

Company Registration No. 2597752

**Charles Taylor Investment
Management Company Ltd**

Report and Financial Statements

31 December 2008

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Charles Taylor Investment Management Company Ltd

Report and financial statements 2008

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Charles Taylor Investment Management Company Ltd

Report and financial statements 2008

Officers and professional advisers

Directors

D J C Habgood (Chairman)
A J Groom
S F Hepburn
J S Matthews
T C D C Prideaux
J S M Rowe

Secretary

R A Bird

Compliance officer

R A Bird

Money laundering reporting officer

R A Bird

Registered office

International House
1 St Katharine's Way
London E1W 1UT

Bankers

National Westminster Bank plc
116 Fenchurch Street
London EC3M 5AN

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Auditors

Deloitte LLP
Chartered Accountants
London

Charles Taylor Investment Management Company Ltd

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Business Review

The principal activity of the company is the provision of investment management services to Mutual Insurance Associations. The company is regulated by the Financial Services Authority ('FSA').

The business produced another good performance for its clients relative to the significant drops in many investment markets in the year. Funds under management fell slightly from US\$1.33 billion to \$1.25 billion. The directors are satisfied with the results for the year and expect the company to continue trading profitably for the foreseeable future.

The Board uses a range of key performance indicators to measure past performance and as a basis for future business planning. These include financial performance against budget, growth in funds under management and the investment performance of the various funds the company manages on behalf of its clients.

The financial risks and uncertainties facing the company are described below under 'Use of Financial Instruments'. In addition to these financial risks the company is exposed to legal and regulatory risk. Non-compliance with regulation could give rise to fines or restrictions on approvals which might impair the company's profitability or financial position. The company is also exposed to commercial risks. The failure to achieve satisfactory investment performance or to carry out the provision of services with care and efficiency could cause financial loss through loss of contracts or claims for damages. Professional indemnity insurance provides some protection and there are comprehensive policies, procedures and training to minimise the risk.

Lack of business continuity risks and/or the failure of Information Technology systems are further risks faced by the company and these are managed by business continuity plans and having appropriate support arrangements in place.

The company employs highly specialist senior staff who are difficult to replace and their loss might result in adverse financial consequences for the company. Suitable measures exist to encourage staff retention, for example relating to career opportunities, remuneration and working conditions.

Dividends

The results of the company for the year are set out in detail on page 6. The directors did not recommend a final dividend (2007 - £nil). Interim dividends of £17.30 (2007 - £13.33) per share were proposed and paid during the financial year.

Use of financial instruments

The company is exposed to financial risk through its financial assets and its financial liabilities. The most important components of financial risk are interest rate risk, currency risk, credit risk and liquidity risk. The company does not use hedging or adopt hedge accounting for any type of transactions.

Interest rate risk

The company is exposed to interest rate risk in relation to the balances it holds on deposit with banks although the risk is not material to the company.

Currency risk

The company is exposed to currency risk in respect of fees it receives from clients and amounts held on deposit with banks in currencies other than Sterling. The most significant currency to which the company is exposed to is the US Dollar.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main area where the company is exposed to credit risk is in relation to amounts due from its clients. In practice such amounts are received soon after falling due and the company is not subject to material credit risk.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The company seeks to mitigate this risk by maintaining sufficient liquid resources to meet its obligations as they fall due.

Charles Taylor Investment Management Company Ltd

Directors' report (continued)

Going concern

The directors have acknowledged the latest guidance on going concern. While the current volatility in financial and world markets has created general uncertainty, the company has a number of long-term client contracts. The company is also part of the wider Charles Taylor Consulting plc group which has considerable financial flexibility and access to additional sources of finance. Group banking facilities have recently been renewed. Under current forecasts the group has sufficient working capital headroom and covenant compliance. The directors have identified and considered the anticipated main areas of business risk. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Directors and their interests

The directors who served throughout the year and present membership of the board are shown on page 1. Messrs J S M Rowe and A J Groom are directors of the company's ultimate parent company and as such their interests in the shares of the company, the ultimate parent company and any of its subsidiaries are disclosed in the ultimate parent company's accounts. The remaining directors with the exception of T C D C Prideaux have an interest in the share capital of the ultimate parent company as set out below:

	No. of ordinary shares of 1p each	
	31 December 2008 or date of resignation	1 January 2008 or date of appointment
S F Hepburn	8,000	8,000
D J C Habgood	20,657	20,657
J S Matthews	130,861	145,861

The directors have no further disclosable interests in the company or any other group companies.

Auditors

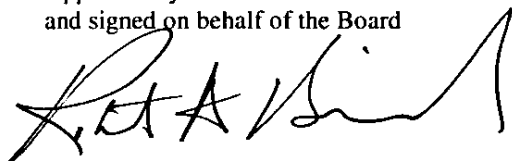
In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are 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 (as defined) 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 s234ZA of the Companies Act 1985.

Deloitte LLP continued as auditors during the year and a resolution for the re-appointment of Deloitte LLP has been approved by the shareholders.

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



Secretary

R A Bird

27 April 2009

Charles Taylor Investment Management Company Ltd

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Charles Taylor Investment Management Company Ltd

We have audited the financial statements of Charles Taylor Investment Management Company Ltd for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of changes in shareholders' funds and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
London

27 April 2009

Charles Taylor Investment Management Company Ltd

Profit and loss account Year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	1,648,501	2,281,597
Administrative expenses		(1,018,464)	(1,567,553)
Operating profit	3	630,037	714,044
Interest receivable and similar income		61,382	15,977
Profit on ordinary activities before taxation		691,419	730,021
Tax on profit on ordinary activities	5	(193,283)	(217,508)
Profit on ordinary activities after taxation		498,136	512,513

All activities derive from continuing operations.

There are no recognised gains or losses other than the profit for the current year or for the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

The notes on pages 9 to 12 form part of these accounts.

Charles Taylor Investment Management Company Ltd

Balance sheet 31 December 2008

	Note	2008 £	2007 £
Current assets			
Debtors	7	72,625	621,446
Cash at bank and in hand		756,303	723,685
		<u>828,928</u>	<u>1,345,131</u>
Creditors: amounts falling due within one year	8	<u>(322,813)</u>	<u>(818,152)</u>
Net current assets		<u>506,115</u>	<u>526,979</u>
Capital and reserves			
Called up share capital	9	30,000	30,000
Profit and loss account		476,115	496,979
Equity shareholders' funds		<u>506,115</u>	<u>526,979</u>

The notes on pages 9 to 12 form part of these accounts.

These financial statements were approved by the Board of Directors on 27 April 2009.
Signed on behalf of the Board of Directors



Director

27 April 2009

Charles Taylor Investment Management Company Ltd

Statement of changes in shareholders' funds For the year ended 31 December 2008

	Note	2008 £	2007 £
Shareholders' funds at the beginning of the year		526,979	414,466
Profit on ordinary activities after taxation		498,136	512,513
Dividends paid and proposed	6	(519,000)	(400,000)
Shareholders' funds at the end of the year		<u>506,115</u>	<u>526,979</u>

Charles Taylor Investment Management Company Ltd

Notes to the accounts

Year ended 31 December 2008

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention. The accounts have been prepared on a going concern basis. This is discussed in the report of the directors on page 3.

Turnover

Turnover represents the amounts receivable in the year in respect of management fees.

Administrative expenses

Administrative expenses represent amounts recharged from a fellow subsidiary company, which incurs all expenses on behalf of the company.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise on the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The company availed itself of the exemption under Financial Reporting Standard 1 (Revised) 1996 on 'Cash Flow Statements' on the grounds that it is a wholly owned subsidiary undertaking whose ultimate parent prepares a group cash flow statement in its financial statements. As such, no cash flow statement is presented.

2. Turnover

The turnover attributable to each of the company's geographical markets is:

- United Kingdom
- Bermuda/USA

	2008 £	2007 £
	104,564	143,155
	1,543,937	2,138,442
	<u>1,648,501</u>	<u>2,281,597</u>

Charles Taylor Investment Management Company Ltd

Notes to the accounts

Year ended 31 December 2008

3. Operating profit

	2008 £	2007 £
Operating profit is stated after charging:		
Management charge	959,906	1,050,622
Auditors' remuneration for audit services	16,158	15,000

4. Information regarding directors and employees

All directors and employees of the company are employed by Charles Taylor Administration Services Limited. It is not practicable to precisely allocate costs between their services for this company and other group companies. However, a proportion of their cost is recouped by way of a management charge.

Information regarding directors and employees for the current and prior year is available in the financial statements of Charles Taylor Administration Services Limited and the ultimate parent company Charles Taylor Consulting plc.

5. Tax on profit on ordinary activities

	2008 £	2007 £
United Kingdom corporation tax at 28.5 % (2007 - 30%)	197,054	219,006
Prior year over-provision	(3,771)	(1,498)
	<u>193,283</u>	<u>217,508</u>
Current tax reconciliation		
Profit on ordinary activities before tax	691,419	730,021
Current tax at 28.5% (2007- 30%)	197,054	219,006
Prior year over-provision	(3,771)	(1,498)
	<u>193,283</u>	<u>217,508</u>

6. Dividends

	2008 £	2007 £
Interim dividend paid - £ 17.30 per ordinary share (2007 - £13.33)	519,000	400,000

Charles Taylor Investment Management Company Ltd

Notes to the accounts Year ended 31 December 2008

7. Debtors

	2008 £	2007 £
Trade debtors	26,195	589,023
Amounts owed by group undertakings	41,918	28,468
Other debtors	4,512	3,955
	<u>72,625</u>	<u>621,446</u>

All debtors are due within one year.

8. Creditors: amounts falling due within one year

	2008 £	2007 £
Accruals	-	447,181
Amounts owed to group undertakings	129,530	138,463
Tax payable	193,283	217,508
Other creditors	-	15,000
	<u>322,813</u>	<u>818,152</u>

9. Called up share capital

	2008 £	2007 £
Authorised, called up, allotted and fully paid: 30,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>

10. Pensions

The company contributes to group pension schemes for eligible staff: the Charles Taylor & Company Retirement Benefit Scheme, the Richards Hogg Pension and Life Assurance Scheme, the ER Lindley & Co Ltd Pension Plan and the Wm. Elmslie & Sons 1972 Pension and Life Assurance Fund. As these are group pension schemes, the company has taken the exemption under FRS 17, allowing reduced disclosure. Contributions to these schemes are based on pension costs across the group as a whole. The details of these schemes are disclosed in the financial statements of Charles Taylor Consulting plc.

11. Ultimate parent company

The ultimate parent and controlling company is Charles Taylor Consulting plc, a company incorporated in Great Britain and registered in England and Wales. Charles Taylor Consulting plc is the parent undertaking of the largest and smallest group for which group financial statements are produced. Copies of the group accounts of that company are publicly available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Charles Taylor Investment Management Company Ltd

Notes to the accounts

Year ended 31 December 2008

12. Related party transactions

As the company is a wholly owned subsidiary of Charles Taylor Consulting plc, advantage has been taken of the paragraph 3(c) exemption under Financial Reporting Standard 8 not to separately disclose transactions with other subsidiaries within the Charles Taylor Consulting plc group.