group has unused tax losses and capital allowances of £23.0m available for offset against future profits, equivalent to a £4.4m deferred tax asset. This deferred tax asset has been recognised in full. These losses may be carried forward indefinitely, subject to no change of business.

Other timing differences of £(3.2m) included £(4.0m) relating to the amortisation of acquired intangible assets, £(0.4m) in respect of overseas entities and an asset of £1.2m relating to capital allowances.

## 21. Trade and other receivables

	Group At 31 December		Company At 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade debtors	37,874	35,560	–	–
Amounts due from subsidiaries	–	–	199,084	127,015
Amounts due from associates	1	2	–	–
Other debtors	3,954	3,666	312	150
Prepayments	10,448	10,624	–	–
Accrued income	29,830	27,797	41	–
Corporation tax	548	529	–	–
	<b>82,655</b>	<b>78,178</b>	<b>199,437</b>	<b>127,165</b>

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

## 22. Trade and other payables

	Group At 31 December		Company At 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade creditors	4,521	5,782	–	–
Amounts owed to subsidiaries	–	–	159,939	112,199
Other taxation and social security	3,173	2,863	–	–
Other creditors	4,970	3,642	3	–
Accruals and deferred income	24,963	24,787	427	833
	<b>37,627</b>	<b>37,074</b>	<b>160,369</b>	<b>113,032</b>

## 23. Borrowings

	Group At 31 December		Company At 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
Total borrowings:				
Amount due for settlement within 12 months	15,708	10,002	6,142	5,081
Amount due for settlement after 12 months	66,153	43,670	66,153	39,766
	<b>81,861</b>	<b>53,672</b>	<b>72,295</b>	<b>44,847</b>

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 28.

### Analysis of Group finance lease commitments

	At 31 December	
	2017 £000	2016 £000
Minimum lease payments due: in the second to fifth years inclusive	28	41
due within one year	–	–
due after more than one year	28	41
	<b>28</b>	<b>41</b>

Finance leases are secured on the leased assets.

	At 31 December	
	2017 £000	2016 £000
<b>Net debt</b>		
Cash and cash equivalents	146,057	141,436
Less: client funds	(121,395)	(125,198)
Bank overdrafts	(15,574)	(8,736)
Current loans	(134)	(1,266)
Non current bank loans	(66,153)	(43,670)
Finance leases	(28)	(41)
	<b>(57,227)</b>	<b>(37,475)</b>

# Notes to the Financial Statements

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## 24. Provisions

	Premises dilapidations £000	Employee entitlements £000	Total £000
At 1 January 2017	101	237	338
Utilised in year	–	(14)	(14)
Income statement (credit)/charge	(44)	34	(10)
Foreign currency exchange differences	–	(12)	(12)
<b>At 31 December 2017</b>	<b>57</b>	<b>245</b>	<b>302</b>
Current			57
Non current			245
			<b>302</b>

## 25. Called up share capital

	At 31 December	
	2017 £000	2016 £000
Issued and fully paid: 68,869,887 ordinary shares of 1p each (2016: 67,357,957)	689	674

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

- 96,782 shares to fund the acquisition of CEGA Group;
- 1,233,880 shares issued under employee share schemes; and
- 181,268 shares issued to former owners of the KLA Group under deferred consideration arrangements.

## 26. Non controlling interests

The following amounts are attributable to non controlling interests:

	2017 £000	2016 £000
<b>Continuing operations</b>		
<b>Profit/(loss) before tax</b>		
Insurance Support Services business	144	(158)
Adjusting Services business	110	402
	<b>254</b>	<b>244</b>
<b>Income tax expense</b>		
Insurance Support Services business	–	–
Adjusting Services business	(33)	(58)
	<b>(33)</b>	<b>(58)</b>
<b>Profit/(loss) for the period</b>		
Insurance Support Services business	144	(158)
Adjusting Services business	77	344
	<b>221</b>	<b>186</b>
<b>Equity</b>		
Insurance Support Services business	835	687
Adjusting Services business	946	1,451
	<b>1,781</b>	<b>2,138</b>

## 27. 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. Except in a limited number of circumstances defined in the scheme rules, the options lapse immediately if the employee ceases employment.

Share options outstanding during the year to 31 December 2017 were as follows:

	2017		2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	1,946,636	2.02	1,716,598	£1.80
Granted during the year	–	–	608,258	£2.42
Exercised during the year	(446,658)	1.68	(185,106)	£1.47
Forfeited during the year	(243,373)	2.15	(193,114)	£1.86
Outstanding at end of year	1,256,605	2.12	1,946,636	£2.02
Exercisable at end of year	206,755	1.69	46,407	£1.47

As at 31 December 2017 share based awards outstanding were as follows:

	2017		2016	
	Exercise price per ordinary share (p)	Number of shares	Exercise price per ordinary share (p)	Number of shares
<b>Savings related share option schemes</b>				
Normally exercised in the period between:				
December 2016 and May 2017	–	–	147.247	46,407
January 2017	–	–	184.387	30,023
December 2017 and May 2018	169.299	206,755	169.299	597,897
January 2018	214.625	42,651	214.625	51,495
December 2018 and May 2019	199.940	511,333	199.940	629,008
January 2019	278.375	19,313	278.375	23,221
December 2019 and May 2020	239.96	469,870	239.96	568,585
<b>Long term investment plan</b>				
Normally exercised on the third anniversary of the allocation date:				
March 2017		–		264,604
March 2018		265,173		265,173
March 2019		223,219		223,219
March 2020		252,230		–
		740,622		2,699,632

The share options outstanding at 31 December 2017 had a weighted average remaining contractual life of 24 months. There were no options granted during 2017. The fair value of options granted during the prior year was £342,000.



# Notes to the Financial Statements

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## 27. Share based awards continued

The inputs into the Black-Scholes-Merton model for options granted during the prior year are shown below. There were no options granted in the current year.

	2016 granted
Weighted average share price	£2.61
Weighted average exercise price	£2.35
Expected volatility	34.7%
Expected life	2–3 years
Risk free rate	0.16%–0.29%
Expected dividend yield	4.03%

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 £180,000 (2016: £184,000) relating to share option scheme transactions in 2017.

### Long term incentive scheme

Awards totalling 252,230 shares (2016: 266,072) 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 £438,000 (2016: £465,000) in relation to the LTIP scheme. Further information on this scheme is given in the Directors' Remuneration Report.

## 28. Financial instruments

The disclosures below should be read in conjunction with note 30, 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 2017 were as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Financial assets</b>				
Funds at Lloyd's	3,981	3,120	–	–
Preference shares held to maturity	4,511	3,562	–	–
Trade and other receivables (excluding prepayments)	72,208	67,554	199,397	127,165
Cash and cash equivalents	146,057	141,436	1,774	3,691
	<b>226,757</b>	215,672	<b>201,171</b>	130,856
<b>Financial liabilities</b>				
Trade and other payables	37,627	37,074	160,369	113,032
Tax liabilities	1,934	458	–	–
Obligations under finance leases	28	41	–	–
Bank overdrafts and loans	81,861	53,672	72,295	44,847
Client funds	121,395	125,198	–	–
Retirement benefit obligation	44,738	52,467	–	–
Provisions	302	338	–	–
Deferred consideration	10,875	10,023	–	–
	<b>298,760</b>	279,271	<b>232,664</b>	157,879

Included within trade and other receivables is an asset of £312,000 (2016: a liability of £395,000 included within trade and other payables) relating to forward foreign exchange contracts in designated hedging relationships.

**28. 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
  - Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair value hierarchy**

For each of the assets in the table below, carrying value is a reasonable approximation to fair value. Excluding 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.

	At 31 December 2017			At 31 December 2016		
	Level 2 £000	Level 3 £000	Total £000	Level 2 £000	Level 3 £000	Total £000
Funds at Lloyd's	–	3,981	3,981	–	3,120	3,120
Preference shares held to maturity	–	4,511	4,511	–	3,562	3,562
Trade debtors	–	37,627	37,627	–	35,560	35,560
Accrued income	–	29,830	29,830	–	27,797	27,797
Deferred consideration	–	(10,875)	(10,875)	–	(10,023)	(10,023)
FX forward contracts	(312)	–	(312)	(395)	–	(395)
	(312)	65,074	64,762	(395)	60,016	59,621

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.

# Notes to the Financial Statements

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## 28. 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% (2016: 2.75%) that reflects the Group's debt funding rate over the relevant maturities;
- Accrued income is uplifted by 4.5% (2016: 5.5%) for anticipated unrecorded income, which is based on average over recovery of unrecorded income during 2017, and then discounted for the time value of money at 2.75% (2016: 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 2.27% (2016: 2.90%) 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	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Group</b>				
US\$	30,504	29,809	23,176	28,767
Other	28,249	26,117	12,691	7,790
	<b>58,753</b>	<b>55,926</b>	<b>35,867</b>	<b>36,557</b>
<b>Company</b>				
US\$	86	1,493	5,471	8,208
Other	10,215	8,798	5,527	6,085
	<b>10,301</b>	<b>10,291</b>	<b>10,998</b>	<b>14,293</b>

**28. 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	
	2017 Local '000	2016 Local '000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Sell US\$</b>						
Less than 3 months	2,500	3,226	1,908	2,858	63	(210)
3 to 6 months	2,500	1,665	1,888	1,200	49	(144)
6 to 9 months	4,000	4,580	3,024	3,600	92	(92)
	9,000	9,471	6,820	7,658	204	(446)
<b>Buy Singapore\$ sell £ Sterling</b>						
Less than 3 months	–	1,023	–	510	–	63
3 to 6 months	–	682	–	340	–	42
	–	1,705	–	850	–	105
	2017 Singapore \$	2016 Singapore \$	2017 US\$	2016 US\$	2017 £000	2016 £000
<b>Buy Singapore\$ sell US\$</b>						
Less than 3 months	2,733	1,038	2,000	750	47	(32)
3 to 6 months	3,035	692	2,250	500	26	(22)
6 to 9 months	3,030	–	2,250	–	26	–
9 to 12 months	2,006	–	1,500	–	10	–
	10,804	1,730	8,000	1,250	109	(54)

The average strike price rates achieved for the above trades are £ Sterling : US\$1.32418.

As at 31 December 2017, the aggregate amount of gains under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these anticipated future cash flows is £312,340 (2016: £395,000 losses). 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 2017 are expected to be realised in the next 12 months.

The amount reclassified to profit or loss in the year to 31 December 2017 relating to matured forward foreign exchange contracts designated as cash flow hedge instruments is £0.3m gain (2016: £1.3m loss). As at 31 December 2017, 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 2017 or at 31 December 2016.

**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.

# Notes to the Financial Statements

continued

## 28. Financial instruments continued

	Year to 31 December	
	2017 £000	2016 £000
Impact on profit before tax	66	(650)
Impact on equity	(1,936)	(695)

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	
	2017 £000	2016 £000
Profit before tax	(340)	(629)

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

	2017 Year end	2016 Year end	% Change	2017 Average	2016 Average	% Change	Impact on 2017 operating profit £000
US\$	1.35	1.23	10.0	1.30	1.36	(4.5)	515

### 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.

**28. Financial instruments** continued

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

	2017				2016			
	Floating rate £000	Fixed rate £000	Non interest bearing £000	Total £000	Floating rate £000	Fixed rate £000	Non interest bearing £000	Total £000
<b>Group</b>								
<b>Financial assets</b>								
£ Sterling	121,344	4,512	42,148	168,004	118,550	3,563	37,633	159,746
US\$	14,743	–	15,762	30,505	16,537	–	13,272	29,809
Other	9,970	–	18,278	28,248	6,348	–	19,769	26,117
	146,057	4,512	76,188	226,757	141,435	3,563	70,674	215,672
<b>Financial liabilities</b>								
£ Sterling	180,294	–	82,599	262,893	154,928	–	87,786	242,714
US\$	14,899	–	8,277	23,176	19,369	–	9,398	28,767
Other	8,063	28	4,600	12,691	4,573	41	3,176	7,790
	203,256	28	95,476	298,760	178,870	41	100,360	279,271

	2017				2016			
	Floating rate £000	Fixed rate £000	Non interest bearing £000	Total £000	Floating rate £000	Fixed rate £000	Non interest bearing £000	Total £000
<b>Company</b>								
<b>Financial assets</b>								
£ Sterling	1,526	–	189,344	190,870	1,042	–	119,523	120,565
US\$	71	–	15	86	839	–	654	1,493
Other	177	–	10,038	10,215	1,810	–	6,988	8,798
	1,774	–	199,397	201,171	3,691	–	127,165	130,856
<b>Financial liabilities</b>								
£ Sterling	66,282	–	155,384	22,166	44,280	–	99,306	143,586
US\$	5,415	–	56	5,471	–	–	8,208	8,208
Other	594	–	4,934	5,527	561	–	5,524	6,085
	72,291	–	160,373	232,664	44,841	–	113,038	157,879

**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 2017 would have decreased by £491,252 (2016: £341,000). 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.



# Notes to the Financial Statements

continued

## **28. 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, e.g. by taking out or refinancing loan facilities. The Group monitors capital by reference to the level of net debt relative to equity.

The Group has a number of insurance company and investment management subsidiaries subject to capital requirements imposed by their respective regulatory authorities. Management and boards of regulated companies have processes in place to ensure that minimum capital requirements are properly calculated, regularly monitored and maintained at an appropriate level. The Group complied with 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 30. 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 21. 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.

**28. Financial instruments** continued**Maturity of financial liabilities**

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

	2017					2016				
	<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
<b>Group</b>										
Trade and other payables	37,627	–	–	–	37,627	37,074	–	–	–	37,074
Tax liabilities	1,934	–	–	–	1,934	458	–	–	–	458
Obligations under finance leases	–	28	–	–	28	–	41	–	–	41
Bank overdrafts and loans	15,708	129	66,024	–	81,861	10,002	6,150	37,520	–	53,672
Client funds	121,395	–	–	–	121,395	125,198	–	–	–	125,198
Retirement benefit obligation	1,536	1,536	7,608	37,058	47,738	1,731	1,731	5,193	43,812	52,467
Provisions	57	245	–	–	302	100	238	–	–	338
Deferred consideration	2,688	3,574	564	4,049	10,875	2,979	3,274	564	3,206	10,023
	<b>180,945</b>	<b>5,512</b>	<b>71,196</b>	<b>41,107</b>	<b>298,760</b>	<b>177,542</b>	<b>11,734</b>	<b>43,277</b>	<b>47,018</b>	<b>279,271</b>

	2017				2016			
	<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
<b>Company</b>								
Trade and other payables		160,369	–	160,369	113,032	–	–	113,032
Bank overdrafts and loans		6,142	129	72,295	5,081	2,246	37,520	44,847
		<b>166,511</b>	<b>129</b>	<b>232,664</b>	<b>118,113</b>	<b>2,246</b>	<b>37,520</b>	<b>157,879</b>

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	
	2017 £000	2016 £000
Expiring in one year or less	<b>5,503</b>	6,678

The Group has a senior facilities agreement with the Royal Bank of Scotland, HSBC and Bank of Ireland for a five year term, which expires on 13 October 2022, but has an option to extend to October 2023. The facilities comprise a £70.0m revolving credit facility (RCF) which is available until the end of the term and is a guaranteed line of credit. The senior facilities are subject to a variety of undertakings and covenants, including target ratios for interest cover (EBITDA: interest) and leverage (debt: EBITDA).

Other Group facilities are:

- uncommitted overdraft of £5.0m in the UK;
- uncommitted overdrafts of US\$4.0m in Hong Kong and Canadian\$1.8m in Canada; and
- committed overdraft of US\$9.0m in USA.

# Notes to the Financial Statements

continued

## 29. Operating leases

	Year to 31 December	
	2017 £000	2016 £000
Lease payments under operating leases recognised as an expense in the year	6,239	5,983

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

	2017 £000	2016 £000
Within one year	3,208	3,459
In the second to fifth years inclusive	7,877	8,225
After five years	2,154	3,216
	13,239	14,900

## 30. 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	
	2017 £000	2016 £000
Gross premiums written	1,167	1,011
Outward reinsurance premiums	(1,026)	(854)
Net written premiums	141	157
Fees from investment contracts	4,229	4,340
Fees from insurance contracts	213	216
Other fees	4,442	4,556
<b>Net revenue</b>	<b>4,583</b>	<b>4,713</b>
Other gains from insurance activities	51,975	120,464
Other income	3,480	–
Claims paid, gross amount	(2,443)	(1,955)
Claims paid, reinsurers' share	1,929	1,652
Net claims paid	(514)	(303)
Change in provision for claims, gross amount	(50,336)	(118,971)
Change in provision for claims, reinsurers' share	(1,014)	1,298
Net change in provision for claims	(51,350)	(117,673)
Claims incurred, net of reinsurance	(51,864)	(117,976)
Net operating expenses	(7,160)	(5,212)
<b>Net result</b>	<b>1,014</b>	<b>1,989</b>

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.

**30. 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	
	2017 £000	2016 £000
Investments at fair value through income		
– Life insurance contracts	24,223	25,082
– Investment contracts assets held to back unit linked liabilities	1,063,746	799,157
	<b>1,087,969</b>	824,239
Amounts receivable under reinsurance contracts	–	8
Cash and cash equivalents in insurance businesses	13,736	14,716
Debtors arising from insurance and reinsurance operations	37	408,222
Deferred acquisition costs	3	3
Amounts due from Group companies	24,065	18,960
Other assets	1,287	3,829
Total assets in life insurance businesses before eliminations	1,127,097	1,269,977
Elimination of amounts due from Group companies	(24,065)	(18,960)
<b>Total assets in insurance businesses</b>	<b>1,103,032</b>	1,251,017
Insurance technical balances		
– Life insurance contracts	24,473	25,519
Investment contracts unit linked liabilities	1,030,883	787,595
Creditors arising from insurance and reinsurance operations	25,593	420,329
Deferred consideration	22	1,671
Amounts owed to Group companies	3,562	348
Other creditors	8,068	1,784
Total liabilities in life insurance businesses before eliminations	1,092,601	1,237,246
Elimination of amounts owed to Group companies	(3,562)	(348)
<b>Total liabilities in insurance businesses</b>	<b>1,089,039</b>	1,236,898
<b>Net assets in insurance businesses</b>	<b>13,993</b>	14,119

**Investments held by life insurance companies**

Other than £181m of investments included below, 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 28.

	At 31 December 2017			At 31 December 2016		
	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	89	178,691	178,780	83	199,692	199,775
Unit trusts	–	717,283	717,283	262	466,127	466,389
Promissory notes	–	24,043	24,043	–	22,448	22,448
Cash and cash deposits to back unit linked liabilities	–	140,954	140,954	–	108,384	108,384
With profits investments held with insurance companies	24,129	–	24,129	24,737	–	24,737
Other investments	5	2,775	2,780	–	2,506	2,506
	<b>24,223</b>	<b>1,063,746</b>	<b>1,087,969</b>	25,082	799,157	824,239

Assets held within other cash and cash equivalents of £12.1m 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.

# Notes to the Financial Statements

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## 30. Insurance company disclosures continued

### Group net investment in insurance companies

	At 31 December	
	2017 £000	2016 £000
Total assets in insurance businesses	1,103,032	1,251,017
Total liabilities in insurance businesses	(1,089,039)	(1,236,898)
Deferred consideration payable to former shareholders	–	(2,432)
Other intangible assets future profits – life	6,246	1,972
	20,239	13,659

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

## 31. Notes to the cash flow statements

	Group Year to 31 December		Company Year to 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Operating profit/(loss)</b>	<b>8,492</b>	<b>11,237</b>	<b>601</b>	<b>(2,414)</b>
Adjustments for:				
Depreciation of property, plant and equipment	2,007	1,403	–	–
Amortisation of intangibles	9,718	5,253	–	–
Other non cash items	(1,195)	(85)	563	200
Decrease in provisions	(3,014)	(2,334)	–	–
Share of loss/(profit) of associates and joint ventures	1,780	1,028	–	–
Operating cash flow before movements in working capital	17,788	16,502	1,164	(2,214)
Increase in receivables	(3,415)	(10,296)	(71,779)	(58,661)
Increase in payables	57	3,612	47,209	26,361
Increase in insurance company assets	(123,314)	(163,732)	–	–
Increase in insurance company liabilities	123,440	169,841	–	–
Cash generated from/(used in) operations	14,556	15,927	(23,406)	(34,514)
Income taxes paid	(1,398)	(922)	–	–
Interest paid	(1,658)	(597)	(1,350)	(519)
Dividends from other Group companies	–	–	1,303	18,055
Net cash before movement in client funds	11,500	14,408	(23,453)	(16,978)
Movement in client funds	(3,803)	56,792	–	–
<b>Net cash generated from/(used in) operating activities</b>	<b>7,697</b>	<b>71,200</b>	<b>(23,453)</b>	<b>(16,978)</b>

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 £121.4m (2016: £125.2m).

### 32. 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	ER Lindley & Co. Limited Pension Plan	WM. Elmslie & Son 1972 Pension & Life Assurance Fund
The last valuation was carried out as at	1 July 2016	1 May 2015	1 July 2014	1 January 2015
Market value of scheme assets at last valuation	£64,880,000	£22,590,000	£2,998,000	£3,917,000
Percentage coverage of actuarial value to benefits accrued to members	64%	59%	111%	144%
The following actuarial assumptions were applied: Investment returns				
– Post retirement	2.5%	3.2%	n/a <sup>1</sup>	1.9%
– Pre retirement	2.8%	3.7%	1.7%	4.3%
Salary growth	n/a	3.3%	2.9%	n/a
Employer ongoing contribution rates for 2017 as percentage of pensionable earnings (excluding deficit funding contributions)	n/a	20.8%	26.0%	n/a
Net deficit at 31 December 2017	£28.0m	£15.8m	£0.6m	–
Estimated contributions for 2018 <sup>2</sup>	£4.2m	£1.7m	£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, they 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.



# Notes to the Financial Statements

continued

## 32. 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 2017 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 2017, 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 2018 are estimated at £5.9m, 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 £1.5m (2016: £1.7m). The total expense recognised in the income statement in respect of defined contribution schemes amounted to £4.7m (2017: £3.9m).

### 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 2017. Plan assets for the four schemes are stated at their market value at 31 December 2017.

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		
	2017 %	2016 %	2015 %
Rate of increase in salaries	<b>3.00</b>	3.00	3.20
Rate of increase of pensions in payment			
– RPI			
– max 5%; min 3%	<b>3.70</b>	3.70	3.60
– max 5%; min 0%	<b>3.25</b>	3.30	3.10
– max 2.5%; min 0%	<b>2.20</b>	2.20	2.20
– CPI			
– max 5%; min 0%	<b>2.35</b>	2.40	2.20
– max 2.5%; min 0%	<b>1.85</b>	1.90	1.80
Discount rate	<b>2.45</b>	2.60	3.70
Inflation assumption			
– RPI	<b>3.35</b>	3.40	3.20
– CPI	<b>2.35</b>	2.40	2.20

**32. Retirement benefit schemes** continued**Combined scheme assets**

	At 31 December		
	2017 £000	2016 £000	2015 £000
Equities	50,135	43,243	31,622
Gilts	8,047	8,010	10,892
Corporate bonds	22,515	22,982	19,500
Annuities	7,400	7,400	7,400
Alternatives	6,518	5,663	6,540
Property funds	2,087	1,373	439
Other funds	6,183	5,948	10,413
Cash	1,183	1,532	2,020
Group pension contracts	6,020	6,613	6,412
<b>Total market value of assets</b>	<b>110,080</b>	102,764	95,238

The Alternatives comprise investments in funds which themselves invest in infrastructure, secured loans and bank capital financing, and the Other funds represent investments in commodities, forward currency trades and a multi strategy fund. The Annuities fully offset the liabilities due to the member.

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.

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

	At 31 December		
	2017 £000	2016 £000	2015 £000
Total market value of assets as shown above	110,080	102,764	95,238
Actuarial value of liability	(152,248)	(152,931)	(132,344)
Restrictions on asset recognised	(2,266)	(1,983)	(2,239)
Overseas retirement benefit obligation	(312)	(317)	(210)
Net liability recognised in the balance sheet	(44,738)	(52,467)	(39,555)
Related deferred tax asset	7,640	8,945	7,135
<b>Pension liability net of related deferred tax asset</b>	<b>(37,098)</b>	(43,522)	(32,420)

The restrictions on asset recognised results from one of the Group's pension schemes being in surplus under IFRS, however in practice this surplus will not be recovered by the Group. The variation in the amount of this surplus reflects fluctuations in that scheme's funding position over the course of the relevant period.

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

	Year to 31 December	
	2017 £000	2016 £000
Current service cost	98	81
Administrative expenses	141	262
Current service cost	239	343
Net interest on the defined benefit liability	1,297	1,387
	1,536	1,730

The charge for the year is included in administrative expenses in the income statement. The actual return on plan assets was 9.8% (2016: 11.5%).

# Notes to the Financial Statements

continued

## 32. Retirement benefit schemes continued

### Analysis of amount recognised in the Consolidated Statement of Comprehensive Income

	Year to 31 December	
	2017 £000	2016 £000
Return on plan assets excluding interest expense	6,840	6,911
Experience gains/(losses) on liabilities	(1,560)	622
Changes in financial assumptions	(3,531)	(27,356)
Changes in demographic assumptions	3,236	4,285
Change in effect of asset ceiling excluding interest expense	(232)	339
Overseas related	(13)	(25)
Actuarial gain/(loss) recognised	4,740	(15,224)
Movement in deferred tax	(1,306)	1,790
Net gain/(loss) recognised	3,434	(13,434)

The cumulative amount of actuarial losses recognised in other comprehensive income is £44.7m (2016: £52.5m).

### Change in the present value of the defined benefit obligation

	Year to 31 December	
	2017 £000	2016 £000
Defined benefit obligation at 1 January	152,931	132,344
Service cost	98	81
Administration cost	141	262
Interest cost	3,700	4,507
Remeasurement – financial assumptions	3,531	27,356
Remeasurement – demographic assumptions	(3,236)	(4,285)
Remeasurement – experience adjustments	1,560	(622)
Member contributions	13	15
Benefits paid	(6,490)	(6,727)
Defined benefit obligation at 31 December	152,248	152,931

### Change in the fair value of plan assets

	Year to 31 December	
	2017 £000	2016 £000
Fair value of plan assets at 1 January	102,764	95,238
Interest income	2,454	3,203
Return on assets less interest income	6,840	6,911
Contributions by employer	4,507	4,123
Member contributions	13	15
Benefits paid	(6,349)	(6,464)
Expenses paid	(141)	(262)
Fair value of plan assets at 31 December	110,088	102,764

**32. 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:

	2017 years	2016 years	2015 years
Retiring today:			
Males	23.2	23.3	23.8
Females	24.2	24.5	25.1
Retiring in 20 years:			
Males	24.5	25.0	25.5
Females	25.7	26.3	26.9

**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%	£6.8m
Inflation rate	Reduce by 0.25%	(£1.8m)
Longevity	1 year increase	£4.7m

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.

**33. 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 18, 21 and 22. 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 32.

# Notes to the Financial Statements

continued

## 34. Subsidiaries

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

The main trading activities are the provision of specialist insurance management services to mutual associations and captive insurance companies, claims consulting and average adjusting, third party claims administration, risk assessment services, insurance and insurance support services. The principal place of business is the same as the place of incorporation/establishment unless otherwise indicated.

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

Trading subsidiaries	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 S.A. (Argentina)		Tucumán 1, 4th Floor, Buenos Aires, Argentina	Argentina	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	Colombia	100
Charles Taylor Adjusting SARL		3 Rue Scribe, Paris 75009, France	France	100
Dari Co. Limited		17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	50
Richards Hogg Lindley (Hellas) Limited	Greece	17/F, OTB Building, 160 Gloucester Road, Wanchai, Hong Kong.	Hong Kong	100
Richards Hogg Lindley (India) Limited		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

## 34. Subsidiaries continued

Trading subsidiaries	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 Lumpur, Malaysia	Malaysia	100
Richards Hogg Lindley (Malaysia) Sdn Bhd		Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, 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. Limited		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
Criterion Adjusters Limited		Standard House, 12-13 Essex Street, London WC2R 3AA	United Kingdom	100
Criterion Claims Management Limited		Standard House, 12-13 Essex Street, London WC2R 3AA	United Kingdom	100
Criterion Surveyors 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 Services 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



# Notes to the Financial Statements

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## 34. Subsidiaries continued

Trading subsidiaries	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
Charles Taylor General Adjusting Services Limited		64 Danbury Road, Wilton, CT06897, USA	United Kingdom	100
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
Metro Risk Management LLC		64 Danbury Road, Wilton, CT06897, USA	USA	100
Charles Taylor P&I Management (Americas) Inc.		64 Danbury Road, Wilton, CT06897, USA	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
<b>Non trading subsidiaries</b>				
Charles Taylor Consulting (Australia) Pty Limited		Sothertons Chartered Accountants, Level 2, 35–37 Havelock Street, West Perth WA 6005	Australia	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	99
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
Charles Taylor International Fund Managers (IOM) Limited		St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE	Isle of Man	100

**34. Subsidiaries** continued

<b>Non trading subsidiaries</b>	Principal place of business	Address of Registered Office	Place of Incorporation/ establishment	Percentage of equity capital
Allied Dunbar International Nominees 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
Leadhall Holding Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Leadhall Holding One Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Leadhall Holding Two 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 Holdings Limited		Standard House, 12–13 Essex Street, London WC2R 3AA	United Kingdom	100
Charles Taylor & Co 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
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 Limited		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
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
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	95
<b>Associated undertakings</b>				
Fadata AD		16 Cherni Vrah Blvd, 1421 Sofia, Bulgaria	Bulgaria	27.4
Korhi Average Adjusters & Surveyors Limited		Rm.1201, Le Meilleur Jongno Town (Jongno 1-ga), 19 Jongro, 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

# Notes to the Financial Statements

continued

## **35. Commitments for expenditure**

The Group is committed to purchasing €2.5m of software implementation services from Fadata AD, by 8 April 2021, of which €1.1m has been purchased since the agreement.

## **36. Contingent liabilities**

There are no material contingent liabilities requiring disclosure.

## **37. Events after the balance sheet date**

These events are detailed in the Directors' Report.

# Five Year Record

	Year to 31 December				
	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000
<b>Consolidated income statement</b>					
<b>Revenue</b>	112,665	122,477	143,442	169,264	<b>210,820</b>
Operating profit before gain on acquisition	9,134	11,276	11,593	11,237	<b>7,566</b>
Gain on acquisition	–	–	2,291	–	<b>926</b>
<b>Operating profit</b>	9,134	11,276	13,884	11,237	<b>8,492</b>
Net other charges	(1,576)	(1,537)	(1,066)	(510)	<b>(1,119)</b>
Profit before tax	7,558	9,739	12,818	10,727	<b>7,373</b>
Adjustments	2,808	1,738	1,701	4,273	<b>8,149</b>
Non controlling interest before tax	(54)	(65)	(324)	(244)	<b>(254)</b>
<b>Adjusted profit before tax</b>	10,312	11,412	14,195	14,756	<b>15,268</b>
Income tax (expense)/credit	(1,369)	(1,165)	(1,044)	–	<b>1,758</b>
Profit for the year from continuing operations	6,189	8,574	11,774	10,727	<b>9,131</b>
Loss for the year from discontinued operations	(650)	(173)	(5,741)	–	<b>–</b>
<b>Profit for the year</b>	5,539	8,401	6,033	10,727	<b>9,131</b>
Amortisation on other intangible assets	1,181	1,527	1,629	3,019	<b>5,465</b>
Other adjustments	1,627	211	72	1,253	<b>2,684</b>
Tax on adjustments	(430)	(183)	(138)	–	<b>(284)</b>
<b>Adjusted profit for the year</b>	7,917	9,956	7,596	14,999	<b>16,996</b>
Attributable to non controlling interests	268	(190)	2,691	(186)	<b>(221)</b>
Attributable to owners of the Company	8,185	9,766	10,287	14,813	<b>16,775</b>
<b>Earnings and dividends (rebased)</b>					
Earnings per ordinary share – basic (continuing operations)	13.2p	17.8p	18.6p	15.9p	<b>13.1p</b>
– adjusted (continuing operations)	14.1p	16.3p	20.0p	22.3p	<b>24.7p</b>
Earnings per ordinary share – basic (Group)	12.5p	17.1p	14.1p	15.9p	<b>13.1p</b>
Dividends per ordinary share	8.8p	9.4p	10.0p	10.50	<b>11.01</b>
Cover for ordinary dividends (adjusted)	2.1x	2.2x	2.0x	2.1	<b>2.2</b>

	At 31 December				
	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000
<b>Consolidated balance sheet</b>					
Non current assets	63,310	68,466	80,125	122,009	<b>138,721</b>
Net current assets	69,489	76,019	72,698	58,022	<b>63,353</b>
Non current liabilities	(72,126)	(89,809)	(62,552)	(109,869)	<b>(123,794)</b>
<b>Net assets</b>	60,673	54,676	90,271	70,162	<b>78,280</b>
Share capital and share premium	33,119	36,084	71,904	73,046	<b>74,470</b>
Capital and merger reserves	7,534	7,534	7,534	7,534	<b>7,534</b>
Own shares	(433)	(223)	(489)	(430)	<b>(369)</b>
Accumulated losses	(1,378)	(10,699)	(8,082)	(12,126)	<b>(5,136)</b>
Non controlling interests	21,831	21,980	19,404	2,138	<b>1,781</b>
<b>Total equity</b>	60,673	54,676	90,271	70,162	<b>78,280</b>

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 2017.

	Shares (Number)	Percentage	Holdings (Number)	Percentage
Individuals	7,356,322	10.68	602	68.10
Bank or nominees	56,105,028	81.47	252	28.51
Other corporations	5,408,537	7.85	30	3.39
	68,869,887	100.00	884	100.00
Number of shares held:				
1 to 5,000	694,164	1.01	551	62.33
5,001 to 10,000	763,716	1.11	104	11.76
10,001 to 50,000	3,011,597	4.37	128	14.48
50,001 to 250,000	7,615,709	11.06	60	6.79
250,001 to 1,000,000	11,334,851	16.46	26	2.94
1,000,001 to 2,000,000	9,439,749	13.71	7	0.79
2,000,001 to 5,000,000	14,197,493	20.61	5	0.57
5,000,001 to 10,000,000	21,812,608	31.67	3	0.34
	68,869,887	100.00	884	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 Website: [www-uk.computershare.com/investors/contact-us](http://www-uk.computershare.com/investors/contact-us).

- 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](http://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](http://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.

If your total portfolio value is under £25,000 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.
- Update your bank details.
- View and manage your dividend payments.
- Access your electronic tax vouchers.
- View your holding's transactional history.

If your total portfolio value is £25,000 or more Computershare will send a unique activation code to your registered address.

For other enquiries relating to shareholder services, or general enquiries about the Company, please contact: The Company Secretarial Department, Charles Taylor plc, The Minister Building, 21 Mincing Lane, London EC3R 7AG. T: 020 3320 8888.

**The Charles Taylor plc website**

Shareholders are encouraged to visit our website [www.ctplc.com](http://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, investor presentations and AGM Notices.

**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 15.

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 LON20771, London W1E 0ZT or visit the website at [www.mpsonline.org.uk/mpsr](http://www.mpsonline.org.uk/mpsr).

# Financial Diary

**Annual General Meeting**

15 May 2018

**Half year results announcement**

12 September 2018

**Final dividend for 2017**

Ex dividend 26 April 2018

Record date 27 April 2018

Payment date 25 May 2018

**Interim dividend for 2018**

Ex dividend 11 October 2018

Record date 12 October 2018

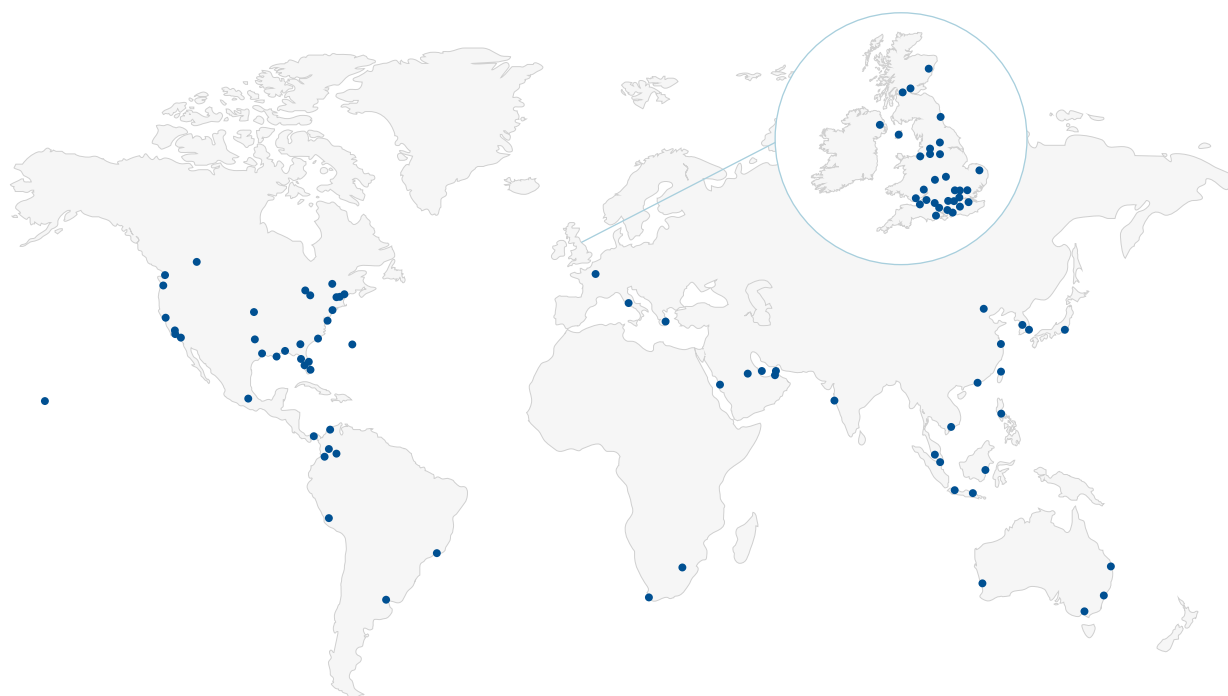
Payment date 9 November 2018

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



# Charles Taylor Offices

We have around 2,100 staff in 107 locations spread across 29 countries



## Europe, Middle East & Africa

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

## Asia Pacific

Australia  
China  
India  
Indonesia  
Republic of Korea<sup>1</sup>  
Japan  
Malaysia  
Philippines  
Singapore  
Taiwan  
Vietnam

## Americas

Argentina  
Bermuda  
Brazil  
Canada  
Colombia  
Mexico  
Panama  
Peru  
USA

1. Associated undertaking.

Further information about Charles Taylor can be found on our website at [www.ctplc.com](http://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
Argentina	Buenos Aires	(+54) 9 11 6552 1419
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 Montreal Ottawa Toronto Vancouver	(+1) 403 266 3336 (+1) 514 906 880 (+1) 343 996 3920 (+1) 416 640 6022 (+1) 604 566 9907

		Telephone No
China	Beijing	(+86) 10 5579 9052
	Hong Kong	(+852) 2399 6100
	Shanghai	(+86) 21 6888 3101
Colombia	Bogota	(+57) 1 746 0106
	Barranquilla	(+57) 1 746 0106
	Cali	(+57) 1 746 0106
	Medellin	(+57) 1 746 0106
France	Paris	(+33) 153 430 030
Greece	Piraeus (P&I)	(+30) 210 429 0733
	Piraeus (Adjusting)	(+30) 210 429 1300
India	Mumbai	(+91) 22 2283 5851
Indonesia	Balikpapan	(+62) 542 7213 794
	Jakarta	(+62) 21 515 2084
	Surabaya	(+62) 31 827 3240
Isle of Man	Douglas	(+44) 1624 683 699
Italy	Rome	(+39) 06 367 12208
Japan	Tokyo	(+81) 3 5297 4700
Republic of Korea <sup>1</sup>	Seoul	(+82) 2 752 1891
	Busan	(+82) 2 752 1891
Malaysia	Selangor	(+60) 3 7781 2260
Mexico	Mexico City	(+52) 55 3000 1880
Panama	Panama City	(+507) 388 7037
Peru	Lima	(+51) 01 500 5030
Philippines	Manila	(+44) 20 3320 2269
Qatar	Doha	(+974) 4436 8254
Kingdom of Saudi Arabia	Jeddah	(+966) 11472 4728
	Riyadh	(+966) 1 472 4728
Singapore	Singapore (P&I)	(+65) 6506 2896
	Singapore (Aviation)	(+65) 6506 2894
	Singapore (Energy)	(+65) 6506 2891
	Singapore (Marine)	(+65) 6506 2897
South Africa	Cape Town	(+27) 21 794 2657
	Johannesburg	(+44) 1425 480 333
Taiwan	Taipei	(+886) 2 2706 6509
United Kingdom (CTGA = Charles Taylor General Adjusters offices)	Aberdeen	(+44) 1343 850 465
	Basingstoke (CTGA)	(+44) 125 633 6241
	Bath (Criterion)	(+44) 1483 891 999
	Belfast (CTGA)	(+44) 289 067 1099
	Birmingham (CTGA)	(+44) 167 546 6441
	Bournemouth	(+44) 124 362 1000
	Bury (CTGA)	(+44) 161 705 4358
	Cardiff (CTGA)	(+44) 292 023 6060
	Chelmsford (CTGA)	(+44) 124 534 7496
	Chichester (Criterion)	(+44) 1483 891 999
	East Grinstead (Criterion)	(+44) 1483 891 999
	Funtington	(+44) 124 362 1000
	Guildford (Criterion)	(+44) 1483 891 999
	Guildford (CTGA)	(+44) 20 7336 8500
Glasgow	(+44) 141 221 2992	

1. Associated undertaking.

# Charles Taylor Offices

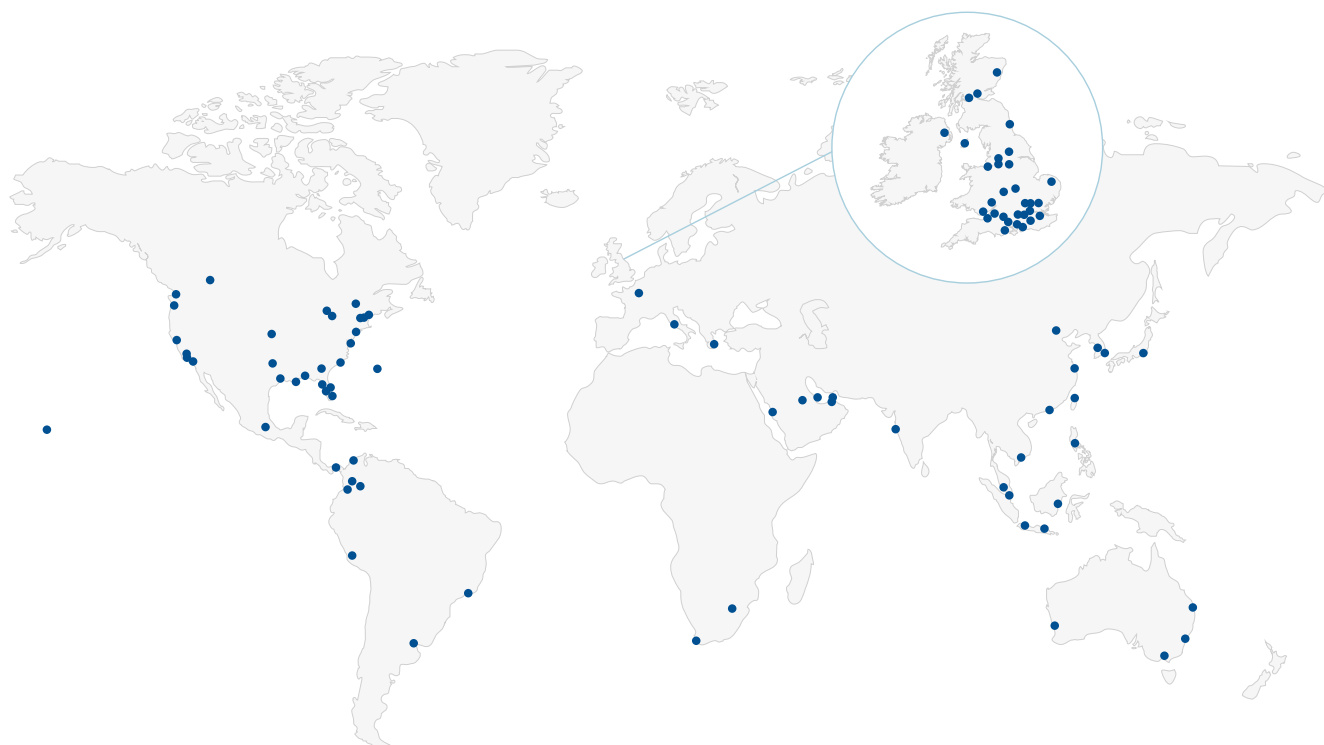
continued

		Telephone No
United Kingdom (continued) (CTGA = Charles Taylor General Adjusters offices)	Glasgow (CTGA)	(+44) 141 883 8771
	Harpenden (Criterion)	(+44) 1483 891 999
	Leeds	(+44) 113 212 3201
	Leicester (Criterion)	(+44) 1483 891 999
	Liverpool	(+44) 151 227 2175
	London Leadenhall Street	(+44) 20 7623 1819
	London Portsoken Street	(+44) 20 7767 2700
	London Standard House	(+44) 20 3320 8888
	London St John's Square (CTGA)	(+44) 20 7336 8500
	London (Criterion)	(+44) 1483 891 999
	London West (Criterion)	(+44) 1483 891 999
	Manchester (Criterion)	(+44) 1483 891 999
	Newcastle	(+44) 191 232 2745
	Newcastle (CTGA)	(+44) 191 251 8279
	Norwich (Criterion)	(+44) 1483 891 999
	Norwich (CTGA)	(+44) 20 7336 8500
	Ringwood, Hampshire	(+44) 1425 480 333
	Ross on Wye (Criterion)	(+44) 7887 505 009
	Salisbury (Criterion)	(+44) 7885 315 180
	Sheffield (CTGA)	(+44) 114 275 7030
Stirling (Criterion)	(+44) 1483 891 999	
Swanley (Criterion)	(+44) 1483 891 999	
Welwyn (Criterion)	(+44) 1483 891 999	
Weston Super Mare (Criterion)	(+44) 1483 891 999	
United Arab Emirates	Dubai	(+971) 4 335 6490
	Abu Dhabi	(+971) 561 707 506
United States of America	Atlanta	(+1) 770 925 5162
	Charleston, SC	(+1) 203 210 1615
	Chicago	(+1) 312 282 4720
	Dallas, TX (Signal)	(+1) 972 770 1480
	Dallas, TX (Risk consulting)	(+1) 972 447 2055
	Dallas, TX (Aviation)	(+1) 972 447 2050
	Fort Lauderdale, FL	(+1) 954 205 1372
	Honolulu, HI	(+1) 808 829 4354
	Houston, TX	(+1) 713 840 1642
	Long Beach, CA (Signal)	(+1) 562 437 8100
	Long Beach, CA (CTTPA)	(+1) 562 273 4970
	Los Angeles, CA	(+1) 714 204 6725
	Miami, FL	(+1) 954 447 9840
	Mobile, AL	(+1) 203 210 1670
	Newark, NJ	(+1) 347 607 7286
	New Orleans, LA	(+1) 203 210 1630
	New York, NY (P&I)	(+1) 212 809 8085
	New York, NY (Adjusting)	(+1) 212 809 8082
	Norfolk, VA	(+1) 203 210 1627
	North Babylon, NY	(+1) 631 285 6934
San Diego, CA	(+1) 617 320 6210	
San Francisco	(+1) 415 233 1121	
Sarasota, FL	(+1) 206 465 2152	
Seattle, WA	(+1) 206 284 0475	
Tulsa, OK	(+1) 918 504 5853	
Tampa, FL	(+1) 203 210 0132	
Wilton, CT	(+1) 203 761 6060	
Vietnam	Ho Chi Minh City	(+84) 121 969 4446



# Charles Taylor

Charles Taylor is a global provider of technical services that enable the insurance market to tackle the continually evolving challenges it faces. Our work makes the business of insurance fundamentally better.



We have been providing insurance-related technical services and solutions since 1884. Today, we employ around 2,100 staff in 107 locations spread across 29 countries in the UK, the Americas, Asia Pacific, Europe, the Middle East and Africa.

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