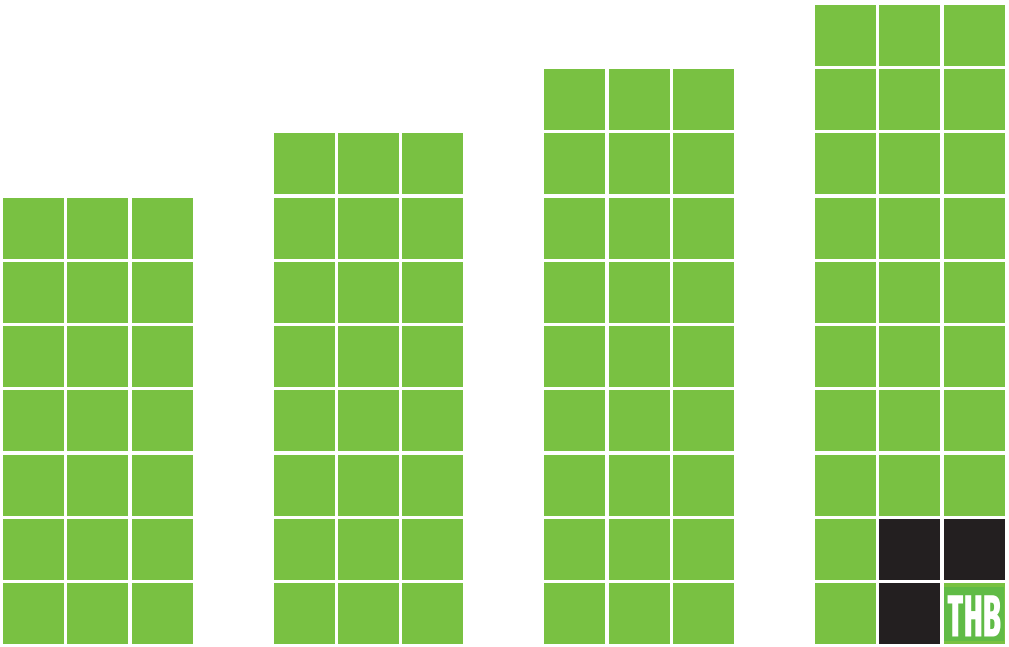
THB / Interim Report

/08

Interim Report for the six months ended 30 April 2008



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Chairman's statement

On 15 April 2008, the Board announced that the Company's accounting reference date would be changed from 30 April to 31 October. As a result, the current accounting period will run for 18 months to 31 October 2008. This change was made in order to improve the transparency of its reporting to shareholders, because of the heavy bias in the Company's results towards the period November to April, which has been further exaggerated by the recent acquisition of the business of PWS International Ltd and selected overseas interests of PWS Holdings plc (together, 'PWS').

Accordingly, I am pleased to present results for the six months to 30 April 2008 in the form of a second Interim Statement, together with the results for the 12 months to that date to assist comparison with the prior year.

Highlights

> Turnover (fees and commissions) up 30% in the six months and up 12% in the year ended 30 April 2008

> Profit before tax, amortisation and impairment of intangibles and goodwill ('PBTA') from continuing operations up 34% in the six months to April 2008 at £2.8 million, but down 15% for the full year at £3.3 million

> Profit before tax up 9% in the six months to April 2008, but down 40% for the full year

> Earnings per share from continuing operations up 13% in the six months to April, but down 48% for the full year

> Results reflect continued investment in start up operations

> Acquisition of PWS completed in January 2008, launching THB into global insurance markets

Results and dividend

PBTA from continuing operations for the 12 months to 30 April 2008 was £3.34 million (2007: £3.95 million). The performance for the six months to 30 April 2008 showed an improvement in PBTA to £2.75 million (2007: £2.05 million).

Profit before tax on continuing operations for the six months to 30 April 2008 was £1.1 million (2007: £1.0 million) on fees and commissions of £19.4 million (2007: £14.9 million). Fully diluted earnings per share from continuing operations were 1.59p, up from 1.41p for the same period last year.

For the 12 months to 30 April 2008, profit before tax on continuing operations was £1.5 million (2007: £2.4 million) on fees and commissions of £32.3 million (2007: £28.7 million). Fully diluted earnings per share from continuing operations were 2.35p, down from 4.56p in 2007.

The Board has declared a second interim dividend of 3.2p per share, unchanged from the same time last year, which will be payable on 7 August 2008 to shareholders on the register on 11 July 2008.

Review of performance

Those who follow the insurance markets will have observed that the softening of rates I described in my last statement has continued and THB has not escaped the impact of this trend.

Insurance rates generally have been influenced by oversupply of capacity and the low level of catastrophe (CAT) losses in the past year, reflecting the low incidence of US hurricane activity and modest levels of insured losses where CAT events have occurred elsewhere in the world, despite the huge impact in human terms. CAT rates worldwide have reduced substantially in the period under review, down from peak levels reached (certainly for US CAT) in July 2006. US wind risk still represents a key market for the existing Lloyd's broking operations of THB, which as a result, together with the continuing weakness of the dollar, endured tough trading conditions throughout the year to April 2008.

As PWS is heavily geared to international business transacted in US dollars, the same considerations apply to much of this newly acquired book of business. The result for the Lloyd's broking division thus benefited only marginally after 24 January 2008 from the acquisition of the PWS London operations.

THB is committed to the development of high quality teams with potential to deliver an excellent return in the medium term. We expect such new teams typically to incur trading losses

in their start up phase, as reflected in the results for the Lloyd's broker, which included in excess of £0.5 million of start up losses during the year to April 2008.

The overseas operations acquired from PWS made a positive contribution from acquisition on 24 January 2008 to 30 April 2008. The operation in Singapore performed particularly well, reflecting opportunities in the growing East Asia market. These operations are now reported as the new International division in the segmental analysis.

THB UK (formerly called the Provincial Wholesale division) made progress during the year in spite of the impact of softening rates on the Risk Solutions business. Risk Management, incorporating the Cardinus business acquired in August 2007, made a positive contribution following further investment in on-line systems for fleet risk assessment. Overall, before amortisation and impairment of intangibles, THB UK increased operating profit by 11% in the 12 months to April 2008, reflecting a strong performance in Cardinus and Unicorn Underwriting Ltd, the Group's newly formed managing general agent ('MGA').

Steps have been taken, as part of the integration of PWS operations into THB, to reduce operating costs by streamlining administrative support to the business and embracing reforms in the London insurance market. With no obvious improvement expected in the rating of risks in the near future, we have to continue to explore all possible ways in which operating margins can be improved, such as economies of scale. Overall, the Board believes that the Group's resilience in the face of difficult trading conditions endorses their strategy of focusing on specialist markets.

Acquisitions

On 24 January 2008, the Board announced the acquisition of the UK and European-based business and certain assets of PWS International Ltd, together with selected overseas interests of PWS Holdings plc. THB paid £8.2 million, comprising:

- £4.2 million in cash at completion; and
- £4.0 million in loan notes due for settlement commencing June 2013.

THB also assumed specified insurance liabilities of PWS International at completion, together with run off and employment obligations, including outstanding bonus payments. THB did not however assume any liability for the historical pension deficit of PWS, nor for various legal actions that involved the PWS companies themselves. Given the magnitude of the pension obligations which crystallised with the sale to THB, PWS International Ltd and PWS Holdings plc were placed into administration and subsequently renamed, respectively, Saledove Limited and Saledove Holdings Limited.

PWS, an international reinsurance broker, was well established in key growth markets such as Singapore, Brazil, Dubai and Korea. This acquisition has therefore secured for THB:

- established operations in targeted growth markets;
- a better balance in the portfolio between US CAT and Global CAT business, which are rated separately on their own loss experience;
- opportunities to leverage key market relationships; and
- the services of a number of highly regarded insurance professionals with skills in classes of business new to THB.

This important strategic acquisition positions THB as a global player in insurance and reinsurance broking, with 12 offices and over 500 staff worldwide, placing over US$1 billion of gross premium into worldwide insurance and reinsurance markets. We are mindful that, in any acquisition, there is a danger of a clash of cultures undermining shareholder value. One of the attractions of PWS was the fact that, as well as little overlap of business, both companies share a similar ethos of excellent client service based on a sound foundation of both integrity and innovation. We believe firmly that this will be at the heart of the future success of the newly-enlarged THB Group. I am therefore delighted to welcome the staff of PWS to THB.

Other developments

In planning the acquisition of PWS, the Board set clear integration objectives, including a programme of restructuring of back office operations of the merged UK businesses to secure identified synergies. All the Lloyd's broking

teams are now operating from the same premises at THB's London offices in Leadenhall Street, permitting the termination of licencing arrangements in respect of the former PWS offices in Minories. Next month we also expect to terminate the licencing arrangements in respect of the former PWS offices in Cheltenham, moving the reduced workforce to more cost effective space. The integration work has a considerable distance to run before all potential cost synergies will be secured, but we have already made good progress towards our objectives.

January also saw the launch of a new underwriting operation, Unicorn Underwriting Limited. Unicorn was established as a separate company to provide specialist underwriting services acting as agent for a number of insurers. This new venture, which does not take underwriting risks onto its books, will seek to build on the success of our experienced bloodstock underwriting team. Since the launch, THB has been in discussion with a number of other specialist teams and we expect this independent operation to become an increasingly important part of the Group's portfolio.

Financial calendar

Audited results for the full year will be reported for the 18 months to 31 October 2008. As soon as the Preliminary Statement is released to the Stock Exchange, which we expect to be on 27 January 2009, a copy will be posted on the Company's website for shareholders to access.

As stated above, a second interim dividend is to be paid on 7 August 2008. As a result of the change in the Company's year end, from 2009 interim dividends will be paid in August and final dividends in March.

The next Annual General Meeting will be held on 2 September 2008. A notice of the meeting will be sent to shareholders in the usual way and posted on the Company's website.

A copy of the more detailed financial calendar can be found on our website at www.thbgroup.com/investorinformation.

Authority to issue shares

A General Meeting of the Company was convened on 27 June 2008 to pass resolutions granting to the directors certain authorities to issue shares.

As I explained in the covering letter that accompanied the notice of the meeting, the resolutions served two main purposes. Firstly, the Board considered it important to use THB shares to settle certain bonus obligations to key PWS staff assumed in the acquisition, which PWS had agreed could be settled in shares, in order to offer these important new members of our team the opportunity to participate in potential future capital and income growth to which they would hope to contribute. Secondly, as envisaged, the acquisition of PWS is already presenting new opportunities to enhance the technical capabilities of THB in the London market in order more fully to exploit the new global reach of the Group. The proposal was designed to ensure that the appropriate level of working capital would be available to the business to enable additional teams with specific expertise to be recruited to maximise the opportunities presented by the PWS acquisition. I am pleased to confirm that both resolutions were passed.

Board changes

On 12 June 2008, the Board announced the resignation of Mike Holbrook as a non executive director. Mike has served the group for over six years, joining the Board following the acquisition in December 2001 of TL Clowes, of which he had been a non executive director for several years. We are grateful for his valuable contribution over many years of service to the Group as a non executive director and chair of the Nominations Committee. The Company is in the process of recruiting a replacement for Mike and I hope to be in a position to provide details in the near future.

Outlook

Although, with the acquisition of PWS, the (non-US) international business within the Group now approximately equates in size to our North American book, the fact remains that the US is still by far the most important single territory in which THB operates. The influence of US hurricane activity on THB's results goes much wider than purely affecting rates applicable to US CAT risk. Benign hurricane seasons in 2006 and 2007 have accelerated the softening of rates seen in all classes of business as capacity has flowed

Chairman's statement continued

back into the sector after the losses of 2005. While industry predictions are that 2008 will see above average US hurricane activity, we note that the same predictions were made for 2006 and 2007. We cannot rely on such events to turn the market, especially as some commentators forecast that losses would probably need to exceed $40 billion to move the direction of the insurance markets.

Nonetheless, the insurance market is cyclical. We consider that soft market conditions will persist in virtually all our markets, giving THB a challenging trading environment, throughout 2008 and 2009. However, we have seen the first early indications of the turn, in motor fleet rates, which typically have tended to lead the market trend and appear to be flattening out. This suggests the prospect of a more general hardening of rates in 2010 and beyond.

We also see no easing of pressure on the US dollar in the near future. Average rates achieved by THB's hedging programme on the sale of US dollar income were $1.94 in the 12 months to April 2008, compared with $1.84 in the preceding year. While THB's exposure to the dollar is increased by the acquisition of PWS, in percentage terms it remains at about 60% of income.

The insurance sector is not immune from the effects of the general economic downturn in the UK and global economy and particularly the threat of inflation. Every effort will continue to be made to keep costs under control through this stage of the cycle, seeking operational efficiencies wherever possible. The acquisition of PWS has presented such an opportunity, resulting in an ongoing review across the whole business to maximise cost synergies. Restructuring is progressing on plan and key decisions have been taken and communicated to staff. The process is nonetheless a challenging one and we do not expect to realise the full benefits from this acquisition until 2009/10.

In the midst of tough trading conditions, opportunities for growth can be found. We are seeing the start of a consolidation process under way in the London broking market. Smaller brokers are facing financial pressure and many will, we predict, elect to merge their interests with larger brokers at this time. THB intends to position itself as a consolidator in the mid-market. The focus will be on finding insurance professionals with specialist skills that enhance THB's own and enable us to take fuller advantage of business from the wider global network, while at the same time driving costs down relative to income. We will also approach businesses that currently compete with THB, where, on acquisition, far greater cost savings can be secured, through integration of production units as well as the normal back office synergies.

The THB management team will remain focused on maximising the value of the Group's existing investments and identifying acquisitions that will deliver improved results in the short term, with much greater potential for earnings enhancement once the hard market arrives.

Clive Williams
30 June 2008

Consolidated income statement

Unaudited results for the six months ended 30 April 2008

	Notes	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Continuing operations					
Revenue – fees and commissions		19,408	14,937	32,258	28,741
Investment income		573	600	1,323	1,358
Salaries and associated expenses		(11,723)	(9,091)	(20,532)	(17,917)
Premises costs		(898)	(733)	(1,610)	(1,434)
Other operating charges		(3,496)	(3,098)	(6,609)	(5,739)
Depreciation, amortisation and impairment charges		(1,964)	(1,368)	(2,520)	(2,143)
Cost of restructuring operations		(310)	–	(310)	–
Operating profit	3	1,590	1,247	2,000	2,866
Share of results of associates after tax		(5)	1	(5)	1
Finance costs	4	(452)	(204)	(540)	(436)
Profit before taxation		1,133	1,044	1,455	2,431
Income tax expense	5	(560)	(656)	(668)	(1,178)
Profit from continuing operations		573	388	787	1,253
Discontinued operations	6				
(Loss)/profit from discontinued operations before tax		–	(154)	–	69
Income tax credit/(expense)		–	47	–	(20)
Profit on sale of discontinued operations		16	2,402	–	2,402
Income tax expense		–	(97)	–	(97)
Profit before minority interests		589	2,586	787	3,607
Profit due to minority interests		(139)	–	(139)	–
Income tax expense		25	–	25	–
Profit for the period attributable to shareholders		475	2,586	673	3,607
Earnings per share	7				
Basic		1.71p	9.54p	2.44p	13.31p
Diluted		1.65p	9.41p	2.35p	13.13p
Basic – continuing operations		1.65p	1.43p	2.44p	4.62p
Diluted – continuing operations		1.59p	1.41p	2.35p	4.56p

Consolidated statement of recognised income and expense

Unaudited for the six months ended 30 April 2008

	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Fair value (losses)/gains:				
- available-for-sale	(120)	53	(173)	156
- cash flow hedges	(299)	(30)	(323)	140
- taxation	153	27	176	(55)
Currency translation differences	3	(9)	(2)	(18)
Net (losses)/gains recognised directly in equity	(263)	41	(322)	223
Net profit	475	2,586	673	3,607
Total recognised income and expense for the period attributable to equity holders	212	2,627	351	3,830

Consolidated balance sheet

Unaudited as at 30 April 2008

	Notes	30 April 2008 £'000	30 April 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,789	3,509
Goodwill		22,864	13,907
Intangible assets		12,361	1,932
Investment in associates		514	176
Deferred income tax asset		654	481
Available-for-sale financial assets		13	939
Derivative financial instruments		51	37
Other receivables		388	576
		40,634	21,557
Current assets			
Insurance broking receivables		10,389	5,860
Other receivables		5,705	4,593
Derivative financial instruments		156	435
Corporate cash and cash equivalents		1,939	1,377
Fiduciary cash and cash equivalents		37,159	23,787
		55,348	36,052
Total assets		95,982	57,609
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		2,785	2,716
Share premium		10,521	9,823
Fair value and hedging reserves		913	1,233
Capital contribution reserve		1,854	1,004
Cumulative translation reserve		(25)	(23)
Retained earnings		6,315	6,836
Total equity	9	22,363	21,589
LIABILITIES			
Non-current liabilities			
Trade and other payables		–	35
Borrowings		11,543	1,462
Deferred income tax liabilities		1,704	894
Derivative financial instruments		8	–
Provisions and other liabilities		5,428	2,198
Minority interests		219	–
		18,902	4,589
Current liabilities			
Insurance broking payables		42,436	22,946
Trade and other payables		11,040	7,142
Current income tax liabilities		592	765
Borrowings		599	578
Derivative financial instruments		50	–
		54,717	31,431
Total liabilities		73,619	36,020
Total equity and liabilities		95,982	57,609

Consolidated cash flow statement

Unaudited for the six months ended 30 April 2008

	Notes	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Cash flows from operating activities					
Net cash inflow from operations	10	2,828	3,440	333	4,345
Interest paid		(265)	(155)	(365)	(387)
Taxation paid		(427)	(366)	(1,316)	(1,054)
Increase in insurance broking receivables		(3,008)	(586)	(908)	(669)
Increase/(decrease) in insurance broking payables		10,060	(4,084)	7,072	(6,147)
Net cash from/(used in) operating activities		9,188	(1,751)	4,816	(3,912)
Cash flows from investing activities					
Interest received		573	615	1,309	1,466
Dividends received		–	–	14	90
Purchase of property, plant and equipment		(414)	(831)	(892)	(1,036)
Disposal of property, plant and equipment, net of costs		23	118	31	139
Acquisition of businesses, net of cash acquired		(1,914)	(29)	(3,198)	(1,500)
Disposal of businesses, net of cash disposed		1,843	2,542	1,678	2,542
Purchase of other investments		(7)	(11)	(18)	(22)
Disposal of other investments		802	–	1,108	–
Net cash from investing activities		906	2,404	32	1,679
Cash flows from financing activities					
Equity dividend paid		(348)	(515)	(1,217)	(1,300)
Issue of ordinary shares		–	69	18	69
Issue of loan stock		4,000	–	4,000	–
Borrowings received		6,808	770	6,844	777
Borrowings repaid		(243)	(4,993)	(433)	(5,787)
Net cash from/(used in) financing activities		10,217	(4,669)	9,212	(6,241)
Net increase/(decrease) in cash and cash equivalents		20,311	(4,016)	14,060	(8,474)
Cash and cash equivalents at beginning of period		18,787	29,054	25,038	33,512
Cash and cash equivalents at end of period		39,098	25,038	39,098	25,038

An analysis of cash and cash equivalents between corporate and fiduciary balances is shown in note 11.

Notes to the Interim Report – 30 April 2008

1 Accounting policies and basis of preparation

The unaudited interim financial information has been prepared under the historical cost convention, as modified to include the revaluation of land and buildings and derivative financial instruments, and using accounting policies and presentation consistent with those set out in the Group's statutory accounts for the year ending 30 April 2007, which comply with International Financial Reporting Standards (IFRS).

The interim financial information has not been audited nor has it been reviewed under International Standard on Review Engagements (UK and Ireland) 2410 of the Auditing Practices Board. The above unaudited financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 April 2007, which included an unqualified auditors' report, have been filed with the Registrar of Companies.

2 Segmental information

Primary reporting format – Business segments

The Group is organised into three main segments: Lloyd's Broker, THB UK and THB International.

The Lloyd's Broker segment is based in London, Amsterdam, Orpington and Cheltenham and engages in insurance broking activities on behalf of UK and international clients, placing risks into London and international markets. THB UK (formerly called Provincial Wholesale) provides insurance and risk management services to UK insurers, insurance intermediaries and other commercial clients, and is based in Peterborough, East Grinstead and London. THB International operates through offices in Singapore, Taiwan, Brazil and Columbia and associates in Korea, Peru and Dubai and engages in insurance broking activities on behalf of international clients, placing risks into London and international markets.

Segment results

Six months to 30 April 2008	Lloyd's Broker £'000	THB UK £'000	THB International £'000	Unallocated £'000	Group £'000
Fees and commissions	15,279	3,361	768	–	19,408
Investment income	510	15	4	44	573
Operating charges	(13,189)	(2,635)	(411)	118	(16,117)
Depreciation, amortisation and impairment	(623)	(989)	(190)	(162)	(1,964)
Cost of restructuring operations	(310)	–	–	–	(310)
Operating profit/(loss)	1,667	(248)	171	–	1,590

Six months to 30 April 2007	Lloyd's Broker £'000	THB UK £'000	THB International £'000	Unallocated £'000	Group £'000
Fees and commissions	12,703	2,234	–	–	14,937
Investment income	584	6	–	10	600
Operating charges	(11,182)	(1,698)	–	(42)	(12,922)
Depreciation, amortisation and impairment	(1,279)	(7)	–	(82)	(1,368)
Operating profit/(loss)	826	535	–	(114)	1,247

Year to 30 April 2008	Lloyd's Broker £'000	THB UK £'000	THB International £'000	Unallocated £'000	Group £'000
Fees and commissions	26,263	5,227	768	–	32,258
Investment income	1,195	28	4	96	1,323
Operating charges	(23,644)	(4,613)	(411)	(83)	(28,751)
Depreciation, amortisation and impairment	(901)	(1,233)	(190)	(196)	(2,520)
Cost of restructuring operations	(310)	–	–	–	(310)
Operating profit/(loss)	2,603	(591)	171	(183)	2,000

Year to 30 April 2007	Lloyd's Broker £'000	THB UK £'000	THB International £'000	Unallocated £'000	Group £'000
Fees and commissions	24,980	3,761	–	–	28,741
Investment income	1,290	8	–	60	1,358
Operating charges	(21,529)	(3,193)	–	(368)	(25,090)
Depreciation, amortisation and impairment	(1,806)	(233)	–	(104)	(2,143)
Operating profit/(loss)	2,935	343	–	(412)	2,866

3 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Realised foreign exchange gain	(163)	(380)	(522)	(724)
Impairment charge – intangible assets	660	(127)	660	123
Impairment charge – goodwill	46	899	46	899
Amortisation of intangible assets	912	232	1,183	500
Depreciation on property, plant and equipment	346	230	631	621
Loss on disposal of property, plant and equipment	4	7	5	16
Profit on sale of investments	(268)	–	(336)	–
Cost of restructuring operations	310	–	310	–

The foreign exchange gain relates to the difference between the actual exchange rate on the sale of fees, commissions and interest received in foreign currencies and the exchange rate at which such income was originally recognised.

The cost of restructuring operations relates to redundancy costs incurred following the PWS acquisition.

4 Finance costs

Finance costs charged comprise:

	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Interest payable	265	155	365	387
Notional interest on deferred consideration	187	49	175	49
	452	204	540	436

5 Income tax expense

The income tax charge for the period is based upon the estimated effective tax rate for the 18 months to 31 October 2008.

6 Discontinued operations

On 4 December 2006, the Company completed the sale of its Provincial Retail division to Towergate Partnership Limited, comprising 100% of the shares of THB Clowes Limited and THB Financial Services Limited. The results of the division have been included in the consolidated income statement as a discontinued operation.

7 Earnings per share

Basic earnings per share for the six months to 30 April 2008 are calculated by dividing the profit attributable to shareholders of £475,000 (2007: £2,586,000) by the weighted average number of ordinary shares in issue during the period of 27,851,544 (2007: 27,121,388).

Basic earnings per share for the year ended 30 April 2008 are calculated by dividing the profit attributable to shareholders of £673,000 (2007: £3,607,000) by the weighted average number of ordinary shares in issue during the period of 27,630,324 (2007: 27,098,946).

Diluted earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, adjusted to take account of the potential dilutive effect of outstanding share options. There was a dilutive effect of nil shares in the six months to 30 April 2008 (2007: 54,933) in respect of the options subsisting at that date, for which the subscription price was below the company's share price. There was also a dilutive effect of 630,982 shares in the six months to 30 April 2008 (2007: 324,340) for the estimated number of shares to be issued in relation to the acquisition of FiSure Holdings Limited. There was also a dilutive effect of 364,841 shares in the six months to 30 April 2008 (2007: nil) for the estimated number of shares to be issued in relation to liabilities assumed in the acquisition of PWS.

Notes to the Interim Report – 30 April 2008

8 Dividends

	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
First interim dividend in respect of 2008 of 1.25p per share (2007: 1.9p)	348	515	348	515
Second interim dividend in respect of 2007 of 3.2p per share (2006: 2.9p)	–	–	869	785
	348	515	1,217	1,300

A second interim dividend in respect of 2007/08 of 3.2p per share (2006/07: 3.2p) is payable on 7 August 2008 to shareholders who are registered at the close of business on 11 July 2008. The ex-dividend date will be 9 July 2008.

9 Changes in shareholders' equity

For the 6 months to 30 April 2008	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 November 2007	2,785	10,521	1,179	1,004	(28)	6,188	21,649
Fair value profits net of tax:							
- available-for-sale	–	–	(84)	–	–	–	(84)
- cash flow hedges	–	–	(206)	–	–	–	(206)
- property	–	–	24	–	–	–	24
Currency translation differences	–	–	–	–	3	–	3
Net profit	–	–	–	–	–	475	475
Total recognised income and expense for the period	–	–	(266)	–	3	475	212
Dividends	–	–	–	–	–	(348)	(348)
Equity settled share based payments	–	–	–	850	–	–	850
Balance at 30 April 2008	2,785	10,521	913	1,854	(25)	6,315	22,363

Notes to the Interim Report – 30 April 2008

For the 6 months to 30 April 2007	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Restated retained earnings £'000	Restated total equity £'000
Balance at 1 November 2006	2,708	9,762	1,183	1,004	(14)	4,783	19,426
Fair value profits net of tax:							
- available-for-sale	–	–	37	–	–	–	37
- cash flow hedges	–	–	(21)	–	–	–	(21)
- property	–	–	34	–	–	–	34
Currency translation differences	–	–	–	–	(9)	–	(9)
Net profit	–	–	–	–	–	2,586	2,586
Total recognised income and expense for the period	–	–	50	–	(9)	2,586	2,627
Dividends	–	–	–	–	–	(515)	(515)
Issue of share capital	8	61	–	–	–	–	69
Equity settled share based payments	–	–	–	–	–	(18)	(18)
Balance at 30 April 2007	2,716	9,823	1,233	1,004	(23)	6,836	21,589

For the year to 30 April 2008	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2007	2,716	9,823	1,233	1,004	(23)	6,836	21,589
Fair value profits net of tax:							
- available-for-sale	–	–	(121)	–	–	–	(121)
- cash flow hedges	–	–	(223)	–	–	–	(223)
- property	–	–	24	–	–	–	24
Currency translation differences	–	–	–	–	(2)	–	(2)
Net profit	–	–	–	–	–	673	673
Total recognised income and expense for the year	–	–	(320)	–	(2)	673	351
Dividends	–	–	–	–	–	(1,217)	(1,217)
Issue of share capital	69	698	–	–	–	–	767
Equity settled share based payments	–	–	–	850	–	23	873
Balance at 30 April 2008	2,785	10,521	913	1,854	(25)	6,315	22,363

For the year to 30 April 2007	Share capital £'000	Share premium £'000	Fair value & hedging reserves £'000	Capital contribution reserves £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2006	2,708	9,762	992	–	(5)	4,512	17,969
Fair value profits net of tax:							
- available-for-sale	–	–	109	–	–	–	109
- cash flow hedges	–	–	98	–	–	–	98
- property	–	–	34	–	–	–	34
Currency translation differences	–	–	–	–	(18)	–	(18)
Net profit	–	–	–	–	–	3,607	3,607
Total recognised income and expense for the year	–	–	241	–	(18)	3,607	3,830
Dividends	–	–	–	–	–	(1,300)	(1,300)
Issue of share capital	8	61	–	–	–	–	69
Equity settled share based payments	–	–	–	1,004	–	17	1,021
Balance at 30 April 2007	2,716	9,823	1,233	1,004	(23)	6,836	21,589

Capital contribution reserves at 30 April 2008 include £850,000 for the shares gifted by VH Thompson in connection with the acquisition of PWS (see note 12b).

10. Net cash flow from operations

Reconciliation of profit before tax to cash generated from operations:

	Six months to 30 April 2008 £'000	Six months to 30 April 2007 £'000	Year to 30 April 2008 £'000	Year to 30 April 2007 £'000
Profit before tax	1,149	3,292	1,455	4,902
Investment income receivable	(573)	(615)	(1,323)	(1,472)
Fair value gains through the income statement	43	–	–	–
Interest payable on bank loans and finance leases	452	204	540	436
Depreciation, amortisation and impairment charges	1,964	1,390	2,520	2,299
Share-based payment expense	–	(18)	23	16
Loss on disposal of property, plant and equipment	4	7	5	16
Profit on disposal of investments	(268)	–	(336)	–
Profit on sale of businesses	(16)	(2,402)	–	(2,402)
Share of results of associate undertaking	5	(1)	5	(1)
Increase in receivables – excluding insurance broking balances	(1,900)	(1,005)	(2,373)	(949)
Increase/(decrease) in payables – excluding insurance broking balances	2,118	2,404	(33)	1,316
(Decrease)/increase in provisions for liabilities and charges	(150)	184	(150)	184
Net cash inflow from operations	2,828	3,440	333	4,345

11. Movement in cash and cash equivalents

Six months to 30 April 2008	Corporate £'000	Fiduciary £'000	Total £'000
Cash and cash equivalents at 1 November 2007	(1,027)	19,814	18,787
Net increase in cash and cash equivalents	2,966	17,345	20,311
Cash and cash equivalents at 30 April 2008	1,939	37,159	39,098

Six months to 30 April 2007	Corporate £'000	Fiduciary £'000	Total £'000
Cash and cash equivalents at 1 November 2006	(958)	30,012	29,054
Net increase/(decrease) in cash and cash equivalents	2,209	(6,225)	(4,016)
Cash and cash equivalents at 30 April 2007	1,251	23,787	25,038

Year to 30 April 2008	Corporate £'000	Fiduciary £'000	Total £'000
Cash and cash equivalents at 1 May 2007	1,251	23,787	25,038
Net increase in cash and cash equivalents	688	13,372	14,060
Cash and cash equivalents at 30 April 2008	1,939	37,159	39,098

Year to 30 April 2007	Corporate £'000	Fiduciary £'000	Total £'000
Cash and cash equivalents at 1 May 2006	1,224	32,288	33,512
Net increase/(decrease) in cash and cash equivalents	27	(8,501)	(8,474)
Cash and cash equivalents at 30 April 2007	1,251	23,787	25,038

12. Acquisitions

a) Cardinus

On 28 August 2007, the Company acquired the entire share capital of Cardinus Limited, which is a specialist software developer and supplier of online risk assessment and e-learning, especially in the area of health and safety.

The shares were acquired for an initial consideration of £2.84 million, satisfied by payment of £2.09 million cash and the issue of 675,675 new THB ordinary shares.

Additional consideration is due, based on the performance of the acquired business over the two years ending August 2009. The earnout consideration, currently estimated by the directors at £750,000, is capped at a maximum of £2.25 million and will be settled in cash.

Intangible assets of £3.0 million have been recognised in relation to this acquisition, together with £0.9 million of goodwill. A deferred tax liability of £0.9 million has also been recognised to reflect the extent to which amortisation of these intangible assets will be disallowed for corporation tax purposes. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

b) PWS

On 24 January 2008, the Company acquired the UK and European-based business and certain assets of PWS International Ltd (renamed Saledove Limited – in administration), together with certain assets of PWS Group Services Ltd (in administration) and PWS Holdings plc (renamed Saledove Holdings Limited – in administration), for £8.2 million, comprising £4.2 million in cash paid at completion and £4.0 million in loan notes issued at completion.

THB assumed specified insurance liabilities of PWS International at completion, together with the related run off obligations and all employment obligations covering current salaries and outstanding bonus payments.

The loan notes will not be due for settlement before June 2013 unless senior bank debt has been cleared prior to this date.

In addition to the consideration payable to the PWS companies set out above, THB has entered into agreements with certain key members of the PWS team to secure their future services. These agreements involve payments up to a maximum of £8.9 million, dependent on the delivery of significantly enhanced performance from the acquired businesses over the four years to 30 April 2012.

These exceptional payments will depend on the continued employment of the relevant staff and will be separately disclosed in THB's financial statements. All these exceptional payments to key staff will be satisfied by a mixture of new THB shares and cash, in an approximate ratio of 2:1.

In order to secure consent to this transaction, THB Group CEO Vic Thompson gifted 1,150,000 of his own THB shares to Guilford Services Limited, a company which is connected to neither Mr Thompson nor THB. These shares formed part of the asset backing to enable Guilford Services Ltd to acquire £850,000 of PWS' existing liabilities. An amount of £850,000 has been added to the purchase consideration paid for the business, to reflect the fair value of this gift, with a corresponding increase to capital contribution reserves.

Intangible assets of £9.2 million have been recognised in relation to this acquisition, together with £8.2m of goodwill and a £0.4m deferred tax liability to recognise the extent to which amortisation of these intangible assets will be disallowed for corporation tax purposes. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

13. Interim Report

Copies of the Interim Report will be available from the registered office and at the Group's website, www.thbgroup.com.

Shareholder information

See our Group website www.thbgroup.com for information about the Group and other shareholder information, including a link to the latest share price.

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Directors:
CR Williams – non executive chairman
VH Thompson – group chief executive
CLAF Hepworth – group human resources director
NJ Moorhouse – non executive director
FM Murphy – chief executive, Lloyd's Broker division
AJ Preston – director of group operations
RS Wilkinson – group finance director

Company registration number:
1514749

Financial calendar:

9 July 2008	ex-dividend date
11 July 2008	record date
7 August 2008	second interim dividend payable
2 September 2008	next AGM
January 2009	final results announcement
March 2009	final dividend payable

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