Tawa plc

Annual Report 2013

- On 20 December 2013 the Board announced its intention to demerge Tawa's operating divisions into two independent groups, a risk carrier business and a service business;
- The proposed demerger was approved by Tawa's shareholders on 10 January 2014 and was conditional on various consents;
- As a result of the demerger Tawa had net assets of $83.2 million held for sale (Assets $141.6 million and Liabilities $58.4 million). Tawa's pro forma net assets post demerger were $17.4 million;
- On 20 December the company announced the sale of HIR, the German risk carrier, to Compre for a price of €4 million. The sale is subject to regulatory approval;
- Loss for the year on continuing operations was $38.2 million (2012: restated loss $22.5 million) and the loss for the year from discontinued operations was $40.1 million (2012: restated loss $2.3 million);
- The Group's total equity has decreased by $77.9 million since 31 December 2012 to $100.6 million as at 31 December 2013;
- Debt of $20.6 million was repaid during the year and amounts due as at 31 December 2013 were $16.3 million;
- Net assets per share in sterling decreased from £0.98 to £0.54 ($ decreased from $1.57 to $0.89); and the Group's net tangible assets are $90.1 million (2012: $154.6 million).

Tawa plc

Annual Report and Accounts

31 December 2013

In a circular published on 20 December 2013, following a strategic review to evaluate the best options for maximising shareholder value, the Board announced its intention to split Tawa's operating divisions into two independent groups: the Service Business and the Risk Carrier Business and to demerge the risk carrier business by way of dividend in specie to existing shareholders. On 10 January 2014, a general shareholders' meeting approved the Company's proposals. Subject to other conditions precedent being fulfilled, Tawa plc will be renamed Pro Insurance Solutions PLC. The demerger is expected to be completed in April 2014.

This is the last annual report of the diversified Group. A new era starts for the Company, now totally dedicated to providing services to the insurance industry.

Overview

Over the last four years, Tawa has moved from being a pure run-off risk carrier towards being a multi-segment player in the insurance market. Acting as a specialised investor in the insurance industry, Tawa owns run-off portfolios and insurance service businesses. The Group also has operated as an incubator for new projects in the sector and supporting professional teams to launch and operate new business ventures.

Focus on the service business

As discussed in the circular, Tawa has expanded significantly in the servicing arena of the international insurance industry with the acquisition of Pro Insurance Solutions, the Chiltington Group, the creation of, and one-third participation in, a consortium for the acquisition of Asta and the establishment of a 66 person service platform in the US. The service business has progressively become the focus of the Tawa Group. The Company is to be a pure play service provider from the date of the demerger and the completion of the Hamburger Internationale Rückversicherung ("HIR") sale.

The corporate entities forming the service business include Pro UK (including a branch in Zurich), Pro US and the Chiltington Group, which includes Ass Assekuranz Service - und Sachverständigengesellchaft GmbH in Germany and Chiltington Internacional SA in Argentina. The 380 staff and the four main territories covered (UK, Continental Europe, USA and South America) give the service business the capacity to provide international services to Tawa's key clients including in Asia where Tawa recently opened a Singapore-based run-off management operation to manage one of its client's businesses.

The service business is now operating under a single brand, Pro, having replaced the Chiltington brand. Pro is a well-established provider of services to the insurance industry, for some 21 years, including underwriting support, claims management, broking support and consulting services, which are provided to a broad array of international clients across the insurance market. Services are provided from the UK, USA, Germany and Argentina.

The announced sale of the German run-off risk carrier HIR to Compre, and the simultaneous transfer by HIR to the Company of the Chiltington service entities will make this integration more effective in the future by enabling a simplification of the corporate structure around the world.

As part of its expansion into servicing the Lloyd's market, in January 2012 Tawa organised a consortium with Skuld and the Paraline Group Ltd to acquire Asta, the leading turnkey Lloyd's managing agency services company. Each consortium member owns one third of the voting rights and 30 per cent of the economic interest, with the remaining 10 per cent being owned by Asta management. The consortium operates under the terms of the Asta Shareholders' Agreement. After 15 January 2015, each Asta shareholder has the benefit of a "Shoot Out" clause, which, if triggered by any of the three shareholders which wishes to transfer its shares, would enable the other Asta shareholders to acquire those transferring shares. This may therefore enable Tawa to either gain a controlling interest in Asta or realise its interest in Asta.

The service business has combined historical revenues of approximately $37.6 million for the financial year ended 31 December 2013. The service business made a loss before tax of $1.6 million (including Asta's loss of $1.2 million) for the year ended 31 December 2012 and reported a pre tax operating profit of $3.8 million (including Asta's profit of $2.7 million) the full year 2013.

At the beginning of 2013 an international consultancy firm was appointed to conduct a strategic review of its overall business with a view to continuing its development while enhancing shareholder value.

Following this review a number of projects are underway to develop the service business, with an objective of consolidating its market positioning and securing higher margin business.

The service business is aiming to achieve significant growth over the next three years and its senior management has been strengthened during the year. This process culminated in the appointment of Mr Artur Niemczewski, as the new Chief Executive Officer of the service business who will be appointed to the Board with effect from the demerger and become Chief Executive Officer of your Company at that time.

While the operating service companies generated a profit of $3.8 million this year, the holding company, this year again, has borne the costs of continuing the investment in the service business transformation, of approximately $2.8 million, including head office costs. It is expected that in 2014 in the new stand alone context, further investment will be required to establish Pro as a leading competitor in its space. Reducing its cost base and increasing net margins remain at the forefront of the Company's investment priorities.

A pro forma EBITDA statement for the 6 months to 30 June 2013 was included in the circular to shareholders. This is updated for the 12 months to 31 December 2013 and included at the end of the Strategic Report.

Risk portfolio: getting ready for the demerger

On the risk portfolio side volatility reduction and portfolio downscaling received a lot of attention in 2013, and in preparation for the demerger, the Company launched an active restructuring program.

Earlier in 2013 the Company disposed of KX Re as previously announced. Post the KX Re sale, the net asset value of the Risk Carrier Business was $155.8 million (as at 30 June 2013). On 29 November 2013, Tawa issued a statement to the effect that US lead paint claims against QX Re's reinsurance facility had increased by more than was expected. Subsequently the Company fully impaired the $28 million remaining value of its investment in QX Re.

Also the Company announced on 20 December 2013 the sale of HIR, the German run-off risk carrier to Compre for a price of €4 million. The sale is subject to regulatory approval and is expected to close shortly.

Remaining investments are in PXRE (USA) with a NAV of $26.8 million after paying a $13 million dividend in November 2013 and Island Capital (Bermuda) (NAV $19.8 million as at 31 December 2013).

The Risk Carrier Business will be entitled to receivables from CX Re, with a NAV of $37.9 million, the level of which is dependent on the outcome of litigation relating to the availability of tax losses which have been surrendered to Tawa's financial partners. The lead partner's appeal against HMRC's refusal to grant relief is currently being heard in the Upper Tribunal.

Work continues on the run-off of the Risk Carrier Business entities. Whilst retaining the potential to generate value, these entities carry discrete and substantial risks – PXRE (USA) on the outcome of World Trade Center claims; Island Capital (Bermuda) on the recovery of significant subrogated claims and QX Re on the outcome of the litigation in respect of the rescission of a reinsurance contract.

Incubators

In 2013, Tawa invested $3.9 million ($7 million in 2012) in support of Lodestar Marine, the marine P&I MGA, the brokering firm Q360, and developing STRIPE®, an internet claims management system. Whilst we consider these sums as investments, under IFRS accounting these were fully expensed during the year rather than capitalised.

Accounts and dividends

On the accounting front, Tawa reported a full year loss of $78.3 million, bringing the net assets per share at 31 December 2013 to $0.89 per share (£0.54 per share) compared with 31 December 2012 of $1.57 per share (£0.98 per share) and a share price of 14.5 pence at the end of 2013.

These results stem mainly from:

- the $28.2 million adverse reserve development in QX Re;
- the loss on the disposal of KX Re of $21.2 million;
- corporate costs of $7.7 million, including approximately $1.2 million invested in the service business development, $1.6 million in the costs of the demerger, and $1.0 million litigation costs; and
- the impairment of Tawa Associates goodwill of $13.2 million.

In light of these results, Tawa will not recommend any cash dividend in 2014 relating to the results for 2013.

2014 prospects

2014 will see a new era for the Company, now a pure play insurance service provider. The goal for the management team is to recreate shareholder value by maximising the key strengths of the service business:

- the Pro brand which is well regarded and respected in the insurance market;
- its blue chip client base and strength of offering to major insurers;
- its established track record of delivering solutions for complex mission critical systems;
- its on-going long term contracts which represented approximately 55 per cent of Tawa's revenues in respect of the twelve month period ended 31 December 2013; and
- its 30 per cent interest in Asta.

Risk management and compliance

Tawa perceives the current regulatory environment to be beneficial to its service business model as high standards of compliance and risk management are increasingly becoming a unique selling point for our service offering to (re)insurance companies.

Therefore, Tawa and its subsidiaries are committed to responding positively and proactively to regulatory evolution and are allocating a high level of resources in the areas of risk management programs, compliance and internal audit. Our responsibility to our various shareholders is to take business risk, which we do, but we have little appetite for any other form of risk.

The Tawa senior team is closely involved in all the companies we have in our portfolio to ensure our systems and controls are consistent with the size and the complexity of our different businesses. This requires continuous improvement and ensuring we never become complacent about what we perceive as a key business enabler.

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In conclusion, we would like to thank our shareholders for their strong support during 2013 and their unanimous vote in favour of the demerger. The Company, as a pure play service provider, with a profit & loss account reflecting directly its trading performance should be both easier to understand and to value by our shareholders and by the markets.

Going forward, our Company will rely on what makes us different, namely our people: people across the world with high expertise, skills and integrity, working together to achieve our common purpose. We would like to thank each of them for their continuing contribution to the Group.

Lastly, thanks to the Directors for their active contribution and support.

Tim Carroll
Chairman

Gilles Erulin
Chief Executive Officer

The Directors present their strategic report for the Group for the financial year ended 31 December 2013.

Introduction to the Group's business

Tawa plc ("Tawa" or "the Group") comprises two main operating divisions:

- the service business, being the provision of underwriting support, claims management, agency management, consulting services and system solutions to reinsurers; and
- the risk carrier business, comprising the management of insurance companies in run-off, together with investments in broking and a managing general agency.

Tawa is a specialised investor in the insurance industry and has, since its formation in 2001, acquired six insurance companies in run-off and reinsured a run-off portfolio, through the establishment of a dedicated reinsurance vehicle in Bermuda. In April 2012 Tawa acquired the HIR Group which enabled the Group to offer a platform for European run-off portfolio transfers under European Union regulations.

Tawa also operates as an incubator for new projects, supporting professional teams aspiring to create new businesses in the insurance industry, and has to date launched three companies as part of this business initiative and consequently has investments in Lodestar Marine Ltd (a Marine business MGA) and Q360 Ltd (a reinsurance broker) as well as an investment in STRIPE® Global Services Ltd (a web based data processing system).

The service business is now the focus of the Group and the Board believes that the risk carrier business is better suited to being owned and managed as a separate legal entity. Following unsuccessful attempts to raise new equity it is evident to the Board that the public markets better appreciate the profit driven service business and that the private markets better appreciate the risk carrier business. Against this background, and recognising that the results of the risk carrier business have, in recent years, prevented the Board from declaring dividends, the Board, having taken appropriate advice, believes that a demerger of the two business units should deliver additional value to shareholders over time and has concluded that the demerger is in the best interests of Tawa.

As a result of this on 20 December 2013 the Board announced its intention to demerge Tawa's operating divisions into two independent groups.

Planned demerger in 2014

The proposed demerger was approved by Tawa's shareholders on 10 January 2014 and was conditional on various consents. The High Court approved the reduction of the Company's share capital on 26 March 2014. Further to the announcement dated 20 December 2013, the anticipated effective date for the demerger is April 2014. All other dates notified in the announcement on 20 December 2013 remain the same. After the demerger the Group will be renamed Pro Insurance Solutions plc.

The reorganisation will involve the transfer of certain of the business and assets of the risk carrier business to a wholly owned subsidiary Tawa Associates Limited ("TAL"), whereby TAL will hold the assets comprising the risk carrier business. The demerger will be completed by declaring a dividend in specie of TAL Ordinary Shares to qualifying Tawa shareholders on the share register at 5.00 p.m. on 28 March 2014.

The Board has designed the demerger with the intention of delivering additional value to shareholders by:

- allowing the separate valuation of each business based on a typical EBITDA multiple valuation for the service business and based on a net asset valuation for the risk carrier business;
- allowing Tawa and TAL to pursue their strategic objectives independently with greater individual control over resources and opportunities;
- developing bespoke management structures, focussed on the particular needs of each company;
- allowing the service business to become a focussed managed service business;
- increasing the potential for the Board to declare dividends in respect of the service business; and
- allowing the service business to separately raise capital as required.

The demerger will create two distinct entities with different strategic, operational and economic characteristics and with separate management teams and Boards of Directors.

The transfer of the risk carrier business to TAL has been presented in the financial statements as a disposal group held for sale and the related results have been disclosed as discontinued in 2012 and 2013.

The following assets and liabilities, related to the demerger of TAL, have therefore been disclosed in the balance sheet as held for sale:

	31 Dec 2013 $m
Assets	
Assets held for sale	**141.6**
Liabilities	
Liabilities held for sale	**(58.4)**
Net assets held for sale	**83.2**

This has also resulted in the following presentation of discontinued operations.

For the year ended 31 December 2013	Service business $m	Risk carrier business $m	Other corporate activities $m	Total continuing operations $m	Discontinued operations $m	**Total continuing and discontinued operations $m**
Segment profit/(loss)/ for the year	1.1	(30.9)	(8.4)	**(38.2)**	(40.1)	**(78.3)**
Asta, included in the other corporate activities	2.7	-	(2.7)	**-**	-	**-**
Profit/(loss) for the year	3.8	(30.9)	(11.1)	**(38.2)**	(40.1)	**(78.3)**

Summary of 2013 financial results

2013 has been a year of financial restructuring and from the second quarter of 2014 the Group will become Service orientated.

- Loss for the year on continuing operations was $38.2 million (2012: restated loss $22.5 million);
- Loss for the year from discontinued operations was $40.1 million (2012: restated loss $2.3 million);
- The Group's total equity has decreased by $77.9 million since 31 December 2012 to $100.6 million as at 31 December 2013;
- Debt of $20.6 million was repaid during the year and balances due as at 31 December 2013 were $16.3 million;
- Net assets per share in sterling decreased from £0.98 to £0.54 ($ decreased from $1.57 to $0.89); and
- The Group's net tangible assets are $90.1 million (2012: $154.6 million).

		31 Dec 2013 $m	Restated 31 Dec 2012 $m
Service business:	External revenue	**35.1**	32.5
Service business:	Segmental profit/(loss)	**1.1**	(0.4)
	Share of results of Associate - Asta	**2.7**	(1.2)
Risk carrier business:	Loss	**(30.9)**	(13.0)
Corporate:	Corporate costs	**(8.6)**	(1.7)
	Finance costs	**(2.1)**	(3.2)
	Incubator loss - STRIPE®	**(0.4)**	(0.7)
		(11.1)	(5.6)
Discontinued operations:	Loss	**(40.1)**	(2.3)
Total Group	Loss for the year	**(78.3)**	(22.5)

Operational results

Tawa has the following divisions with clearly identified lines of business, namely the:

- **Service business** which comprise a platform that generates income from consulting and outsourcing. Consulting typically includes work provided directly for clients and the outsourcing division includes work done on behalf of clients on Tawa's platform. Following the demerger this division will become the primary focus of the business;
- **Risk carrier business** which holds the Group's acquired insurance entities in run-off (risk carriers). Profitability is achieved by effectively managing these assets and liabilities. The majority of this division is being transferred to TAL and will no longer be a primary division within the Group; and
- **Corporate** which comprises all Group overheads, corporate costs, acquisition activities and financing.

Service business results

Tawa's servicing platform comprises income from both consulting and outsourcing. Consulting typically refers to work provided directly for its clients and the outsourcing division refers to work Tawa does on behalf of clients on its operating platform.

This division comprises the results from the following service companies, in which Tawa had the following interests at the reporting date:

Name of subsidiary	Place of incorporation (or registration) and operation	Portion of ownership interest
Pro Insurance Solutions Limited ("Pro")	Great Britain	100%
Pro IS, Inc ("Pro IS")	United States Delaware	100%
Tawa Consulting Limited ("TCL")	Germany	100%
Chiltington group of companies ("Chiltington") (1)	Various	100%
Name of Associate		
Asta Capital Limited ("Asta")	Great Britain	33%

(1) Chiltington group of companies reported under this segment comprise all the Chiltington entities with the exception of its risk carriers.

The Group is exposed to a range of risks that need to be identified and managed within the service business. These risks include credit risk, interest rate risk, liquidity risk and fluctuating foreign exchange rates. The Group's focus is to manage and mitigate these risks.

The service business' profit of $3.8 million (2012: loss of $1.6 million), is summarised below:

	31 Dec 2013					31 Dec 2012		
	Pro (1) $m	**Chiltington $m**	**Service division $m**	**Asta (33% share) $m**	**Service business Total $m**	Service division $m	Asta (33% share) $m	Service business Total $m
Results								
Revenue from services	27.5	7.6	**35.1**	**15.7**	**50.8**	29.5	13.0	42.5
Cost of services	(27.2)	(8.2)	**(35.4)**	**(11.0)**	**(46.4)**	(38.3)	(10.8)	(49.1)
Other	1.0	0.7	**1.7**	**(2.0)**	**(0.3)**	8.3	(3.4)	4.9
Profit/(loss) for the year	1.3	0.1	**1.4**	**2.7**	**4.1**	(0.5)	(1.2)	(1.7)
Taxation after Group relief	(0.3)	-	**(0.3)**	**-**	**(0.3)**	0.1	-	0.1
Segmental profit/(loss) for the year	1.0	0.1	**1.1**	**2.7**	**3.8**	(0.4)	(1.2)	(1.6)
Capital extracted	-	-	**-**	**-**	**-**	(3.3)	-	-

(1) Pro includes the results of Pro and Pro IS.

No dividends were paid during the year (2012: A dividend of $3.3 million was paid by Pro to its holding company).

In accordance with the terms of the Pro sale and purchase agreement, from 1 January 2010 the Group shares the service division segment's after tax profits with Swiss Re on a 50/50 basis over the five financial years to 31 December 2014, subject to an overall cap of £12 million.

In 2012 Tawa committed to growing the service business and restoring its profitability, this has been achieved in 2013. The Service Business has seen growth during 2013, external revenue has increased from $32.5 million to $37.6 million, an increase of 15.7%, and the division is now profitable. Emphasis on reducing the cost base, coupled with significant new contract business, has ensured the delivery of the plan.

Tawa's associate, Asta, returned a trading profit for the year of $14.2 million, before finance costs of $2.2 million and IFRS adjustments of $3.8 million, resulting in an overall profit for the year of $8.2 million (2012: loss of $3.5 million), of which Tawa has a 30% economic share. Tawa's share of the results for the year was a profit of $2.7 million (2012: loss of $1.2 million).

The Group's strategic goals for the service business remain the same, to continue to grow the service business and improve its profitability. In response, work streams continue with better integrated platforms across the various subsidiaries and regions, enhancing cost synergies.

Risk carrier business results

Tawa generates value from run-offs in a variety of ways, depending on the nature of the relevant run-off entity. These approaches include but are not limited to:

- buying net assets at a significant discount to economic value and accelerating capital extraction; and
- buying volatile books of business and applying management techniques to create value and reduce volatility.

This division comprises the results from the following run-off companies in which Tawa held the following interests at the reporting date:

Name of subsidiary	Place of incorporation (or registration) and operation	Portion of ownership interest
Hamburger Internationale Rückversicherung ("HIR")	Germany	100.0%
Pavant International Re S.A ("PIR")	France	100.0%
QX Reinsurance Company Limited ("QX Re")	Bermuda	100.0%
Name of subsidiary - Discontinued		
PXRE Reinsurance Company ("PXRE")	United States Connecticut	100.0%
Island Capital Ltd ("ICL")	Bermuda	94.3%
Island Capital (Europe) Ltd ("ICE")	Great Britain	94.3%
Name of Associate - Discontinued		
CX Reinsurance Company Limited ("CX Re") (1)	Great Britain	12.7%

(1) CX Re was initially a subsidiary of the Group but on 21 March 2006 Tawa disposed of 87.35% of its shareholding. In accordance with IFRS, the retained shareholding of 12.65% has been accounted for as an associate since that date. Although the Company disposed of 87.35% of CX Re the deferred consideration receivable on the sale will reflect the current net asset value of CX Re.

Subsequent to the transfer of the risk carrier business to TAL and the disposal of KX Reinsurance Company Limited ("KX Re") and OX Reinsurance Company Limited ("OX Re") the remaining risk carrier subsidiaries in the Group are QX Re, HIR and PIR. HIR and PIR are in the process of being sold, the sale was announced on 20 December 2013 and is still subject to regulatory approval. As the sale is still subject to approval we have not presented these assets as held for sale.

During the course of a run-off, the Group is exposed to a range of risks that need to be identified and managed. These risks include adverse loss development (insurance risk), liquidity, operational risks, fluctuating foreign exchange rates, interest rates and credit risk both in respect of investments and reinsurer solvency. The Group's focus is to manage and mitigate these risks.

The liabilities of the run-off companies typically comprise claims outstanding, being the estimated cost of settling all claims incurred but not paid, whether reported or not, together with provisions for future costs related to the management of the run-off. The claims outstanding reserves are estimated by the Group's actuaries.

The assets of a run-off company typically comprise cash, investments, subrogation recoveries and reinsurance recoverables. From these assets, and any associated investment income, the Group must meet the cost of administering and paying all claims that arise on policies issued prior to the run-off. The residual balance, if any, will be returned to shareholders once all liabilities have been repaid or when the relevant regulator is satisfied, inter alia, that the volatility is reduced to a level where capital can be released. This is based on estimates of the appropriate level of reserves and capital that the business requires to settle all valid claims.

The Group's net technical provisions (claims outstanding less reinsurance recoveries) will be paid over a period of many years dependent upon the nature of the underlying risk, the claims outstanding and the related reinsurance recoveries. The Group's policy is, where appropriate, to discount the technical provisions at the risk-free rate applicable to the relevant currency at the duration of the liabilities where these have a mean term in excess of 4 years. Currencies held in the Group are US dollar, sterling and euro.

The Group's strategic principles for its asset and liability management ("ALM") in the insurance entities are to:

- provide liquid funds to finance liability and capital management;
- mitigate exposure to changes in interest and foreign exchange rates;
- assume measured credit risk in line with agreed guidelines; and
- invest the Group's surplus in line with agreed guidelines.

The ALM return represents the change in value to the Group statement of financial position from investment activities after taking into account the unwinding of the discount and fees. The discount is unwound over the lives of the portfolios, which represents a charge to the income statement and actual investment income is measured against this to ensure that it remains appropriate to continue to discount at the chosen rate.

The risk carriers' net loss on continuing operations is $30.9 million (2012: loss of $13.0 million) discontinued operations loss is $1.0 million (2012: gain $3.2 million), as summarised below:

	Continuing operations - risk carriers				**Discontinued operations - risk carriers**						
	QX Re $m	**HIR [1] $m**	**31 Dec 2013 $m**	31 Dec 2012 $m	**KX Re $m**	**PXRE $m**	**ICG [2] $m**	**OX Re $m**	**Associate CX Re $m**	**31 Dec 2013 $m**	31 Dec 2012 $m
Results											
ALM results	0.4	1.0	**1.4**	2.8	0.2	(0.1)	0.6	(0.1)	1.1	**1.7**	3.7
Premium and other income	-	-	**-**	0.1	0.2	0.2	-	-	0.1	**0.5**	2.3
Liability management	(28.2)	2.0	**(26.2)**	(14.4)	(0.4)	(0.4)	0.3	-	1.5	**1.0**	1.1
Expenses and other	(0.6)	(2.7)	**(3.3)**	(1.5)	0.3	(2.1)	(0.6)	-	(4.5)	**(6.9)**	(0.3)
Group IFRS valuations	-	(2.4)	**(2.4)**	-	-	-	-	-	1.8	**1.8**	(2.1)
Profit/(loss) for the year	(28.4)	(2.1)	**(30.5)**	(13.0)	0.3	(2.4)	0.3	(0.1)	-	**(1.9)**	4.7
Taxation after Group relief	-	(0.4)	**(0.4)**	-	-	-	-	-	0.9	**0.9**	(1.5)
Segmental profit/(loss) for the year	(28.4)	(2.5)	**(30.9)**	(13.0)	0.3	(2.4)	0.3	(0.1)	0.9	**(1.0)**	3.2
Capital extracted	-	-	**-**	-	-	(13.0)	-	-	-	**(13.0)**	(2.4)

(1) HIR includes the results of HIR and PIR.

(2) ICG includes the results of ICL and ICE.

Continuing risk carrier business

The significant losses incurred within this division during the current year are the QX Re losses of $28.2 million, which are discussed below, as well as the HIR IFRS pension adjustment of $2.2 million.

QX Re is a Bermudian regulated special purpose insurer which Tawa set up in 2011. The company provides reinsurance coverage for a book of lead paint exposure underwritten by Penn National and, for a book of this nature, is considered short tail. QX Re has incurred ultimate losses of $28.2 million (2012: loss $14.3 million) during the year. Following an actuarial review the Group has exhausted the reinsurance facility up to QX Re's exposure of funds held in the segregated accounts due to significantly higher claims experience than previously anticipated. The Group could have additional exposure to the reinsurance treaty of $2.0 million before the loss deterioration reverts back to Penn National. Management believe that the information received when initiating the reinsurance transaction was incomplete and, as a consequence, Tawa has commenced legal action against Penn National in the Delaware Federal Court seeking to rescind the reinsurance treaty on grounds of fraud. On this basis management believes that it has no exposure to any further losses arising from the reinsurance treaty.

HIR is a small German reinsurer. On 20 December 2013 Tawa announced the sale of HIR and PIR. During the year HIR made a loss of $2.5 million (2012: profit $1.4 million) which was mainly attributable to a Group IFRS pension adjustment.

Discontinued risk carrier business

On 16 April 2013, the Group disposed of its risk carrier KX Re and its direct subsidiary OX Re. The business of KX Re comprised a collection of mature portfolios of long-tail liabilities, including exposure to asbestos, environmental and other latent claims. OX Re was a small London market company which had been in run-off since 1994 and was acquired by Tawa as a strategic investment in 2011. The Group's objective for KX Re was to reduce the company's liabilities by accelerating the natural run-off of the portfolio to enable the extraction of capital with regulatory approval. This was achieved and since acquisition Tawa extracted capital of $75.0 million from KX Re by way of dividends to the holding company. The sale of KX Re and OX Re was part of the Group's active investment management program with a view to volatility reduction. The loss on sale is considered a corporate activity and the results are disclosed within discontinued operations.

PXRE is mainly comprised of catastrophe exposures. In 2013 the investment return for PXRE was in line with the discount unwind (2012: in line with the discount unwind). During the current year capital of $13 million (2012: $nil million) was extracted from PXRE by way of dividends to its holding company. Since acquisition Tawa has extracted $47.8 million (2012: $34.8 million). This reflects the significant progress made in reducing the volatility, achieved by de-scaling the liability portfolios in this risk carrier. During the year PXRE made a loss of $2.4 million (2012: profit $4.1 million) which was largely attributable to costs incurred.

Island Capital Group ("ICG"), which comprises ICL and ICE, is an insurance group with a specialist underwriting portfolio of trade credit and political risk insurance business, which went into run-off in November 2008 following the sale of its trade credit and political risk insurance underwriting platform. ICG made a profit of $0.3 million during the year (2012: profit $1.0 million). As at 31 December 2013 there were $16.3 million of subrogation recoveries included in assets held for sale due to Island Capital Limited. These remain subject to judicial proceedings and the process is taking longer than originally expected. Notwithstanding this, management continue to see progress and still anticipate realisation of the booked value.

The associate CX Re has a book of reinsurance contracts written prior to August 2001, when the company ceased underwriting new business. The company has consistently maintained a portfolio of highly rated, readily realisable assets which broadly matches the duration and currency of the liabilities, plus a substantial tax asset, the recovery of which depends on the satisfactory resolution of pending litigation with HMRC. In 2013 the investment return for CX Re was $1.1 million in excess of the discount unwind (2012: $2.0 million in excess of the discount unwind). CX Re made a profit of $0.9 million in the year (2012: loss of $0.2 million), including the Group IFRS adjustment to the risk carriers debt purchase portfolio of $1.8 million (2012: $nil).

The table below illustrates all the risk carriers' assets and liabilities:

	Group - risk carriers			Held for sale - risk carriers					
31 Dec 2013	QX Re $m	HIR $m	**Total Group $m**	KX Re $m	PXRE $m	ICG $m	OX Re $m	Associate CX Re $m	Total held for sale $m
Cash and investments	27.1	54.0	**81.1**	n/a	29.8	19.3	n/a	127.4	176.5
Average mean term of portfolio	< 4 years	3.04 years	**n/a**	n/a	< 4 years	< 4 years	n/a	8.27 years	n/a
Average effective rate of investment return	Undiscounted	1.84%	**n/a**	n/a	Undiscounted	Undiscounted	n/a	2.51%	n/a
Net insurance liabilities Undiscounted	(25.8)	(38.1)	**(63.9)**	n/a	(6.8)	(0.5)	n/a	(86.1)	(93.4)
Net insurance liabilities discounted	(25.8)	(33.1)	**(58.9)**	n/a	(6.8)	(0.5)	n/a	(70.0)	(77.3)
Cumulative dividends paid to holding company	-	-	**-**	n/a	(47.8)	-	n/a	-	(47.8)
31 Dec 2012	$m	$m	**$m**	$m	$m	$m	$m	$m	$m
Cash and investments	60.2	46.7	**106.9**	54.2	106.9	15.6	5.7	154.4	
Average mean term of portfolio	< 4 years	10.1 years	**n/a**	10.1 years	< 4 years	< 4 years	< 4 years	8.5 years	336.8
Average effective rate of investment return	Undiscounted	1.95%	**n/a**	1.95%	Undiscounted	Undiscounted	Undiscounted	1.77%	n/a
Net insurance liabilities undiscounted	(32.2)	(29.1)	**(61.3)**	(42.5)	(9.5)	(1.7)	(0.3)	(105.1)	(159.1)
Net insurance liabilities discounted	(32.2)	(24.1)	**(56.3)**	(35.0)	(9.5)	(1.7)	(0.3)	(90.6)	(137.1)
Cumulative dividends paid to holding company	-	-	**-**	(75.0)	(34.8)	-	(2.4)	-	(112.2)

Corporate division results

This division incorporates corporate costs and Group overheads, incubator costs for STRIPE®, acquisition activities and financing resulting in a loss of $11.1 million (2012: $5.6 million). The share of results in associate Asta are discussed in the service business section.

	31 Dec 2013 $m	31 Dec 2012 $m
Corporate costs		
Tawa plc	**(7.7)**	(4.7)
Share based payment accrual	**-**	(0.3)
Total corporate costs	**(7.7)**	(5.0)
Acquisition/disposal related costs	**(0.5)**	(0.2)
Incubator loss - STRIPE®	**(0.4)**	(0.7)
Finance costs	**(2.1)**	(3.2)
Loss for the year	**(10.7)**	(9.1)
Group tax relief	**(0.4)**	1.4
Other	**-**	2.1
Loss for the year	**(11.1)**	(5.6)
Share of results of Associate - Asta (reported separately)	**2.7**	(1.2)
Segmental loss for the year	**(8.4)**	(6.8)

Corporate costs

Corporate costs were $7.7 million for the year (2012: $5.0 million). Corporate costs have increased when compared to 2012 because of a restructuring provision of $1.6 million raised for the demerger, $1.2 million of costs borne by the Group in relation to ensuring Pro is running efficiently and $1.0 million for litigation costs.

Tawa's investment in incubators

Tawa incubates new projects the Group is developing by providing capital to carefully selected projects, while the service business provides the operating platform (reporting, compliance and other support) to develop these projects until they can operate as independent, profitable businesses. Current incubation projects are:

Continuing:

- the STRIPE® system, a proprietary web-based platform that was launched in September 2010, allowing principal to principal processing of claims and other post placement transactions between ceding company and reinsurer;

Discontinued:

- Q360 Limited ("Q360"), a new London-based broking operation; which was launched in February 2012 with Tawa providing the capital backing. Q360 will initially operate within the business sectors of onshore energy, property, binding authorities, professional indemnity and non-recourse construction finance. Central to the company's operational platform is the technology used, using innovative processing software, as well as web-based products giving an efficient binding authority facility. Tawa's subsidiary, Pro, has been retained to provide Q360's post-placement services; and
- Lodestar Marine Limited ("Lodestar"), an MGA set up by Tawa in 2011 to write marine protection and indemnity insurance for vessels of a defined tonnage. Lodestar commenced writing business in September 2012.

The ongoing investment in incubators remains significant totalling $3.9 million for the year (2012: $7.0 million).

Q360 and Lodestar are being transferred in the demerger of TAL and are therefore being reported as discontinued. The incubator results included within the continuing operations are:

	STRIPE® $m
Revenue	0.5
Incubator operating costs	(0.9)
Total	(0.4)

As these investments represent development of new projects, it is accepted that the generation of positive cash flows will take varying amounts of time. Consequently the Group is implementing measures to control costs.

Acquisitions and disposals

Tawa is still in the business of acquiring, managing and then, if appropriate, divesting assets. However, this is no longer a priority of the service business and will form part of the demerged risk carrier business. On the portfolio front, during 2013 the divestment strategy has been prevalent, highlighted by the sale of two of its risk carriers and the contracted sale of two others. No acquisitions were made in the year. Disposal related costs for the year were $0.5 million (2012: $0.2 million).

Financing

The corporate division also contains the Group's financing arrangements.

At the beginning of the year, the Group had an outstanding balance of $27.2 million on the $50 million facility set up originally to finance the creation of QX Re and $24.1 million on the second facility drawn down during 2012 to fund the Group's investment in Asta, Chiltington and the incubators. Following the disposal of KX Re in April 2013, $8.2 million was repaid against the second facility and a further $12.4 million was repaid against the $50 million facility after the approval and payment of the PXRE dividend.

The finance costs in relation to these loans in 2013 were $2.1 million (2012: $3.2 million).

As part of the acquisition of ICG in 2010, the Group took on $10 million of that company's debentures repayable in 2035 with an interest rate of LIBOR +3.75%.

The total Group debt at 31 December 2013 is $16.3 million (2012: $60.5 million) which represents 16.3% of shareholders' funds (2012: 33.9%).

Discontinued Business

Following the demerger of TAL and the sale of subsidiaries the results of the discontinued operations are as follows:

Discontinued operations	**31 Dec 2013 $m**	Restated 31 Dec 2012 $m
Discontinued risk carriers, separately reported	**(1.0)**	3.2
Loss on sale of KX Re	**(21.2)**	-
Impairment of goodwill	**(13.2)**	-
Incubator costs Q360 and Lodestar	**(3.5)**	(6.3)
Holding company costs	**(2.4)**	(0.2)
Other	**1.2**	1.0
Loss for the year from discontinued operations	**(40.1)**	(2.3)

This risk carriers results have been discussed in the risk carrier business section.

On 16 April 2013 Tawa completed the sale of its risk carrier KX Re and its direct subsidiary OX Re to Catalina Holdings (Bermuda) Limited. This disposal resulted in an accounting loss in 2013 of $21.2 million in accordance with IFRS, as disclosed in note 41 to the financial statements. However, the sale generated a cash-on-cash return of $46.6 million (total purchase and interest costs of $71.7 million less total capital extractions, management fees and sale price of $118.3 million) for the Group since the acquisition of KX Re in May 2007. The sale also deleveraged the platform. The cash-on-cash return is considered a better indication of how Tawa's investment portfolio creates value for its shareholders.

Goodwill shown in the Statement of Financial Position, being the excess of the cost of an acquisition over the fair value of the assets and liabilities acquired, as at 31 December 2013 was $9.6 million (2012: $22.8 million). The remaining goodwill relates to the Pro group of companies. Goodwill is tested annually for impairment and impairment losses, relating to the discontinued operations of $13.2 million have been recognised in the current year (2012: $nil).

The discontinued incubators' losses remain significant totalling $3.5 million for the year (2012: $6.3 million) as below:

	Q360 $m	Lodestar $m	**Total 31 Dec 2013 $m**
Revenue	1.4	1.9	**3.3**
Incubator operating costs	(2.9)	(3.9)	**(6.8)**
Total	(1.5)	(2.0)	**(3.5)**

Analysis of EBITDA for the demerged Pro services and TAL business

The following is an analysis of the Pro operating companies result as if the demerged structure had been operating in 2013. This does not include the Tawa plc operating costs as shown in the Summary of 2013 Results above.

	Pro plc $m	Pro plc corporate activities $m	TAL $m	Combined $m
Total income	36.8	3.7	4.8	**45.3**
Total expenses	(35.4)	(43.8)	(10.4)	**(89.6)**
Results of operating activities before impairment of goodwill recognised	1.4	(40.1)	(5.6)	**(44.3)**
Impairment of goodwill	-	-	(13.2)	**(13.2)**
Results of operating activities	1.4	(40.1)	(18.8)	**(57.5)**
Share of results of associate	2.7	-	0.1	**2.8**
Finance costs	-	(1.3)	(1.0)	**(2.3)**
Loss before taxation	4.1	(41.4)	(19.7)	**(57.0)**
Taxation	(0.9)	-	-	**(0.9)**
Loss for the year from discontinued operations	-	-	(20.4)	**(20.4)**
Profit/(loss) for the year	3.2	(41.4)	(40.1)	**(78.3)**

Summary of net asset values (“NAV”) for the demerged Pro services and TAL business

The following illustrates the NAV of the demerged structure had it been effective on 31 December 2013.

	Pro plc $m	TAL $m	Current Combined Group $m
Total assets	133.8	141.6	275.4
Total liabilities	(116.4)	(58.4)	(174.8)
Net asset value	17.4	83.2	100.6

By order of the Board

Christopher Jones
Company Secretary
28 March 2014

The Directors present their report together with the audited financial statements for the year ended 31 December 2013.

Results and dividends

The consolidated income statement for the year is set out on page 27. The Group's loss for the financial year after taxation was $78.3 million (2012: loss of $22.5 million).

In light of these results, the Directors do not recommend the payment of a dividend.

Share capital

A summary of the Company's share capital is set out in note 31 to the financial statements.

Business review

A review of the Group's activities is set out in the Joint Statement of the Chairman and Chief Executive Officer and the Strategic Report on pages 3 and 6 respectively.

Future developments

On 20 December 2013 the Board announced its intention to demerge the Group's operating divisions into two independent groups, as detailed in the strategic report.

On 20 December 2013 the sale of subsidiaries HIR and PIR was announced. This is still subject to regulatory approval.

Directors

The Directors of the Company who served throughout the year, except as noted below, were as follows:

G M J Erulin
T J Carroll
C G Bird
L P M J Brivezac (*)
A J Hamilton
G F Pagniez (*)

(*) With effect from 16 January 2013, Loïc Brivezac was appointed as a non-executive Director of the Tawa plc Board replacing Gilles Pagniez who resigned on the same date. Concurrently, Mr Pagniez was appointed as a member of the Company's Advisory Board in place of Mr Brivezac.

In addition to the formal board, the Company has an Advisory Board whose role is to assist the Company and its management team in (1) establishing its strategic goals; (2) assessing growth opportunities; and (3) long term planning.

None of the Directors of the Company has a material interest in any contract with the Company or its subsidiary undertakings other than their contracts of employment.

Directors' interests

The interests of the Directors in the issued Ordinary Share capital of the Company at the beginning and the end of the year are set out below.

	31 December 2013 Ordinary Shares of 10p	31 December 2012 Ordinary Shares of 10p
G M J Erulin	940,345	940,345
C G Bird	897,675	897,675
A J Hamilton	50,000	50,000
L Brivezac	-	-
G F Pagniez (*)	-	400,000

(*) With effect from 16 January 2013, Loïc Brivezac was appointed as a non-executive Director of the Tawa plc Board replacing Gilles Pagniez.

The Company has previously made awards to Executive Directors under its Performance Share Plan. Prior to 21 June 2012, the Remuneration Committee had sole discretion for making awards. Since that date, the Board has ceased to have a Remuneration Committee and the duties formerly performed by that Committee were assumed by the Board with effect from that date. Awards made under the Performance Share Plan are as follows:

Director	At 1 January 2013	Date of grant	Number lapsed during 2013	At 31 December 2013	Price	Vesting date
G M J Erulin	289,655	12 April 2010	289,655	-	Nil	12 April 2013
	405,797	6 May 2011	-	405,797	Nil	6 May 2014

Awards made prior to 21 June 2012 are subject to performance conditions that were set by the Remuneration Committee when those awards were granted and these determine the extent to which awards vest. Awards that do not vest will lapse. Details of the applicable performance conditions are set out in the Directors' Remuneration Report on page 22.

Except as stated above, none of the Directors in office as at 31 December 2013, nor any members of their immediate family, had any interest in the share capital of the Company at 31 December 2012 or 31 December 2013.

Substantial shareholdings

The following table provides details of the main shareholders as at 31 December 2013:

	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
Financière Pinault SCA	80,491,017	70.99%
Karrick Limited	11,096,147	9.79%

The Directors have not been notified nor were otherwise aware of any other holdings of 3% or more of the Company's issued share capital.

Acquisition of the Company's own shares

During the year the Company purchased 508,552 ordinary shares with a nominal value of £0.10, and representing 0.45% of the Company's called up ordinary share capital, for a total consideration of £5,086.

Directors' indemnities

The Company maintains insurance cover for its Directors and officers against liabilities which may be incurred by them while acting as Directors and officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify its Directors and officers, to the extent permitted by law and the Company's Articles of Association, against all costs, charges, losses, liabilities and expenses that they may incur in the execution of their duties, powers and offices as Directors and officers of the Company. Copies of these indemnities are kept at the Company's registered office and are open for inspection by any member of the Company without charge.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the AIM rules to prepare the Group financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006. 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 Company and of the profit or loss of the Company for that period.

IAS1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 2006. 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.

Risk management

The main risk factors to the Group's financial performance and the steps taken to mitigate them are detailed in the analysis of risk note on pages 48 to 58.

Going concern

The Directors have considered the position of the Group's investments and assets compared to the technical provisions and other liabilities. In addition, they have assessed the Group's liquidity with regard to expected future cash flows. They have also considered the performance of the business, as discussed in the financial review and projections for the coming year. The Directors have concluded that it is appropriate to adopt the going concern basis in preparing the annual report and accounts.

Post Balance Sheet Events

Details of events after the reporting period are set out in note 45 to the consolidated financial statements.

Employment Policy

The Group's employment policies are based on a commitment to equal opportunities from the selection and recruitment process through to training, development, appraisal and promotion.

The Group provides employees with information on matters of concern to them so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its competitive edge.

Auditor

The auditor has expressed willingness to continue in office as auditor and a resolution to reappoint the auditor will be proposed at the forthcoming Annual General Meeting.

Each Director confirms that so far as they are aware there is no relevant audit information of which the Company's auditor is unaware. Each Director also confirms that 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 whether the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

Christopher Jones
Company Secretary
28 March 2014

The Company has continued its commitment to maintaining effective corporate governance during 2013. Companies on the AIM Market are not obliged to comply with the UK Corporate Governance code (the "Code"). The Company has sought to comply with a number of the provisions of the Code in so far as it considers them to be appropriate.

The Board has authority, and is accountable to shareholders, for ensuring that the Company is appropriately managed and achieves the corporate objectives it sets. In order to fulfil its responsibilities, the Board meets on a regular basis and has a formal schedule of matters specifically reserved for its consideration and decision. The schedule of matters reserved to the Board provides that the Board's role encompasses the overall management of the Company including approval of long term strategy and objectives, oversight of operations, ensuring maintenance of a sound system of internal controls and risk management, decisions relating to any changes in the Company's capital structure or of management and approval of any significant expenditure. When Directors are unable to attend a meeting, they are advised of matters to be discussed and have the opportunity to make their views known to the Chairman prior to the meeting.

Since 16 January 2013, the Board has comprised two Executive Directors, namely Colin Bird and Gilles Erulin and three Non-Executive Directors, namely, Loïc Brivezac, Tim Carroll and Anthony Hamilton.

The Non-Executive Directors share responsibility for the discharge of the Board's duties by taking an essentially supervisory role and are chosen for their broad and complementary experience in relation to the Executive Directors. The key elements of the role and responsibility of the Non Executive Directors are:

- supervision of, and advice to, the Executive Directors;
- evaluation of Executive Directors' performance;
- setting the remuneration of Executive Directors;
- monitoring of the effectiveness of controls; and
- governance and compliance.

These roles and responsibilities are carried out through membership of the Board and its committees. Prior to 21 June 2012, the Board had an Audit Committee, Nomination Committee and a Remuneration Committee. Since that date, the Board has ceased to have a Nomination Committee and a Remuneration Committee and the duties formerly performed by those committees have been assumed by the Board. Membership of, and attendance at, the Board and Committees is set out below. The terms of reference for the Audit Committee, along with the schedule of matters reserved to the Board can be found in the investor relations section of the Company's website www.tawaplc.co.uk.

Board attendance during 2013

Director	Relevant number of meetings	Number attended	% Attendance
Gilles Erulin	4	4	100%
Tim Carroll	4	4	100%
Colin Bird	4	4	100%
Loïc Brivezac (*)	4	4	100%
Anthony Hamilton	4	4	100%

(*) With effect from 16 January 2013, Loïc Brivezac was appointed as a non-executive Director of the Tawa plc Board replacing Gilles Pagniez.

Audit committee membership during 2013

Following appointment to the Tawa plc Board on 16 January 2013, Loïc Brivezac has also been appointed as chair of the Company's Audit Committee replacing Mr Pagniez.

Board independence

The Board concludes that Tim Carroll and Anthony Hamilton are independent in character and judgement.

The Board will review on an ongoing basis whether there are relationships or circumstances which are likely to affect or could appear to affect the independence of Mr Carroll and Mr Hamilton.

Audit Committee

The Audit Committee was established by the Board on 28 June 2007 and at the reporting date consisted of Loïc Brivezac, Tim Carroll and Gilles Pagniez. The Committee meets at least twice a year and will meet at least once without any Executive Director being present. The external auditor attends the Committee meetings (including at least one with no Executive Directors present), to discuss the nature and scope of the audit before it commences as well as reviewing the auditor's reports relating to accounts and internal control systems. Effective 16 January 2013, Loïc Brivezac was appointed as chair of the Audit Committee replacing Mr Pagniez.

The main responsibilities of the Audit Committee are to monitor the integrity of the financial statements, to review the effectiveness of the Company's financial reporting and internal control policies, to make recommendations to the Board in relation to the appointment of the external auditor, including reviewing terms and conditions and fee arrangements. The Committee also has regard to the requirements of the Financial Conduct Authority and the UK Corporate Governance code in carrying out its duties. These are detailed further in the internal control and risk management section on page 25.

During the year, the Audit Committee reviewed the Company's interim report. Since the year end, the Audit Committee has reviewed the 2013 annual report. The Committee also considered the terms and conditions, fees and independence of Mazars LLP and confirms the independence of the external auditor.

Attendance at each of the meetings by Audit Committee members is set out below.

Director / member	Relevant number of meetings	Number attended	% Attendance
Tim Carroll	3	3	100%
Loïc Brivezac (*)	3	3	100%
Gilles Pagniez (*)	3	3	100%

(*) Following appointment to the Tawa plc Board on 16 January 2013, Loïc Brivezac was appointed as chair of the Company's Audit Committee replacing Mr Pagniez.

Corporate social responsibility

The Company recognises the importance of various stakeholders to its business, including its employees, shareholders, capital providers, clients and the wider community. The Company takes into account its responsibilities to, and impact on, each of these stakeholders in its policies and procedures.

Employees

The Group's employee geographical mix remained stable during 2013, although overall staff numbers have decreased to 366 (2012: 416) as illustrated below:

	2013		2012	
Geographical region	**Number**	**%**	Number	%
United Kingdom	**247**	**68%**	294	71%
Germany	**38**	**10%**	42	10%
United States of America	**59**	**16%**	62	15%
South America	**22**	**6%**	18	4%

Employee relations

The Company recognises that its success lies with its employees and, accordingly, it aims to meet or exceed best practice in terms of employee relations. The Company has an established equal opportunities policy. Key performance indicators continue to be monitored within the UK and have been established cross territory for ongoing monitoring.

UK staff absence averaged 0.61 per days per employee compared with 2.5 during 2012. Ongoing professional development is encouraged with 25% of the UK workforce holding at least one professional qualification. UK voluntary employee turnover increased to 13% during 2013 (2012: 7%). Involuntary turnover (redundancies) increased to 17% in 2013 (2012: 12.9%). Within the US voluntary employee turnover amounted to 15% (2012: 3.4%) with involuntary turnover of 5% (2012:18.6%).

Employee policies and procedures

The Group complies with employment legislative requirements and aims to build on these to ensure best practice processes across the Group and within each territory.

Information and consultation

During 2013 briefing sessions on the Group's progress have been held for all employees together with regular information bulletins via email.

Employee remuneration

The Group offers competitive remuneration which consists of base pay, benefits, profit share and severance pay.

Pay is reviewed and profit share awarded in the context of the performance management framework which evaluates overall and individual performance.

The Company is committed to maintaining effective corporate governance. Whilst companies on the AIM Market are not obliged to prepare a Directors' remuneration report, the Company has sought to comply with a number of the provisions of the Companies Act requirements in so far as it considers them appropriate.

Remuneration policy

The objective of the policy is to ensure that all members of the executive management of the Company are provided with appropriate incentives to encourage and maintain long term sustainability and enhanced performance and are, in a fair and responsible manner, rewarded for their individual and collective contributions to the success of the Company. The Board will have regard to conditions of service and remuneration levels of competitor companies to ensure that the Company is well placed to attract and retain high calibre management, but not so as to cause remuneration to rise without a corresponding sustained improvement in performance.

There are key elements of the remuneration package for Executive Directors and senior management:

- Basic salary, contractual benefits including pensions;
- Annual performance related remuneration; and
- Share awards.

Basic salary, variable pay and benefits

The Non-Executive Directors are responsible for determining the remuneration of the Chairman, all Executive Directors, the Company Secretary and, in addition the senior management of the Group with annual remuneration above £300,000 or the equivalent thereof. They utilise advice from New Bridge Street Consultants (a leading advisor on senior executive compensation to UK listed companies) together with reports provided by Towers Watson as well as other publicly available reports in order to ensure that remuneration levels are consistent with comparable companies, while also taking into account the Company's performance. Executive Directors also receive benefits in kind such as private health care and permanent heath insurance and pension contributions.

Profit share

A three year service business profit share pool was put in place in 2013 to cover all staff across the service businesses (Pro and Chiltington). There are two profit share pools, one to cover the senior executives within the service business and the second to cover all other service business staff.

All staff profit share: 15% of EBITDA in year one to be allocated to the bonus pool; Year 2 13.75%; Year 3 12.5%; with discretion of the Board if less than 80% of EBITDA target is reached. Funding for each territory calculated is based on 80% of the territory results and 20% of the Group results.

Senior executive profit share: Funding is driven by Group financial targets. 15% of the target EBITDA is allocated to the pool if the target is reached in year one; 13.75% in year 2 and 12% in year 3. Where between 80% and 100% of target EBITDA is achieved ten per cent of achieved EBITDA is allocated to the pool. Where less than 80% of the EBITDA target is achieved any funding is at the discretion of the Board. Where the EBITDA target is exceeded 33% of the excess is allocated to the pool once the all staff pool funding has been accounted for.

Participants of the senior executive profit share are determined annually. Individual awards are based on performance aligned to internal and external performance measures; Financial; Client; Growth; People; and Risk.

Directors' remuneration

Services whilst Directors of the parent, amounts received as Directors of the parent, as Directors of any subsidiaries and otherwise in connection with any company in the Group are as follows:

	2013					2012
	Salary / Fees $	Performance related remuneration $	Pension $	Taxable benefits $	Total $	Total $
Chairman						
Tim Carroll (appointed as Chairman 20 June 2013)	52,539	-	-	-	52,539	-
Colin Bird (retired as Chairman 20 June 2013)	165,441	57,190	28,178	7,233	258,042	375,070
Executive Directors						
Colin Bird	105,686	-	28,178	7,233	141,097	-
Gilles Erulin	653,596	57,190	86,576	29,843	827,205	729,874
David Vaughan (*)	-	-	-	-	-	310,423
Non-Executive Directors						
Patricia Barbizet (*)	-	-	-	-	-	27,546
Loïc Brivezac (re-appointed 16 January 2013)	69,166	-	-	-	69,166	29,151
Tim Carroll	33,497	-	-	-	33,497	65,589
Anthony Hamilton	38,399	-	-	-	38,399	46,400
John Hendrickson (*)	-	-	-	-	-	57,499
Hans Miller (*)	-	-	-	-	-	29,151
Gilles Pagniez (resigned 16 January 2013)	8,170	-	-	-	8,170	120,881
Total	1,126,494	114,380	142,932	44,309	1,428,115	1,791,584

(*) did not seek re election at the Annual General Meeting on 21 June 2012 and term of office as a Director of Tawa plc came to an end at the close of that meeting.

Share awards

The Company operates a single share plan that was introduced in 2007, being the Performance Share Plan which is designed to align the interests of senior management and shareholders to deliver outstanding results. There were no new awards granted in 2013.

The Performance Share Plan

The Performance Share Plan provides for the grant of awards over Ordinary Shares. The vesting of awards granted to Executive Directors and senior management are subject to performance conditions set by the Remuneration Committee on or prior to the grant of an award. Awards normally vest on the third anniversary of the date of grant, subject to the satisfaction of relevant performance conditions and to the employee being either an employee or Director within the Tawa Group on that date.

The performance conditions for awards made on 6 May 2011 are subject to four independent performance conditions.

The acquisitions performance condition (APC). 30% of the award is subject to a performance condition based on the size and number (if any) of acquisitions completed by the Company during the acquisitions performance period.

Acquisition completed during the Acquisitions Performance Period	Percentage of 30% of the total number of Shares subject to an award that vests
One transformational acquisition	100%, i.e. 30% of the total number of Shares subject to the Award
For each big acquisition	50%, i.e. 15% of the total number of Shares subject to the Award
For each transactional acquisition	16.6%, i.e. 5% of the total number of Shares subject to the Award
For each small acquisition	6.6%, i.e. 2% of the total number of Shares subject to the Award

The cumulative extraction of capital performance condition ("CEC"). 25% of the total number of Shares subject to an Award shall be subject to this condition.

The Performance Share Plan continued

Cumulative extraction of capital at the end of the Cumulative extraction of capital performance period	Percentage of 25% of the total number of Shares subject to an award that vests
100% or more of CEC Target	100%, i.e. 25% of total number of Shares subject to Award
Between 75% of CEC Target and 100% of CEC Target	Pro-rata between 25% and 100%, i.e. between 6.25% and 25% of total number of Shares subject to Award
75% of CEC Target	25%, i.e. 6.25% of total number of Shares subject to Award
Less than 75% of CEC Target	Nil%

The NAV performance condition requires average annual compound Net Asset Value per Share growth over the NAV performance period to be at least equal to 7.5% where upon that part of the award subject to the NAV Performance Condition shall vest as follows:

Average annual compound NAV over the NAV Performance Period	Percentage of 25% of the total number of Shares subject to an award that vests
Equal to or greater than 15%	100%, i.e. 25% of total number of Shares subject to an Award
Between 7.5% and 15%	Pro-rata between 25% and 100%, i.e. between 6.25% and 25% of total number of Shares subject to an Award
Equal to 7.5%	25%, i.e. 6.25% of total number of Shares subject to an Award
Less than 7.5%	Nil%

The TSR performance condition: The portion of the award subject to the TSR performance condition will vest as follows:

Rank of the Company's TSR against comparator companies at the end of the performance period	Percentage of 20% of the total number of Shares subject to the award that will vest
Upper quartile or above	100% i.e. 20% of the total number of Shares subject to an Award.
Between upper quartile and median	Pro-rata between 20% and 100% i.e., between 4% and 20% of the total number of shares subject to an award
Median	20% i.e., 4% of the total number of Shares subject to an Award
Below median	Nil%

As noted above, in addition to the satisfaction of performance conditions, the vesting of these awards is subject to the Executive Director and senior executive being either an employee or Director within the Tawa Group on the third anniversary of date of grant, except in the case of the award granted to Gilles Erulin, who is required to be an employee or Director within the Tawa Group on 30 March 2014 for awards made in 2011.

Awards held

The awards held over Ordinary Shares of 10p each in the Company as at 31 December 2013 by Executive Directors serving at the year-end are disclosed in the Directors' Report on page 15.

Future grants of awards under the Performance Share Plan will be approved by the Board. The Board will have due regard to the Association of British Insurers Guidelines, the UK Corporate Governance Code and the Financial Conduct Authority remuneration code in making such awards and setting appropriate performance conditions.

Pensions

Executive Directors are entitled to become members of Tawa's Retirement Benefit Plan or to elect for contributions to be paid into a personal plan. The amount of employer contributions is linked to age and ranges from contributions of 7% to 20% of salary. To be a member of the Tawa Plan individuals are required to contribute a minimum of 3% of salary. The amount of contribution made to Executive Directors is outlined in the Directors' remuneration table above.

Service contracts

The contracts of Gilles Erulin and Tim Carroll are terminable by either side on 12 months' and 1 month notice respectively. The Board believes that these notice periods provide an appropriate balance and adequately protect the Company, having regard to the prevailing market for recruiting suitable replacements.

Non-Executive Directors

The Executive Directors review Non-Executive Directors' remuneration annually to ensure that fees are in line with comparable companies. All Non-Executive Directors receive an annual fee in respect of their board duties and an attendance fee for each board and board committee meeting they attend. The Non-Executive Directors do not receive any other benefit.

Overview

The control of all day-to-day operations of the Group is vested in the Board, delegated to management where appropriate, but always subject to review by the Board. At the present size of the Group, the key controls are vested in the Executive Directors, who undertake a close day-to-day supervision of all activities and financial decisions.

However, such a system can only provide reasonable, not absolute, assurance against material misstatement or loss. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives as set by the Board.

The Audit Committee has oversight over the external auditor. Executive Management is responsible for the implementation and satisfactory maintenance of systems of internal controls over financial reporting and for compliance with laws and regulations.

The Audit Committee's main objectives are: to monitor the integrity of the Group's financial statements and any other formal announcements relating to the Group's financial performance before submission to, and approval by, the Board; review the Group's internal controls and risk management system; and review arrangements by which employees may, in confidence, raise concerns in financial reporting and other matters.

The Group's systems of internal control consist of inter-related components:

- control environment

The control environment within the Group provides structure and discipline for the other four components, incorporating factors such as integrity, ethical values, management's philosophy and operating style; assignment of authority and responsibility; employee competence; organisational structure; and the attention and direction provided by the Board of Directors.

The control environment is also communicated to all employees through the following key policies approved by the Board:

- Tawa plc's corporate objectives;
- code of ethics and conduct;
- whistle blowing procedures; and
- insider trading – restrictions on share dealing by Directors and employees.

Risk management

The Company faces a variety of risks from both internal and external sources that require identification, assessment and management. The management of these risks is a process that enables the business to:

- identify and understand the risks that it faces in the pursuit of its business objectives;
- assess and prioritise the risks identified and the means of mitigating them;
- where possible and commercially feasible, reduce the probability and impact of those risks;
- regularly review, monitor and report on those risks in order to take informed actions; and
- ensure that any new risks, or changes to existing risks, are captured.

As the environment in which the Company is operating is constantly changing, the risk assessment process needs to be dynamic and updated on an ongoing basis.

An analysis of the risk management framework at Tawa can be found on pages 48 to 58.

Monitoring

Internal control systems need to be monitored to assess the quality of the systems over time. The Group achieves this through a combination of day-to-day operational monitoring conducted by management, such as the review of monthly management and exception reports. The Group believes it has implemented an effective system of internal control.

Independent Auditor's Report to the Members of Tawa plc

We have audited the financial statements of Tawa plc for the year ended 31 December 2013 which comprise the Consolidated and Parent Company Income Statements, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's and the Parent Company's results for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sam Porritt (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

28 March 2014

Tawa plc Consolidated Income Statement

For the year ended 31 December 2013

	Notes	31 Dec 2013 $m	31 Dec 2012 restated $m
Income from continuing operations			
Insurance premium revenue		-	0.1
Net earned premium revenue		-	0.1
Revenue from consultancy, insurance and run-off services	7	**37.6**	32.5
Investment return	8	**1.2**	3.0
Other income	9	**1.7**	8.3
Income		**40.5**	43.8
Total income		**40.5**	43.9
Insurance claims and loss adjustment expenses	10	**(25.8)**	(7.4)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	-	(7.0)
Net insurance claims		**(25.8)**	(14.4)
Total expenses		**(53.4)**	(48.7)
Results of operating activities before negative goodwill recognised		**(38.7)**	(19.2)
Negative goodwill recognised		-	0.3
Results of operating activities		**(38.7)**	(18.9)
Share of results of associates	28	**2.7**	(1.2)
Finance costs	14	**(1.3)**	(1.9)
Loss before taxation		**(37.3)**	(22.0)
Taxation	15	**(0.9)**	1.8
Loss for the year from continuing operations		**(38.2)**	(20.2)
Loss for the year from discontinued operations	16	**(40.1)**	(2.3)
Loss for the year	17	**(78.3)**	(22.5)
Attributable to:			
Owners of the Company		**(78.3)**	(22.5)
Non-controlling interests		-	-
		(78.3)	(22.5)
Earnings per share			
From continuing and discontinued operations			
Basic: Ordinary shares (cents per share)	19	**(69.17)**	(20.22)
Diluted: Ordinary shares (cents per share)	19	**(69.17)**	(20.22)
From continuing operations			
Basic: Ordinary shares (cents per share)	19	**(33.74)**	(18.16)
Diluted: Ordinary shares (cents per share)	19	**(33.74)**	(18.16)

The notes on pages 32 to 83 form part of these financial statements.

	31 Dec 2013 $m	31 Dec 2012 restated $m
Loss for the year	**(78.3)**	(22.5)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**1.4**	0.6
	1.4	0.6
Total comprehensive losses for the year	**(76.9)**	(21.9)
Continuing operations	**(36.3)**	(19.2)
Discontinued operations	**(40.6)**	(2.7)
	(76.9)	(21.9)
Attributable to:		
Owners of the Company	**(76.9)**	(21.9)
	(76.9)	(21.9)

The notes on pages 32 to 83 form part of these financial statements.

	Notes	31 Dec 2013 $m	31 Dec 2012 $m
Assets			
Cash and cash equivalents	20	**21.7**	57.0
Assets held for sale	21	**141.6**	-
Financial assets - investments	22	**74.6**	249.9
Loans and receivables including insurance receivables	23	**12.9**	59.0
Reinsurers' share of technical provisions	24	**0.7**	27.9
Property, plant and equipment	25	**1.7**	1.6
Deferred assets	26	**-**	48.7
Interest in associates	28	**11.7**	13.9
Other intangible assets	29	**0.9**	1.1
Goodwill	30	**9.6**	22.8
Total assets		**275.4**	481.9
Equity			
Share capital	31	**22.2**	22.2
Share premium	32	**112.8**	110.6
Other reserves	33	**5.3**	3.4
Retained earnings	34	**(40.4)**	41.3
Equity attributable to owners of the Company		**99.9**	177.5
Non-controlling interests		**0.7**	1.0
Total equity		**100.6**	178.5
Liabilities			
Liabilities held for sale	20	**58.4**	-
Creditors arising out of insurance operations	35	**6.9**	71.2
Other liabilities	36	**33.6**	41.0
Financial liabilities - borrowings	37	**16.3**	60.5
Technical provisions	24	**59.6**	130.7
Total liabilities		**174.8**	303.4
Total liabilities and equity		**275.4**	481.9

The notes on pages 32 to 83 form part of these financial statements.

The financial statements of Tawa plc (4200676) were approved by the Board of Directors and authorised for issue on 26 March 2014 and were signed on its behalf on 28 March 2014 by:

Tim Carroll
Chairman

Gilles Erulin
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital $m	Share premium reserve $m	Share based payments reserve $m	Own shares reserve $m	Capital redemption reserve $m	Translation reserve $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total Equity $m
Balance at 1 January 2012	**22.2**	**111.4**	**3.7**	**(2.6)**	**-**	**(1.3)**	**63.8**	**197.2**	**1.0**	**198.2**
Comprehensive losses										
Loss for the year	-	-	-	-	-	-	(22.5)	(22.5)	-	(22.5)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	0.6	-	0.6	-	0.6
Total comprehensive income/(losses) for the year	**-**	**-**	**-**	**-**	**-**	**0.6**	**(22.5)**	**(21.9)**	**-**	**(21.9)**
Transactions with owners										
Issue of share capital	0.4	1.4	-	-	-	-	-	1.8	-	1.8
Share based payments	-	-	0.4	-	-	-	-	0.4	-	0.4
Own shares cancelled in the period	(0.4)	(2.2)	-	2.6	-	-	-	-	-	-
Total transactions with owners	**-**	**(0.8)**	**0.4**	**2.6**	**-**	**-**	**-**	**2.2**	**-**	**2.2**
Balance at 31 December 2012	**22.2**	**110.6**	**4.1**	**-**	**-**	**(0.7)**	**41.3**	**177.5**	**1.0**	**178.5**
Comprehensive losses										
Loss for the year	-	-	-	-	-	-	(78.3)	(78.3)	-	(78.3)
Other comprehensive income										
Currency translation differences	-	-	-	-	-	1.4	-	1.4	-	1.4
Total comprehensive income/(losses) for the year	**-**	**-**	**-**	**-**	**-**	**1.4**	**(78.3)**	**(76.9)**	**-**	**(76.9)**
Change in the scope of consolidation (note 34)	-	-	-	-	-	-	(0.8)	(0.8)	(0.3)	(1.1)
Transactions with owners										
Share based payments	-	-	0.1	-	-	-	-	0.1	-	0.1
Reclassification of amounts relating to own shares cancelled in 2012 (Note 34)	-	2.2	-	-	0.4	-	(2.6)	-	-	-
Total transactions with owners	**-**	**2.2**	**0.1**	**-**	**0.4**	**-**	**(2.6)**	**0.1**	**-**	**0.1**
Balance at 31 December 2013	**22.2**	**112.8**	**4.2**	**-**	**0.4**	**0.7**	**(40.4)**	**99.9**	**0.7**	**100.6**

The notes on pages 32 to 83 form part of these financial statements.

	Notes	31 Dec 2013 $m	31 Dec 2012 restated $m
Operating activities			
Net cash used in continuing operations	38	**(111.1)**	(69.5)
Net cash used in discontinued operations	16	**(7.0)**	(6.9)
Cash used in operations		**(118.1)**	(76.4)
Investing activities			
Cash payments to acquire debt securities		**(73.9)**	(79.3)
Cash receipts from sale and maturity of debt securities		**104.3**	91.8
Cash transferred from investing activities		**1.4**	7.9
Cash receipts from interest		**4.0**	7.8
Purchases of property, plant and equipment		**(0.2)**	(0.1)
Acquisition of an associate		**-**	(10.1)
Acquisition of a subsidiary net of cash and cash equivalents		**-**	9.1
Proceeds from the disposal of a subsidiary		**15.2**	-
Cash generated from discontinued investing activities	16	**64.3**	37.6
Cash generated by investing activities		**115.1**	64.7
Financing activities			
Proceeds from financial borrowings		**-**	24.1
Repayments of financial borrowings		**(8.2)**	-
Cash used in discontinued financing activities	16	**(7.8)**	-
Cash flows (used in)/generated by financing activities		**(16.0)**	24.1
Net (decrease)/increase in cash and cash equivalents		**(19.0)**	12.4
Cash and cash equivalents at beginning of year		**57.0**	44.7
Effects of exchange rate changes on the balance of cash held in foreign currencies		**0.9**	(0.1)
Cash and cash equivalents at end of year		**38.9**	57.0
As presented in the consolidated statement of financial position			
Cash and cash equivalents		**21.7**	57.0
Assets held for sale	20	**17.2**	-
Cash and cash equivalents at end of year		**38.9**	57.0

The notes on pages 32 to 83 form part of these financial statements.

1 General information

Tawa plc (the "Company") and its subsidiaries (together the "Group") are engaged in four principal business activities:

- the provision of run-off management services to acquired insurance companies;
- the provision of insurance services to external clients;
- the acquisition and run-off of insurance companies that have ceased underwriting; and
- the provision of insurance.

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is disclosed on page 97.

2 Application of new and revised International Financial Reporting Standards ("IFRSs")

The new and revised standards that have been adopted in the current year and have affected disclosure and amounts reported in these financial statements are set out in 2a. Details of other standards and interpretations effective in the current period that have had no impact on these financial statements are set out in 2b. Standards and interpretations in issue and not yet adopted are set out in 2c.

a Standards and interpretations adopted in the current year affecting disclosure and amounts reported in these financial statements

The adoption of these standards has not led to any retrospective application of changes in the Group's accounting policies.

- IAS 19 (2011) Employee Benefits – Improvements to the recognition, presentation and disclosure requirements for defined benefit pension schemes, effective for annual periods beginning on or after 1 January 2013:
  - Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the "corridor approach" permitted by the existing IAS 19);
  - Introducing enhanced disclosures about defined benefit plans;
  - Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits; and
  - Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.
- IFRS 13 Fair Value Measurement – Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard, effective for annual periods beginning on or after 1 January 2013. In accordance with the standards transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The new standard provides additional guidance on the various hierarchy levels; as a result of this additional guidance we have reconsidered our invested asset hierarchy levels and disclosed the relevant information in note 5b. Other than the aforementioned, the application of this standard has not had any material impact on the amounts recognised in the financial statements.

2 Application of new and revised International Financial Reporting Standards ("IFRSs") continued

b Standards and interpretations adopted in the current year with no effect on these financial statements

The following new and revised standards and interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

- Amendments to IFRS 1 First-time Adoption of IFRSs – to address how to account for government loans with a below market rate of interest when transitioning to IFRS. Effective for annual periods beginning on or after 1 January 2013;
- Amendments to IFRS 7 Financial Instruments Disclosures – amendments to the disclosure requirements when offsetting financial assets and financial liabilities effective for annual periods beginning on or after 1 January 2013;
- Annual improvements to IFRSs 2009-2011 cycle for annual periods beginning on or after 1 January 2013. The amendments impact the following five standards:
  - IFRS 1 First-time Adoption of IFRSs – the amendments clarify matters in relation to the repeated application of IFRS 1 and the treatment at transition of borrowing costs on certain qualifying assets. This amendment has no relevance to the Group;
  - IAS 1 Presentation of Financial Statements – the amendment provides clarification of the requirements for comparative information;
  - IAS 16 Property Plant and Equipment – the amendment clarifies the classification of spare parts, stand-by equipment and servicing equipment. This amendment has no relevance to the Group;
  - IAS 32 Financial Instruments: Presentation – the amendments clarify the tax effect on distributions to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes; and
  - IAS 34 Interim Financial Reporting – the amendments clarify the interim reporting of segment information for total assets and liabilities in order to enhance consistency with the requirements of IFRS 8 Operating Segments.
- IFRIC 20 Stripping costs – in the production phase of a surface mine effective for annual periods beginning on or after 1 January 2013. This interpretation has no relevance to the Group.

c Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- The following standards on consolidation, joint arrangements, associates and related disclosures have been issued or amended. The standards need to be applied collectively and are effective for annual periods beginning on or after 1 January 2013. However the European Financial Reporting Advisory Group ("EFRAG") has not endorsed this effective date and recommends all these standards are effective for annual periods beginning on or after 1 January 2014:
  - IAS 27 (2011) Separate Financial Statements – Now only deals with the requirements for separate financial statements, requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements;
  - IAS 28 (2011) Investments in Associates and Joint Ventures – The standard supersedes IAS 28 and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method of accounting;
  - IFRS 10 Consolidated Financial Statements – The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has:
    - Power over the investee;
    - Exposure, or rights, to variable returns from its involvement with the investee; and
    - The ability to use its power over the investee to affect the amount of the returns.
  - IFRS 11 Joint Arrangements – The standard replaces IAS 31 Interest in Joint Ventures and requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures; and
  - IFRS 12 Disclosure of Interests in Other Entities – Requires extensive disclosure to enable users of the financial statements to evaluate the nature of, and risks associated with, interests in other entities.

2 Application of new and revised International Financial Reporting Standards ("IFRSs") continued

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – To provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Effective for annual periods beginning on or after 1 January 2013, however as EFRAG has not endorsed the standards effective dates these amendments are effective for annual periods beginning on or after 1 January 2014;
- Investment entities amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial statements – Provide investment entities (as defined) an exemption from the consolidation of particular subsidiaries and instead requires their measurement at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Effective for annual periods beginning on or after 1 January 2014;
- IFRS 9 Financial Instruments – This standard has not yet been endorsed by the EFRAG and currently has no mandatory effective date.
  - In November 2009 the IASB issued IFRS 9 (2009), which introduced new requirements for classifying and measuring financial assets.
    - Debt instruments meeting both a "business model" test and "cash flow characteristics" test are measured at amortised cost.
    - Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognised in profit or loss.
    - All other instruments (including all derivatives) are measured at fair value with changes recognised in the income statement.
    - The concept of "embedded derivatives" does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines;
  - in October 2010 the IASB issued a revised version of IFRS 9 (2010), which superseded IFRS 9 (2009) incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss; and
  - In May 2011 the IASB issued a revised version IFRS 9 (2013) which supersedes IFRS 9 (2010) and:
    - Introduces a new chapter on hedge accounting;
    - permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss; and
    - removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009).
- Amendments to IAS 32 Financial Instruments Presentation – To clarify the application of the requirements on offsetting financial assets and financial liabilities effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 36 Impairment of Assets – To reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – To clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. Effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 19 Employee Benefits regarding defined benefit plans contributions – To clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. Effective for annual periods beginning on or after 1 July 2014;

2 Application of new and revised International Financial Reporting Standards ("IFRSs") continued

- Annual improvements to IFRSs 2010-2012 cycle for annual periods beginning on or after 1 July 2014. The amendments impact the following standards:
  - IFRS 2 Share-Based Payment – Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition";
  - IFRS 3 Business Combinations – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
  - IFRS 8 Operating Segments – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets are only required if segment assets are reported regularly;
  - IFRS 13 Fair Value Measurement – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and
  - IAS 24 Related Party Disclosures — Clarify how payments to entities providing management services are to be disclosed.
- Annual improvements 2011-2013 cycle for annual periods beginning on or after 1 July 2014. The amendments impact the following standards:
  - IFRS 1 First-time Adoption of IFRSs – Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
  - IFRS 3 Business Combinations – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
  - IFRS 13 Fair Value Measurement — Clarify the scope of the portfolio exception in paragraph 52; and
  - IAS 40 Investment Property – Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.
- IFRIC 21 Levies – Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Effective for annual periods beginning on or after 1 January 2014. This interpretation has no relevance to the Group.

The Directors anticipate the adoption of the standards on consolidation, joint arrangements, associates and related disclosures, for the year beginning 1 January 2014, may impact the consolidation treatment of the Group's associates and subsidiaries. The application may result in the Group no longer consolidating some of its investees and consolidating investees that were not previously consolidated as well as additional disclosure of interests in entities.

The adoption of IFRS 9, which the Group plans to adopt when the final standard receives full endorsement by the European Union, will impact both the measurement and disclosures of Financial Instruments, however the full assessment of the impact of IFRS 9 will be completed once the final standard is issued. The remaining standards and interpretations will have no material impact on the financial statements of the Group.

3 Significant accounting policies

a Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted for use in the European Union. The financial statements also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has 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 report of the Directors.

The financial statements are presented in millions of US dollars, rounded to the nearest hundred-thousand. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

In accordance with IFRS 4 "Insurance contracts", the Group has applied existing accounting practices for insurance contracts and investment contracts within each of its subsidiaries, modified as appropriate, to comply with the IFRS framework and applicable standards.

b Basis of consolidation

These financial statements consolidate all the enterprises over which the Group exercises control either directly or indirectly (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(i) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet conditions for recognition under IFRS 3 are recognised at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non current assets held for sale and discontinued operations", which are measured at fair value less costs to sell.

Where the vendor retains a non-controlling interest in the subsidiary, the value of equity attributable has been accounted for as a proportionate share of identifiable net assets acquired as defined under IFRS 3. The treatment can however be varied based on choice made on acquisition-by-acquisition basis, with the alternative method to account for the non-controlling interest at fair value.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised of a subsidiary, associate or jointly controlled entity at the date of acquisition. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination "negative goodwill", the excess is recognised immediately in the income statement.

When the consideration in a business combination is subject to a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and is included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments may arise from additional information becoming available during the period up to one year from the date of acquisition in relation to the position at the acquisition date.

3 Significant accounting policies continued

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The results of subsidiaries disposed of during the year are included in the consolidated income statement up to the effective date of disposal, as appropriate. The financial results, profit on disposal and deferred consideration adjustments relating to the sale of Group operations are included in “Profit/(loss) for the year from discontinued operations” in the income statement.

(ii) Insurance risk premium

On acquisition of a subsidiary, in determining the fair value of an acquired company’s assets and liabilities, the technical provisions are increased to include an insurance risk premium, which reflects management’s consideration of the uncertainty of the technical provisions acquired.

At acquisition the level of the risk premium is determined on an actuarial basis as the difference between the acquiree’s level of technical provisions held and those that bring them up to the 75th percentile level of confidence.

Following acquisition the in-house actuaries undertake a full actuarial review of the acquired company’s technical provisions. At that time a review of the risk premium held is determined with any resultant increase or decrease in the risk premium charged or released to the income statement.

Management determines, through its business plan for the acquired company, the rate of de-scale for the company of its technical provisions and in each individual case sets a period over which the remaining risk premium will be released on a straight line basis.

(iii) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group’s share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group’s interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

Any excess of the cost of acquisition over the Group’s share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group’s share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group’s interest in the associates. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

3 Significant accounting policies continued

(iv) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement as a separate line item, impairment of goodwill, and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous GAAP amounts subject to being tested for impairment at that date.

c Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer.

d Discontinued operations and assets held for sale

Business components that represent separate major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of, or meet the criteria to be classified as held for sale under IFRS 5.

Assets and disposal groups are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year and the asset (or disposal group) is available for immediate sale in its present condition. Operations held for sale are held at the lower of their carrying amount, on the date they are classified as held for sale, or fair value less costs to sell.

e 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 functional currencies of the major Group entities are:

Tawa plc	GBP	PXRE Reinsurance Company	USD
Pro Insurance Solutions Limited	GBP	Island Capital Limited	USD
Tawa Management Limited	GBP	QX Reinsurance Company Limited	USD
Hamburg International Reinsurance Limited	EUR	Lodestar Marine Limited	GBP
STRIPE Global Services Limited	GBP	Q360 Limited	GBP

The consolidated financial statements are presented in millions of US dollars which is the Group's presentation currency. The presentation currency of the Group is different from the functional currency of the Company as the majority of the Group's assets and liabilities are in USD, as evidenced by the Group's analysis of currency risk in note 5c (ii).

The GBP to USD rate of exchange applicable at the balance sheet date is 1.63399 (2012: 1.60462).

The average GBP to USD rate of exchange over the period is 1.56391 (2012: 1.58306).

3 Significant accounting policies continued

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities are initially translated at transaction date. Non-monetary items are measured at the rate applicable when the transaction occurred and not retranslated.

(iii) Group companies

The results and financial position of all the Group entities (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 statement of financial position presented are translated at the closing exchange rates at the date of the most recent statement of financial position presented;
- income statement items are translated at the rate prevailing throughout the relevant period; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in a separate reserve within equity.

f Product classification

The Group's products are classified, for accounting purposes, as either insurance contracts or deposit contracts either at inception or upon acquisition, where the Group's interest arises in a business combination. A contract classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Deposit contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Deposit contracts are contracts that carry financial risk with no significant insurance risk.

In some insurance contracts or deposit contracts, the financial risk is borne by the policyholders.

The accounting policy for deposit contracts is presented in note 3(r).

g Revenue recognition

(i) Net earned insurance premium revenue

Written premiums, gross of commission payable to intermediaries, comprise the Group's share of written premiums on contracts entered into during a financial period, exclusive of taxes and duties levied on premiums. Premiums written include adjustments to premiums written in prior accounting periods and estimates for pipeline premiums. For inwards proportional reinsurance treaties and certain binding authorities and lineslips, written premium is included in line with anticipated writing patterns of cedants and agents. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. There was no material unearned premium for either the current or comparative year.

(ii) Revenue from run-off services

Revenue is attributable to providing management and operational services relating to the insurance industry and all income derived from associated concerns and are recognised in the income statement on an accrued basis. Incentive fees are attributable to providing transaction facilitation and structuring services and are recognised in the period in which the services are provided to the extent that a reliable measurement of the revenue can be made, subsequent changes in the initial estimate are recognised in later periods. Fees are recognised in the income statement over the period to which the services relate.

3 Significant accounting policies continued

(iii) Investment return

Investment return consists of dividends, interest, realised gains and losses, and unrealised gains and losses on fair value assets. Investment income is accounted for on a receivable basis, gross of any imputed tax credit. Interest is accrued up to the statement of financial position date.

(iv) Debt purchase income

This income reflects the anticipated return on the cashflows forecast in respect of the debt purchase portfolio. Under IFRS, there is a requirement to account for these transactions at amortised cost. The amortised cost is calculated as the present value of the expected future cash flows over the life of the instrument, discounted by the Internal Rate of Return ("IRR") estimated at acquisition of each debt purchased. The income is calculated as the assumed return on this valuation at the IRR and is recorded in the consolidated income statement as a component of other income. The debt purchase debtor is included in other debtors.

h Insurance claims incurred

Claims incurred include all claims and internal and external claims settlement expense payments made in respect of the financial period, together with the movement in the provision for claims outstanding and internal and external claims settlement expenses, including claims incurred but not reported. Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured. Provision for claims outstanding and reinsurance recoveries are recorded net of discount for the time value of money.

i Employee benefits

(i) Pension costs

The Group operates defined contribution pension arrangements. Contributions are charged to the income statement as employee benefit expense as they become payable in accordance with the rules of each scheme. The Group has no further payment obligations once the contributions have been paid.

Following the acquisition of HIR, the Group has assumed an employer-sponsored defined benefit pension plan. In accordance with IAS 19, the Projected Unit Credit method (PUCM) is used to determine the present value of the defined benefit obligation. Actuarial valuations of plan assets and the present value of the defined benefit obligations are used as measurement criteria and there may be actuarial gains or losses charged to other comprehensive income. Key actuarial assumptions include the mortality tables of Prof. Dr. Klaus Heubeck to estimate life expectancy and a suitable discount rate derived from the Bundesbank.

(ii) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of two stochastic valuation models, namely the Monte Carlo method and the Black-Scholes valuation model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restriction, and behavioural considerations.

j Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3 Significant accounting policies continued

k Taxation

Income tax expense represents the sum of the tax payable or receivable in the year and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on all temporary differences, which are based on the differences between the financial statement carrying values and the tax bases of assets and liabilities using enacted income tax rates and laws that are expected to apply when the asset is realised or the liability is settled. Deferred income tax assets are recognised to the extent that it is regarded as probable that they will be utilised against sufficient future taxable income. Deferred income tax assets and liabilities are not discounted.

Current tax payable by any Group company on distribution to the holding company of the undistributed profits of any subsidiaries is recognised as deferred tax unless the timing of the distribution of those profits is controlled by the holding company and the temporary difference is not expected to reverse in the foreseeable future.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

l Other intangible assets

(i) Software

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's software development is recognised only if all of the following 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 development costs of the asset can be measured reliably.

It is amortised on a straight-line basis over its estimated useful life. The estimated useful lives are as follows:

Software (Development costs, Patents and trademarks)	5 years

Amortisation is included in total expenses in the income statement.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. The impairment policy is set out in note n below.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

(ii) Arising from acquisition

An intangible asset arising from an acquisition of a subsidiary by the Group is initially valued on a provisional basis, pending the final valuation of these assets on completion of the fair value exercise. The final valuation will be specific to the nature of the business acquired, based on an assessment of the type of intangible assets identified matched with the application of the most appropriate valuation technique.

3 Significant accounting policies continued

The types of intangible asset that may be identified are:

- Market related;
- Contract based;
- Customer related; and
- Technology based.

The valuation methods applied can be:

- Market - by reference to transactions that occurred recently in similar markets, or benchmarks of comparable assets;
- Income - on the basis of the future economic benefits derived from the ownership of the asset; and
- Cost - by assessing the development or replacement cost of an asset.

The intangible assets recognised are amortised on a straight line basis, over their estimated useful lives as follows:

Contract based 'valued on the income method'	2 years
Customer related 'valued on the income method'	5 years

Amortisation is included in total expenses in the income statement.

m Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses when appropriate. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Fixtures and fittings	4 years
Computer equipment	4 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

The residual values and useful lives of the assets are reviewed at each statement of financial position date and adjusted if appropriate.

n Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets at each statement of financial position date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment reviews on non-financial assets, with the exception of goodwill, may be reversed in subsequent periods.

o Financial instruments

The Group recognises a financial asset or a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group determines the category of the financial instrument and values it accordingly. The classification depends on the purpose for which the financial instruments are acquired.

3 Significant accounting policies continued

The Group does not deal in any derivatives. Purchases and sales of securities and currencies are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL") and loans and receivables.

Financial assets at FVTPL

The Group has classified its investments as financial assets at FVTPL. The Group manages financial investments held to cover its insurance liabilities on the same basis, being fair value. As such the Group's investments are classified as FVTPL at inception. Investments are stated at fair value at the statement of financial position date with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in net investment return in the income statement. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognised immediately in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less in the statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are designated on initial recognition and measured at fair value, using relevant measurement techniques. They are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and the loss is recognised in the income statement.

Reclassification of financial assets

The Group has not reclassified any non-derivative financial assets out of FVTPL to available for sale financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 Significant accounting policies continued

(ii) Financial liabilities

The Group classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

p Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

q Technical provisions

(i) Claims outstanding, related reinsurance recoveries and loss adjustment expenses

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred up to, but not paid at, the statement of financial position date, whether reported or not, together with provisions for future costs related to the management of the run-off of the portfolio of claims. Where applicable, prudent estimates are made for salvage recoveries.

The gross claims outstanding provisions and related reinsurance recoveries, net of specific provisions for doubtful recoveries, are determined on the basis of information currently available. Adjustments to the amount of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly. Claims outstanding are carried at actuarial "best-estimates".

3 Significant accounting policies continued

(ii) Discounting

The Group's net technical provisions will be paid over a period of many years dependent upon the nature of the underlying risk, the claims outstanding and the related reinsurance recoveries. The net future liabilities have been reduced or "discounted" by an amount representing an estimate of future investment income from income-producing assets set aside to meet net claims liabilities. Discounting is applied to claims with a mean term of at least 4 years. The payment patterns for claims outstanding are derived by the Group's actuaries from analysis of historical patterns experienced by the Group and other comparable companies in run-off. The Group's investment portfolio has been structured to minimise interest rate exposure such that the maturity profile of the fixed income investments matches the maturity profile of the technical provisions. The discount rate, hence anticipated future investment income, has been calculated with reference to relevant dates on the yield curve for treasury bonds in the currencies in which the investments are held.

r Deposit contracts

Insurance contracts that do not transfer significant insurance risk and do not result in the reasonable possibility that the Company may realise significant loss from the transaction are accounted for as deposit contracts.

The deposit liabilities, which are not insurance contracts as defined, are included in other creditors. The related assets are financial assets and are designated at inception as at fair value through profit or loss. The matching liabilities are measured by reference to the fair value of the underlying net asset value of the financial assets backing those contracts at the end of the reporting period.

Interest income earned, disclosed as part of the Group's investment return, is charged to the deposit contract. The corresponding charge is disclosed as finance costs. Any claims notified are withdrawn from the funds/financial assets and an offsetting entry reduces the deposit liability.

s Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

t Liability adequacy testing

At each reporting date, an assessment is made of whether the long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of liabilities (less related assets) is insufficient in the light of the future estimated cash flows, the deficiency is recognised in the income statement by setting up an additional provision in the statement of financial position.

4 Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to exercise judgement in making estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised if the revisions affect only those periods or in the periods of the revision and future periods if applicable.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in following years include:

a Technical provisions

(i) Outstanding claims provisions and related reinsurance recoveries

There is uncertainty as regards the eventual outcome of the claims and related reinsurance recoveries that have occurred by the statement of financial position date but remain unsettled. This includes claims that may have occurred but have not yet been notified and those that are not yet apparent to the insured. Significant delays occur in the notification of certain claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date.

In particular, estimates of technical provisions inevitably contain inherent uncertainties because extensive periods of time may elapse between the occurrence of an insured loss, the reporting of that claim and the payment of the claim and the receipt of reinsurance recoveries.

The adequacy of the claims outstanding provision is assessed by reference to actuarial projections of the ultimate development of claims in respect of each underwriting year. In addition, in certain areas of the portfolio, exposure analysis has been performed. This provision is derived through extensive analysis by the Group's in-house actuaries. The methods used, and the estimates made, are reviewed regularly. This is detailed further in note 5c (i).

(ii) QX Reinsurance Company Limited ("QX Re")

Historically the reserving estimate for QX Re has been highly uncertain. Following an actuarial review in the current year the Group exhausted the reinsurance facility, up to QX Re's exposure of funds held in segregated accounts. The Group could have additional exposure to the reinsurance treaty of approximately $2.0 million before the loss deterioration reverts back to Penn National. Management believe that the information received when initiating the reinsurance transaction was incomplete and as a consequence Tawa has commenced legal action against Penn National in the Delaware Federal Court seeking to rescind the reinsurance treaty on grounds of fraud. On this basis there remains a $2.0 million potential liability which has been indemnified by Tawa Associates Limited post demerger.

(iii) Basis of discounting

The Group's net technical provisions are discounted as set out in note 3q (ii). The use of discounted technical provisions depends upon the accuracy of the following estimates:

- future claims and expense payments and associated reinsurance recoveries;
- the payment profiles attributable to claims payments and related reinsurance recoveries; and
- the future rate of return expected on invested assets.

4 Critical accounting judgements and estimates continued

b Fair value of financial assets – measurement considerations

Determining the fair value of a financial instrument requires estimation. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The appropriate quoted market price for an asset held is usually the current bid price. When current bid prices are unavailable, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. If conditions have changed since the time of the transaction (e.g. a change in the risk-free interest rate following the most recent price quote for a corporate bond), the fair value reflects the change in conditions by reference to current prices or rates for similar financial instruments, as appropriate.

c Deferred assets – deferred consideration

The deferred consideration receivable on the sale of the majority of the Group's shareholding in CX Reinsurance Company Limited ("CX Re"), is impacted by the net asset value of the company. A number of risks, in particular the availability of consortium relief, impact the fair value of CX Re and any changes in the fair value will have a direct impact on the value of deferred consideration carried in the statement of financial position which is classified as an asset held for sale.

d Accounting treatment of Lincoln General Insurance Company

On 5 October 2011 Tawa acquired 51% of Lincoln General Insurance Company ("LGIC") for a nominal sum.

This ownership does not constitute control on the following basis:

- at 31 December 2010, the LGIC's total adjusted capital was $(18) million, which placed the Company at the National Association of Insurance Commission ("NAIC") risk-based capital ("RBC") mandatory action level, and as a result of its current RBC level, the Department is required to take steps to place the insurer under control. The current financial position of the company, notably in having total adjusted capital deficit, has not substantially changed from that which placed the Company at the NAIC's RBC Level 5 Mandatory Control Level;
- as a result of the NAIC's RBC mandatory action level, there is a statutory obligation for the Company to prepare and submit for acceptance by the Department a formal, comprehensive Risk Based Capital Plan detailing operational and financial aspects of the business for the Department's approval; and
- as a result of the NAIC's RBC mandatory action level, the Company is subject to a "Letter Agreement" restricting financial and operating policies subject to regulatory approval.

On this basis, it is management's view that Tawa does not control LGIC, within the meaning of applicable accounting standards, and does therefore not consolidate the results of LGIC. Nor does the Company have significant influence over LGIC. Instead the investment in LGIC is accounted for as a financial asset. On initial recognition the fair value was $5.10, subsequent measurement is the fair value which at 31 December 2013 was $nil (2012 - $nil). Due to the valuation of the investment being significantly lower than the Group's lowest reporting denomination ($0.1 million) we have chosen to not disclose the information required by IFRS 7.

e Held for sale

Hamburger Internationale Rückversicherung ("HIR")

Hamburg International Reinsurance Limited ("HIR") and its subsidiary Pavant International Re S.A. ("PIR") are in the process of being sold. The proposed sale was announced on 20 December 2013 and is still subject to regulatory approval. Given the limited solvency margin, which could give rise to the regulator requiring a further injection of capital and may therefore impact the decision to approve the sale, management do not consider it appropriate to recognise these assets as held for sale.

f Subrogation recoveries

As at the balance sheet date there are $16.3 million of subrogation recoveries included in assets held for sale due to Island Capital Limited. These remain subject to judicial proceedings for which the process is taking longer than originally expected. Notwithstanding this, management continue to see progress and still anticipate realisation of the booked value.

5 Analysis of risk

This note provides details of the risks in relation to the Group and excludes any assets and liabilities classified as held for sale. The comparatives have not been restated for assets and liabilities classified as held for sale.

a Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance while holding sufficient capital in each of the insurance operating entities to meet regulatory requirements. The capital structure of the Group consists of debt which includes borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued share capital, share premium and retained earnings.

The Group measures its capital using an economic capital model which is the Group's own assessment of the amount of capital it needs to hold and takes into account both financial and non-financial assumptions. The economic capital is used within the Financial Conduct Authority's ("FCA") requirement on Individual Capital Assessment ("ICA"). Developments in Solvency II are being monitored.

The Group's executive management reviews working capital on a continual basis and assesses the appropriate financing structures for acquisitions. They are responsible for assessing the Group's capital structure on a regular basis with the aim of selecting a debt-to-equity ratio that maximises return to shareholders. As at 31 December 2013 the debt-to-equity ratio was 16% (2012: 34%). The debt is defined as long and short term borrowings and has not been reduced by all Group cash and cash equivalents as some cash belonging to regulated subsidiaries is not regarded as readily distributable within the Group. Equity includes all capital and reserves of the Group.

As at 31 December 2013 the Group was required to hold sufficient capital to meet the conditions of bank loan covenants in respect of loans of $16.3 million (2012: $60.5 million).

The Group is also subject to externally imposed capital requirements in respect of all insurance entities that previously wrote insurance and reinsurance business. These requirements, which have been complied with during the year, are enforced within the individual locations and are detailed below:

- QX Reinsurance Company Limited ("QX Re") is regulated by the BMA, and it is required by the BMA to submit an annual statutory return and to hold capital resources in excess of its capital resources requirement; and
- Hamburger Internationale Rückversicherung ("HIR") and Pavant International Re S.A. ("PIR") are regulated by the Federal Financial Supervisory Authority in Germany ("BaFin").
- PXRE Reinsurance Company ("PXRE") is regulated by the Connecticut Department of Insurance. It is required by the Connecticut Department to submit an annual risk-based capital statement and to hold total adjusted capital in excess of the Company Action Level which is 200% of its Authorised Control Level Risk-Based Capital;
- Island Capital Limited ("ICL") is regulated by the Bermuda Monetary Authority ("BMA"), and it is required by the BMA to submit an annual statutory return and to hold capital resources in excess of its capital resources requirement; and
- Island Capital (Europe) Limited ("ICE") is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").

5 Analysis of risk continued

b Fair value of financial instruments

The Group is exposed to liquidity risk arising from the Group's ability to realise the fair value of its financial instruments. The Group manages this risk by ensuring its exposure to financial assets valued at other than quoted prices is monitored by the Group's management. Valuations are determined by the Group's external investment managers and the suitability of the pricing methodologies are reported to and considered by the Group's management.

(i) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3. The table gives information about how the fair values of these financial assets are determined, in particular the valuation techniques and inputs used:

Group	Fair value hierarchy	Fair value as at 31 Dec 2013 Total $m	Fair value as at 31 Dec 2012 restated Total $m	Valuation techniques and key inputs
Financial assets at fair value through profit or loss ("FVTPL")				
Treasuries and other cash	**Level 1**	**16.4**	109.7	Measured by reference to quoted prices (unadjusted) in an active market for identical assets.
Corporates	**Level 2**	**52.2**	105.0	Measured using inputs other than quoted prices for identical assets included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Asset backed securities	**Level 2**	**6.0**	35.2	Measured using inputs other than quoted prices for identical assets included within Level 1 that are observable for the asset or liability, either directly or indirectly.
		74.6	249.9	

Reassessment of Level 1 and Level 2 hierarchies

At 31 December 2012, we had previously classified all financial assets as Level 2. Following the publication of illustrative examples in IFRS 13 of markets in which inputs might be observable, which specifically references principal-to-principal markets as being an observable input. As a result of this additional guidance provided we re-assessed our invested treasuries and other cash, which are all traded on principal-to-principal markets, and consider them to be Level 1 inputs.

5 Analysis of risk continued

c Risk management

The Group's activities expose it to a variety of financial and non-financial risks. The Board of Directors retains overall responsibility for the risk management framework that has been established to minimise the Group's exposure to risk and assesses the effectiveness of the controls established to identify, monitor and mitigate the risks faced by the Group.

The risks that the Group faces include but are not limited to:

- Insurance risk; and
- Financial risk.

(i) Insurance risk

Insurance risk is the risk associated with the uncertainty and the quantum of the claim or the time when claims payments will fall due. In order to mitigate these risks the Group uses actuarial techniques to project future claim payments.

Sources of uncertainty in the estimation of future claim payments

The uncertainty in the financial statements principally arises in respect of the outstanding claims provisions and related reinsurance recoveries, as set out in note 4. As a consequence of this uncertainty, the Group needs to apply sophisticated estimation techniques to determine the appropriate provisions. The Group sets its provision for claims outstanding based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported at the statement of financial position date based on statistical methods and market benchmarks, as appropriate.

The adequacy of the claims outstanding provision is assessed with reference to actuarial projections of the ultimate development of claims in respect of each underwriting year. In addition, in certain areas of the portfolio, exposure analysis has been performed. This provision is derived through extensive analysis by the Group's in-house actuaries including reference to internal and external benchmarks. The methods used, and the estimates made, are reviewed regularly. The methodology used to project ultimate development for liability classes is reviewed annually.

5 Analysis of risk continued

An analysis of the gross and net claims development is below.

Group	As at 1 January 2009 $m	Entities acquired in 2010 $m	Entities acquired in 2011 $m	Entities acquired in 2012 $m	Total $m
Gross reserves at:					
1 January 2009 / At acquisition	175.1	15.3	4.4	24.8	
Take on claims of QX Re	-	-	38.7	-	
One year later	168.2	15.3	69.8	28.9	
Two years later	174.6	27.5	72.2	48.4	
Three years later	184.2	32.2	100.2		
Four years later	176.9	27.2			
Five years later	177.7				
Estimate of cumulative claims	177.7	27.2	100.2	48.4	
Cumulative payments	(120.0)	(26.4)	(78.0)	(14.6)	
	57.7	0.8	22.2	33.8	
Disposal of subsidiaries reserves	(47.1)	-	3.6	-	
Reserves classified as held for sale	(10.5)	(0.8)	-	-	
Change in impact of discounting	(0.1)	-	-	-	
Gross position at 31 December	-	-	25.8	33.8	59.6

Group	As at 1 January 2009 $m	Entities acquired in 2010 $m	Entities acquired in 2011 $m	Entities acquired in 2012 $m	Total $m
Net reserves at:					
1 January 2009 / At acquisition	146.0	9.7	0.2	24.2	
Take on claims of QX Re	-	-	38.7	-	
One year later	137.0	9.7	50.0	28.3	
Two years later	139.2	18.1	66.0	47.8	
Three years later	142.1	17.9	94.2		
Four years later	136.0	16.9			
Five years later	136.8				
Estimate of cumulative claims	136.8	16.9	94.2	47.8	
Cumulative payments	(94.6)	(16.5)	(68.2)	(14.7)	
	42.2	0.4	26.0	33.1	
Disposal of subsidiaries reserves	(33.3)	-	(0.2)	-	
Reserves classified as held for sale	.	(0.4)	-	-	
Change in impact of discounting	(2.1)	-	-	-	
Net position at 31 December	-	-	25.8	33.1	58.9

The provision for claims outstanding and the provision for future expenses, related to the run-off of the net liabilities, with the exception of QX Re are discounted to take account of future investment income which will be generated prior to settlement of the claims. The use of discounted technical provisions depends upon the accuracy of estimates as set out in note 4.

Whilst the Directors consider that the gross provision for claims and related recoveries are fairly stated on the basis of the information currently available to them, due to the nature of the insurance industry there is inherent uncertainty in these estimates. This uncertainty is such that the ultimate liability, which will vary as a result of subsequent information and events, may result in adjustments to the amounts provided. Adjustments of the provisions are reflected in the financial statements for the period in which the adjustments are made.

5 Analysis of risk continued

The following tables present the gross claims outstanding split between case reserves and incurred but not reported reserves ("IBNR") and booked gross claims outstanding before claims handling provisions and before discounting by major risk class:

	31 Dec 2013 %	31 Dec 2012 %
Case reserves	**61.4%**	67.5%
IBNR	**38.6%**	32.5%
Total	**100.0%**	100.0%

	31 Dec 2013 $m	31 Dec 2012 $m
Asbestos, pollution and other latent claims	**55.7**	91.8
Other	**-**	39.5
Total	**55.7**	131.3

Asbestos, pollution and other latent claims

These claims arise from policies issued prior to 1986 on a losses occurring basis and since 2011, the take-on claims in respect of lead paint exposures. This means that a claim being notified any time after the exposure period would attach back to that exposure period regardless of the length of delay. For lead paint exposures, claims can be reported any time up until the child affected reaches 21 years of age. By their nature such claims are frequently subject to disputes such as the extent of coverage and definitions of occurrence and possible legislative changes. Consequently, reserves for claims of this type cannot be determined using traditional actuarial techniques and the uncertainty surrounding the ultimate cost of settlement is greater than for more standard claims within the Group's portfolio. Significant adverse development may have a material impact on the Group's future results and net assets.

Other

All books of business have been closed to new exposures for a number of years now and the result is that they do not suffer from attritional claims activity. However, the age of these claims means that more will be subject to disputes on the extent of coverage and size of loss and allocation of loss amounts. Market rulings and legal judgements can have a material effect on groups of these claims making the final outcome uncertain.

Basis for establishing provision for claims outstanding

Loss reserves for insurance and reinsurance business are established based on claims data reported to the Group by insureds and ceding companies supplemented with relevant industry benchmark loss development patterns used to project the ultimate incurred loss. Ultimate incurred loss indications are calculated by the Group's actuaries using several standard actuarial methodologies.

The Group's actuaries utilise several assumptions in applying each methodology, including loss development factors and actual reported claim frequency and severity. These reviews and documentation are completed in accordance with professional actuarial standards appropriate to the jurisdictions where the business is written. The selected assumptions reflect the actuaries' judgement based on historical data and experience combined with information concerning economic, judicial, regulatory and other influences on ultimate claim settlements. Best estimates are derived for each group and underwriting year.

Based on the actuarial indications, the Group selects and records a single point estimate, which becomes management's best estimate which the Group considers to be one that has an equal likelihood of developing a redundancy or deficiency as the loss experience matures. On an annual basis the Group analyses and records its loss reserve estimates across detailed lines of business which reflect class of business, geographic location, insurance versus reinsurance, proportional versus non-proportional, and treaty versus facultative exposures. In addition, a limited number of the Group's largest contracts are reviewed individually.

5 Analysis of risk continued

During the loss settlement period, additional facts regarding claims are reported. As this occurs it may be necessary to increase or decrease the unpaid losses and loss expense reserves. The actual final liability may be significantly different to prior estimates. The Group reviews additional reported claim information on a monthly basis. Actual claim experience is compared to that expected from the most recent actuarial reserve review to highlight significant variances. A complete actuarial analysis by detailed line of business including selection of single point estimates is completed annually and is reviewed by the Group's management.

The unallocated loss adjustment expense provision ("ULAE") is based on an assessment of the resources required by year to deliver the strategy for each company taking into account staff by department, accommodation and office services overheads, legal and professional charges, including assistance with planned schemes of arrangement, IT overheads including investment in system developments and human resources overheads. These estimates are reviewed in the context of previous year's actual expenses.

Insurance risk sensitivity analysis

If net claims reserves of $58.9 million (2012: $102.8 million) carried in the statement of financial position moved by 1% the impact on the income statement would be a change in the profit before tax and net assets of $0.6 million (2012: $1.0 million).

(ii) Financial risk

The Group is subject to several types of financial risk:

- Market risk (including interest rate risk) and currency risk;
- Credit risk, which are the risks associated with the Group's reinsurance arrangements, investment portfolios, and other counterparty credit risks; and
- Liquidity risk, the risk that cash may not be available to pay obligations when due.

Market risk (including interest rate risk)

The investment strategy of the Group is based on a high quality diversified portfolio of liquid investment grade fixed income and other securities as a method of preserving equity capital and prompt claim payment capability.

The Group uses external investment managers to invest and manage its assets. The Board establishes investment policies and creates guidelines for such external investment managers. These guidelines specify criteria on the overall credit quality and liquidity characteristics of the portfolio and include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities.

Total invested assets with the asset mix are shown below:

Group	31 Dec 2013 %	Average rating 31 Dec 2013	31 Dec 2012 %	Average rating 31 Dec 2012
Governments	**18.3%**	**AA+**	29.9%	AA+
US corporates	**68.0%**	**A**	42.0%	A
Asset backed securities	**7.8%**	**AAA-**	14.1%	AA+
Equities	**0.0%**	**NR**	0.6%	NR
Cash and other	**5.9%**	**AAA**	13.4%	AA-
Total Group	**100.0%**		100.0%	

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

5 Analysis of risk continued

In practice, the Group mitigates the majority of its exposure to interest rate movements by broadly matching the duration of its assets and liabilities by comparing the discounted cash flows from its cash and investments (principal and interest) according to the period in which such cash flows arise.

The Group's exposure to equity price risk is not considered to be significant.

The Group's financial borrowings are subject to interest payable which is determined with reference to 3 month LIBOR. This exposure to changes in LIBOR, which is not considered material because of the likely profile of repayments, is not hedged.

The following table shows the securities' maturity dates or contractual re-pricing dates and interest rate ranges:

		Maturity date or contractual re-pricing date				
	Total	Less than one year	After one year but less than two years	After two years but less than three years	After three years but less than five years	More than five years
	$m	$m	$m	$m	$m	$m
31 Dec 2013						
Group invested assets fixed interest rate	**74.2**	**13.2**	**16.7**	**15.5**	**16.6**	**12.2**
Group invested assets variable interest rate	**0.4**	**0.3**	**-**	**0.1**	**-**	**-**
31 Dec 2012						
Group invested assets fixed interest rate	234.7	32.0	26.9	36.3	55.1	84.4
Group invested assets variable interest rate	15.2	11.5	0.5	0.3	-	2.9

					Interest rates range
	%	%	%	%	%
31 Dec 2013					
Group debt securities fixed interest rate	**0.0% - 7.5%**	**0.1% - 5.8%**	**0.4% - 6.0%**	**0.5% - 5.7%**	**0.7% - 5.5%**
31 Dec 2012					
Group invested assets fixed interest rate	0.0% - 6.0%	0.0% - 9.5%	0.5% - 5.9%	0.5% - 6.6%	0.6% - 8.5%

Market risk (including interest rate risk) sensitivity analysis

The Group's invested assets are subject to interest rate risk. The interest rate risk is concentrated in investments in US dollar, sterling and euro and is sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Based on the Group's invested assets including cash at external managers of $74.6 million (2012: $249.9 million), a 1% increase/decrease in interest rates across the yield curve would result in an approximate $1.2 million loss/profit respectively (2012: $0.5 million profit/loss), net of the impact on the discounted net technical provisions.

The Group is also exposed to interest rate risk on its insurance reserves and floating rate borrowings. Where appropriate, reserves are discounted as permitted by IFRS 4. Discount rates are based on the relevant currencies' risk-free rates which are derived from yields on securities issued by UK, US and European Governments. A reduction of 1% in risk-free yields would reduce the net discount in the statement of financial position by approximately $1.7 million as at 31 December 2013 (2012: $5.9 million). Such a reduction would also reduce the amortised cost of the Group's borrowings by $0.2 million (2012: $0.6 million). Details of the Group's borrowings can be found in note 37.

5 Analysis of risk continued

Currency risk

The Group and in particular the insurance companies are exposed to foreign currency risk generated through regular trading activity denominated in currencies other than their functional currencies. The Group reports its results in US dollars and accordingly, to the extent that shareholders' funds are invested in assets denominated in currencies other than US dollars, exchange gains or losses may arise on translation. The most significant currencies to which the Group is exposed are sterling and euro and the Group controls its currency risk by investing in assets that match the currency in which it expects related insurance liabilities to be paid and by investing the majority of assets backing shareholder funds in US dollars. The summary of the major currencies to which the Group is exposed are shown in the table below.

		31 Dec 2013		31 Dec 2012
Group	Sterling in $m	Euro in $m	Sterling in $m	Euro in $m
Cash and cash equivalents	**10.0**	**11.6**	15.9	10.8
Financial assets - investments	**-**	**45.3**	3.0	37.6
Deferred assets	**48.1**	**-**	48.7	-
Other assets	**21.9**	**10.4**	17.6	10.9
Total assets	**80.0**	**67.3**	85.2	59.3
Financial liabilities - borrowings	**16.3**	**0.2**	-	-
Technical provisions	**11.7**	**37.8**	11.5	28.6
Other liabilities	**14.4**	**26.8**	16.8	25.2
Total liabilities	**42.4**	**64.8**	28.3	53.8
Net assets	**37.6**	**2.5**	56.9	5.5

At 31 December 2013 the Group approximates that 38% (2012: 65%) of shareholders' funds consists of US dollars.

Currency sensitivity analysis

A 1% increase/decrease in the US dollar against the relevant foreign currencies would result in an approximate $0.4 million foreign exchange profit/loss (2012: $0.6 million).

Credit risk

When the Group's portfolio of insurers were underwriting, it purchased reinsurance to manage its catastrophe exposure and mitigate insurance risk. However, the ceding of insurance risk exposes the Group to credit risk from its reinsurers and retrocessionaires.

In designing the reinsurance programme the Group took account of the risk assessment, the financial strength of reinsurance counterparties, the benefits to shareholders of capital efficiency and reduced volatility, and the cost of reinsurance protection.

When underwriting, the Group purchased retrocessional reinsurance to improve the extent to which it could manage risk exposures, protect against catastrophic losses, access additional underwriting capacity and stabilise financial ratios.

Credit risk includes the risk of reinsurer default. The Directors have assessed exposure to bad debts arising from reinsurance dispute or failure and, following careful review, have made a provision against bad debts based on current information available.

Reinsurance recoveries are calculated by reference to the gross claims including IBNR utilising the Group's recovery programmes for facultative, proportional and excess of loss reinsurance. There is a quarterly review process to ensure the recoveries calculated are accurate.

5 Analysis of risk continued

The following table summarises the average credit ratings of the reinsurance counterparties:

Credit rating of reinsurance counterparties	**31 Dec 2013**	31 Dec 2012
A++	**-%**	0.9%
A+	**100%**	57.3%
A	**-%**	0.6%
A-	**-%**	1.0%
B++	**-%**	0.6%
Other	**-%**	39.6%
Total	**100%**	100.0%

The management of the Group mitigate risks associated with reinsurers by monitoring aged debt profiles. All factors which may impact recoverability are taken into account in determining the bad debt provisions and where possible management reduces bad debt exposure through commutations or settlements with counterparties.

For bad debt provisioning purposes, all insolvent security has a 100% provision. Well rated reinsurers are not provided against. In addition to a security provision there is a provision for losses classified as contentious and a provision for time barred losses which are calculated on a case by case basis. Any claim set-offs are netted off fully.

Additionally, the Group is subject to credit risk in respect of third party entities in which the Group holds debt securities issued by those entities. As a consequence of the established investment policies and in order to mitigate investment risk, the average credit quality of the portfolio was AA (2012: AA). Other than with respect to US, Canadian and European Union Government and agency securities, the Group's investment guidelines limit its aggregate exposure to any single issuer to 2% of its portfolio. All securities must be rated BBB or better at the time of purchase and the weighted average rating requirement of the Group's portfolio is A. There were no investment write-offs in 2013 (2012: nil).

The following table illustrates the split of total debt securities by rating of investee:

Credit rating of investee	**31 Dec 2013**	31 Dec 2012
AAA / US Government or equivalent	**24.3%**	18.3%
AA	**41.5%**	42.2%
A	**13.2%**	23.6%
A1	**5.3%**	7.7%
BBB+	**11.6%**	6.2%
CCC	**0.0%**	0.0%
Not rated	**4.1%**	2.0%
Total	**100.0%**	100.0%

At 31 December 2013 the Group's largest aggregate exposure to any single issuer other than with respect to the United States Government and agency securities was $3.8 million in respect of holdings in corporate bonds issued by GE Capital European Funding rated AA (2012: $6.1 million in respect of the Wells Fargo Advantage Government Securities Fund rated AA+).

The investment duration targets for the Group are set in the context of the duration of the underlying liabilities. The duration of an investment is based on the maturity of the security and also reflects the payment of interest and the possibility of early principal payment of such security. The Group seeks to utilise investment benchmarks that reflect this duration target. The Board periodically revises the Group's investment benchmarks based on business and economic factors including the average duration of the Group's potential liabilities. At 31 December 2012 the Group's investment portfolio had an effective duration of 2.6 years (2012: 2.6 years).

5 Analysis of risk continued

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The carrying amount represents the maximum exposure to credit risk. Reinsurers' share of technical provisions is disclosed before discounting:

Group 31 Dec 2013	Neither past due nor impaired	Past due but less than 180 days	Past due more than 180 days	**Carrying amount Net**	Impaired assets	**Carrying amount Gross**
Invested assets	74.6	-	-	**74.6**	-	**74.6**
Loans and receivables including insurance receivables	12.9	-	-	**12.9**	-	**12.9**
Reinsurers' share of technical provisions	0.7	-	-	**0.7**	-	**0.7**
Group 31 Dec 2012						
Invested assets	249.9	-	-	249.9	-	249.9
Loans and receivables including insurance receivables	53.8	0.6	4.6	59.0	13.5	72.5
Reinsurers' share of technical provisions	31.2	-	-	31.2	12.7	43.9

Liquidity risk

In order to ensure that adequate liquid resources are available to fund insurance liability cash outflows when they fall due, the Group's practice is to invest in assets to establish a sufficient matching with the duration of the expected related liabilities for liquidity purposes. The tables below show the matching of assets and liabilities for the years under review:

		Maturity date or contractual re-pricing date				
Group 31 Dec 2013	Total $m	Less than one year $m	After one year but less than two years $m	After two years but less than three years $m	After three years but less than five years $m	More than five years $m
Assets held for sale	141.6	141.6	-	-	-	-
Cash and cash equivalents	21.7	21.7	-	-	-	-
Financial assets - investments	74.6	13.5	16.7	15.5	16.6	12.3
Reinsurers' share of technical provisions	0.7	0.2	-	-	0.1	0.4
Other assets	36.8	5.1	3.9	2.6	1.3	23.9
Total assets	275.4	182.1	20.6	18.1	18.0	36.6
Liabilities held for sale	58.4	58.4	-	-	-	-
Technical provisions	65.2	27.7	1.8	1.8	3.2	30.7
Financial liabilities - borrowings	16.3	-	16.3	-	-	-
Other liabilities	40.5	16.1	12.2	8.1	4.1	-
Total liabilities	180.4	102.2	30.3	9.9	7.3	30.7
Surplus / (deficit)		79.9	(9.7)	8.2	10.7	5.9
Cumulative surplus		79.9	70.2	78.4	89.1	95.0
Group 31 Dec 2012						
Cash and cash equivalents	57.0	57.0	-	-	-	-
Financial assets - investments	249.9	43.7	27.4	36.6	55.0	87.1
Reinsurers' share of technical provisions	31.3	4.1	3.9	2.9	4.0	16.4
Deferred assets	48.7	-	-	-	-	48.7
Other assets	98.4	17.5	13.1	10.3	19.2	38.3
Total assets	485.3	122.3	44.4	49.9	78.2	190.5
Technical provisions	146.3	25.7	19.0	14.5	17.8	69.3
Financial liabilities - borrowings	60.5	-	-	51.3	-	9.2
Other liabilities	112.2	23.7	17.8	11.9	5.9	52.9
Total liabilities	319.0	49.4	36.8	77.7	23.7	131.4
Surplus / (deficit)		72.9	7.6	(27.8)	54.6	59.0
Cumulative surplus		72.9	80.5	52.7	107.2	166.2

5 Analysis of risk continued

The analysis of assets and liabilities by maturity has been prepared on the following basis:

- Assets are disclosed according to the date of maturity; and
- Net liabilities, represented as undiscounted cash flows, are disclosed according to the timing of payment.

6 Segmental information

The Group's reportable segments under IFRS 8 are identified as follows:

- Service providers;
- Underwriting run-off and insurance segment; and
- Other corporate activities.

The suitability of the Group's internal reporting is reviewed and monitored on a regular basis. Furthermore, IFRS requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group Chief Executive Officer in order to allocate resources and assess performance.

The other corporate activities segment includes corporate expenses, incubator costs and other activities not related to the core business segments and which are not reportable segments due to their immateriality. Certain expenses and taxes are not allocated across the segments.

6 Segmental information continued

a Segment income and results

The following is an analysis of the Group's revenue and result by reportable segment.

For the year ended 31 December 2013	Service providers $m	Underwriting run-off and insurance $m	Other corporate activities $m	Intra-group $m	Total Continuing operations $m	Discontinued operations $m	**Total continuing and discontinued operations $m**
Income							
Insurance premium expense	-	-	-	-	-	(0.1)	**(0.1)**
Commission income	-	-	-	-	-	3.1	**3.1**
Net earned premium expense	-	-	-	-	-	3.0	**3.0**
Revenue from consultancy and run-off services	38.7	-	2.5	(3.6)	37.6	1.0	**38.6**
Investment return	0.2	1.0	-	-	1.2	0.4	**1.6**
Other income	1.5	0.1	0.1	-	1.7	0.4	**2.1**
Total other income	40.4	1.1	2.6	(3.6)	40.5	1.8	**42.3**
Total income	**40.4**	**1.1**	**2.6**	**(3.6)**	**40.5**	**4.8**	**45.3**
Insurance claims and loss adjustment expenses	-	(26.2)	0.4	-	(25.8)	1.0	**(24.8)**
Insurance claims and loss adjustment expenses recovered from reinsurers	-	-	-	-	-	(3.3)	**(3.3)**
Net insurance claims	-	(26.2)	0.4	-	(25.8)	(2.3)	**(28.1)**
Segment expenses	(39.0)	(5.2)	(12.8)	3.6	(53.4)	(8.1)	**(61.5)**
Segment results of operating activities before recognising negative goodwill	**1.4**	**(30.3)**	**(9.8)**	**-**	**(38.7)**	**(5.6)**	**(44.3)**
Impairment of goodwill	-	-	-	-	-	(13.2)	**(13.2)**
Segment results of operating activities	**1.4**	**(30.3)**	**(9.8)**	**-**	**(38.7)**	**(18.8)**	**(57.5)**
Share of results of associate	-	-	2.7	-	2.7	0.1	**2.8**
Finance costs	-	-	(1.3)	-	(1.3)	(1.0)	**(2.3)**
Taxation	(0.3)	(0.6)	-	-	(0.9)	-	**(0.9)**
Loss for the year from discontinued operations	-	-	-	-	-	(20.4)	**(20.4)**
Segment profit/(loss) for the year	**1.1**	**(30.9)**	**(8.4)**	**-**	**(38.2)**	**(40.1)**	**(78.3)**

6 Segmental information continued

For the year ended 31 December 2012	Service providers $m	Underwriting run-off and insurance $m	Other corporate activities $m	Intra-group $m	Total Continuing operations $m	Discontinued operations $m	**Total continuing and discontinued operations $m**
Income							
Insurance premium expense	-	0.1	-	-	0.1	(0.2)	**(0.1)**
Insurance premium ceded to reinsurers	-	-	-	-	-	(0.1)	**(0.1)**
Commission income	-	-	-	-	-	1.1	**1.1**
Net earned premium expense	-	0.1	-	-	0.1	0.8	**0.9**
Revenue from consultancy and run-off services	37.1	-	3.0	(7.6)	32.5	0.5	**33.0**
Investment return	0.2	2.7	0.1	-	3.0	4.7	**7.7**
Other income	8.1	-	0.2	-	8.3	2.8	**11.1**
Total other income	45.4	2.7	3.3	(7.6)	43.8	8.0	**51.8**
Total income	**45.4**	**2.8**	**3.3**	**(7.6)**	**43.9**	**8.8**	**52.7**
Insurance claims and loss adjustment expenses	-	(7.4)	-	-	(7.4)	(1.8)	**(9.2)**
Insurance claims and loss adjustment expenses recovered from reinsurers	-	(7.0)	-	-	(7.0)	4.4	**(2.6)**
Net insurance claims	-	(14.4)	-	-	(14.4)	2.6	**(11.8)**
Segment expenses	(45.9)	(1.3)	(9.1)	7.6	(48.7)	(8.2)	**(56.9)**
Segment results of operating activities before recognising negative goodwill	**(0.5)**	**(12.9)**	**(5.8)**	**-**	**(19.2)**	**3.2**	**(16.0)**
Negative goodwill recognised	-	-	0.3	-	0.3	-	**0.3**
Segment results of operating activities	**(0.5)**	**(12.9)**	**(5.5)**	**-**	**(18.9)**	**3.2**	**(15.7)**
Share of results of associate	-	-	(1.2)	-	(1.2)	-	**(1.2)**
Finance costs	-	-	(1.9)	-	(1.9)	(3.1)	**(5.0)**
Taxation	0.1	(0.1)	1.8	-	1.8	(2.2)	**(0.4)**
Loss for the year from discontinued operations	-	-	-	-	-	(0.2)	**(0.2)**
Segment loss for the year	**(0.4)**	**(13.0)**	**(6.8)**	**-**	**(20.2)**	**(2.3)**	**(22.5)**

6 Segmental information continued

b Segment assets, liabilities and other information

The following is an analysis of the Group's net assets, capital expenditure, impairment losses, depreciation and amortisation by reportable segment:

As at 31 December 2013	Service providers $m	Underwriting run-off and insurance $m	Other corporate activities $m	Intra-group $m	Total Continuing operations $m	Discontinued operations $m	Total continuing and discontinued operations $m
Segment assets	22.8	93.8	17.2	-	133.8	141.6	275.4
Segment liabilities	(11.6)	(85.7)	(19.1)	-	(116.4)	(58.4)	(174.8)
Segment net assets	**11.2**	**8.1**	**(1.9)**	**-**	**17.4**	**83.2**	**100.6**
Depreciation	(0.6)	-	-	-	(0.6)	-	(0.6)
Amortisation of intangible assets	(0.1)	-	(0.1)	-	(0.2)	-	(0.2)
Amortisation of risk premium	-	-	-	-	-	0.3	0.3

As at 31 December 2012	Service providers $m	Underwriting run-off and insurance $m	Other corporate activities $m	Intra-group $m	Total Continuing operations $m	Discontinued operations $m	Total continuing and discontinued operations $m
Segment assets	25.8	376.8	94.4	(15.1)	481.9	-	481.9
Segment liabilities	(15.9)	(228.4)	(74.2)	15.1	(303.4)	-	(303.4)
Segment net assets	**9.9**	**148.4**	**20.2**	**-**	**178.5**	**-**	**178.5**
Depreciation	(0.6)	-	-	-	(0.6)	-	(0.6)
Amortisation of intangible assets	(0.4)	-	(0.1)	-	(0.5)	-	(0.5)
Amortisation of risk premium	-	-	-	-	-	0.3	0.3

For the purposes of monitoring segment performance and allocating resources between segments, the Group Chief Executive Officer monitors the tangible, intangible and financial assets and liabilities of each segment. All assets and liabilities are allocated to reportable segments.

c Revenue from major products and services

The Group's revenue from major products and services is disclosed in the segment income tables.

d Geographical information

The Group's revenue and information about its segment net assets by geographical location are as follows:

As at 31 December 2013	United Kingdom $m	United States of America $m	**Total $m**
Segment revenue	36.6	8.7	**45.3**
Segment net assets	53.0	47.6	**100.6**
As at 31 December 2012	$m	$m	**$m**
Segment revenue	41.6	11.1	**52.7**
Segment net assets	87.6	90.9	**178.5**

e Information about major customers

The Group does not derive revenue from an individual policyholder or intermediary that represents 10% or more of the Group's total revenue.

7 Revenue from consultancy, insurance and run-off services

Revenue comprises fees related to the provision of insurance run-off management and related consultancy services.

Continuing operations	31 Dec 2013 $m	As restated 31 Dec 2012 $m
Consultancy and inspection fees	**36.0**	29.5
Expenses recharged	**1.6**	3.0
Revenue from consultancy, insurance and run-off services	**37.6**	32.5

8 Investment return

Continuing operations	31 Dec 2013 $m	As restated 31 Dec 2012 $m
Financial assets - Designated at fair value through profit or loss ("FVTPL")		
Debt securities		
Investment income	**2.8**	0.9
Net realised gains	**0.6**	(0.1)
Changes in fair value, net unrealised losses	**(3.4)**	0.4
Cash and cash equivalents - interest income	**1.2**	1.8
Investment return	**1.2**	3.0

9 Other income

Continuing operations	31 Dec 2013 $m	As restated 31 Dec 2012 $m
Debt purchase income	**1.0**	4.0
Other	**0.7**	4.3
Other income	**1.7**	8.3

10 Insurance claims, loss adjustment expenses and related reinsurance recoveries

	31 Dec 2013			As restated 31 Dec 2012		
Continuing operations	Gross $m	Reinsurers' share $m	Net $m	Gross $m	Reinsurers' share $m	Net $m
Insurance claims and loss adjustment expenses incurred	**(28.2)**	**-**	**(28.2)**	(26.4)	1.4	(25.0)
Changes in technical provisions	**2.4**	**-**	**2.4**	19.5	(8.6)	10.9
Net insurance claims and loss adjustment expenses before discounting	**(25.8)**	**-**	**(25.8)**	(6.9)	(7.2)	(14.1)
Discounting	**-**	**-**	-	(0.5)	0.2	(0.3)
Discounted insurance claims and loss adjustment expenses	**(25.8)**	**-**	**(25.8)**	(7.4)	(7.0)	(14.4)

11 Directors' emoluments

31 December 2013	Fees as Directors $m	Other emoluments $m	Company contributions $m	**Total $m**	Highest paid Director's emoluments $m
Services as Directors of the Company	0.2	1.1	0.1	**1.4**	0.8
Services as Directors of subsidiaries	-	-	-	**-**	-
Directors' emoluments	0.2	1.1	0.1	**1.4**	0.8

31 December 2012	Fees as Directors $m	Other emoluments $m	Company contributions $m	Total $m	Highest paid Director's emoluments $m
Services as Directors of the Company	0.4	1.2	0.2	1.8	0.7
Services as Directors of subsidiaries	-	-	-	-	-
Directors' emoluments	0.4	1.2	0.2	1.8	0.7

Details of the Directors share awards are set out on page 16.

12 Auditor's remuneration

The following fees were incurred directly by the Group in respect of audit and related services set out below and paid to Mazars LLP:

	31 Dec 2013 $m	31 Dec 2012 $m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditors for audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.4
Fees payable to the Company's auditors for audit of the Company's associate pursuant to legislation	**0.1**	0.1
Total audit fees	**0.4**	0.6
Other services	**0.1**	-
Total non-audit fees	**0.1**	-

13 Staff costs

The average monthly number of employees (including Executive Directors) was:

	31 Dec 2013	31 Dec 2012
Outsourcing	**167**	171
Consulting	**36**	49
Incubator	**23**	25
Actuarial	**3**	6
Executive & Management	**40**	36
Support	**29**	47
Number of employees	**298**	334

Their aggregate remuneration comprised:

	31 Dec 2013 $m	31 Dec 2012 $m
Wages and salaries	**33.6**	32.3
Social security costs	**3.8**	3.8
Other pension costs (see note 40)	**3.0**	3.5
Restructuring	**-**	2.7
Other costs	**1.8**	1.9
Staff costs	**42.2**	44.2

14 Finance costs

Continuing operations	31 Dec 2013 $m	As restated 31 Dec 2012 $m
Interest on corporate borrowings	**(2.2)**	(1.6)
Interest on debenture	**(0.4)**	-
Deposit contract charge	**0.4**	-
Other	**0.9**	(0.3)
Finance costs	**(1.3)**	(1.9)

15 Taxation

UK corporation tax is 23.25% (2012: calculated at 24.5%) of the estimated assessable UK profit for the year. The tax (credit)/charge for the periods presented varied from the stated rate of UK corporation tax as explained below:

	Continuing operations		Discontinued operations		Total	
	31 Dec 2013 $m	As restated 31 Dec 2012 $m	31 Dec 2013 $m	As restated 31 Dec 2012 $m	31 Dec 2013 $m	As restated 31 Dec 2012 $m
UK Corporation tax on loss for the year	**-**	-	**-**	-	**-**	-
Adjustments in respect of prior periods	**0.9**	(1.8)	**-**	-	**0.9**	(1.8)
Group relief recoverable at non-standard rates	**-**	-	**-**	-	**-**	-
Total taxation	**0.9**	(1.8)	**-**	-	**0.9**	(1.8)

	Continuing operations		Discontinued operations		Total	
	31 Dec 2013 $m	31 Dec 2012 $m	31 Dec 2013 $m	31 Dec 2012 $m	31 Dec 2013 $m	31 Dec 2012 $m
Loss before taxation	**(37.3)**	(22.0)	**(40.1)**	(2.3)	**(77.4)**	(24.3)
At standard corporation tax of 23.25% (2012: 24.5%)	**(8.7)**	(5.4)	**(9.3)**	(0.6)	**(18.0)**	(6.0)
Factors affecting taxation charge:						
Temporary differences	**(0.1)**	(0.3)	**-**	(1.4)	**(0.1)**	(1.7)
Income/expenses not taxable/deductible for tax purposes	**8.0**	2.9	**9.3**	2.0	**17.3**	4.9
Utilisation of tax losses in respect of which no deferred tax assets were recognised	**1.7**	1.0	**-**	-	**1.7**	1.0
UK Corporation tax on profit for the year	**0.9**	(1.8)	**-**	-	**0.9**	(1.8)

At 31 December 2013 the Group has recognised deferred tax assets of $0.4 million (2012: $1.4 million). In addition the Group had unrecognised tax assets of $9.4 million (2012: $12.7 million) in respect of tax losses carried forward. Recognised deferred tax assets relate to accelerated capital allowances. Unrecognised deferred tax assets are not anticipated to become recoverable until the Group becomes profitable.

16 Discontinued operations

KX Reinsurance Company Limited ("KX Re") and OX Reinsurance Limited ("OX Re")

On 16 April 2013, the Group disposed of its risk carrier KX Re and its direct subsidiary OX Re. The results and the loss on disposal are presented as a discontinued operation, in both the current and comparative year.

Demerger of Tawa Associates Limited ("TAL")

On 20 December 2013 the Group announced the demerger of the risk carrier business. The results are presented as discontinued, in both the current and comparative year.

CX Reinsurance Company Limited ("CX Re")

Following the Group's disposal of the majority of its shareholding in CX Re any adjustments to the deferred consideration are accounted for as a profit/(loss) on sale of investment in the year in which the adjustments to the deferred consideration arise.

16 Discontinued operations continued

Discontinued operations are as follows:

	31 Dec 2013 KX Re & OX Re $m	31 Dec 2013 TAL $m	31 Dec 2013 CX Re $m	31 Dec 2013 Total $m	31 Dec 2012 KX Re & OX Re $m	31 Dec 2012 TAL $m	31 Dec 2012 CX Re $m	31 Dec 2012 Total $m
Net earned premium revenue	-	3.0	-	**3.0**	-	0.8	-	0.8
Total other income	0.5	1.3	-	**1.8**	4.8	3.2	-	8.0
Net insurance claims	(0.4)	(1.9)	-	**(2.3)**	(2.2)	4.8	-	2.6
Expenses	0.1	(8.1)	-	**(8.0)**	(2.4)	(5.8)	-	(8.2)
Finance costs	-	(1.0)	-	**(1.0)**	-	(3.1)	-	(3.1)
Profit/(loss) from discontinued operations before taxation	0.2	(6.7)	-	**(6.5)**	0.2	(0.1)	-	0.1
Taxation	-	-	-	**-**	(2.0)	(0.2)	-	(2.2)
Profit/(loss) for the year from discontinued operations after taxation	0.2	(6.7)	-	**(6.5)**	(1.8)	(0.3)	-	(2.1)
Impairment of TAL goodwill	-	(13.2)	-	**(13.2)**	-	-	-	-
(Loss)/profit on disposal of discontinued operations	(21.2)	-	0.8	**(20.4)**	-	-	(0.2)	(0.2)
(Loss)/profit for the year from discontinued operations	**(21.0)**	**(19.9)**	**0.8**	**(40.1)**	**(1.8)**	**(0.3)**	**(0.2)**	**(2.3)**

Cash flow statement from discontinued operations	31 Dec 2013	31 Dec 2012
Net cash used in discontinued operations	**(7.0)**	(6.9)
Cash generated from discontinued investing activities	**64.3**	37.6
Cash used in discontinued financing activities	**(7.8)**	-

17 Loss for the year

Loss for the year has been arrived at after crediting/(charging):

Continuing operations	31 Dec 2013 $m	31 Dec 2012 $m
Depreciation of property, plant and equipment	**(0.7)**	(0.6)
Amortisation of intangible assets	**(0.2)**	(0.4)
Foreign exchange gains	**1.7**	0.8
Negative goodwill arising on acquisition	**-**	0.3

Discontinued operations	31 Dec 2013 $m	31 Dec 2012 $m
Amortisation of risk premium	**0.3**	0.3
Foreign exchange losses	**(0.5)**	(0.4)
Impairment of goodwill	**(13.2)**	-

18 Dividends

No dividend was distributed in 2013 in relation to the results for the 2012 financial year (2012: No dividend was distributed in relation to the 2011 financial year).

The directors do not recommend any dividend to be paid in 2014 relating to the results of 2013.

19 Earnings per share

Earnings	31 Dec 2013 $m	restated 31 Dec 2012 $m
Earnings for the purposes of basic earnings per share from continuing and discontinued operations being net loss attributable to equity holders of the Group	(78.3)	(22.5)
Earnings for the purposes of basic earnings per share from continuing operations being net loss attributable to equity holders of the Group	(38.2)	(20.2)

Number of shares	31 Dec 2013	31 Dec 2012
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	113,205,725	111,263,808
Effect of dilutive potential Ordinary Shares: Share options	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	113,205,725	111,263,808

There are no dilutive shares in 2013 as the Group incurred a loss (2012: There were no dilutive shares as the Group incurred as loss).

Basic earnings per share	31 Dec 2013 US cents	restated 31 Dec 2012 US cents
From continuing and discontinued operations		
Basic: Ordinary Shares (cents per share)	**(69.17)**	(20.22)
Diluted: Ordinary Shares (cents per share)	**(69.17)**	(20.22)
From continuing operations		
Basic: Ordinary Shares (cents per share)	**(33.74)**	(18.16)
Diluted: Ordinary Shares (cents per share)	**(33.74)**	(18.16)
From discontinued operations		
Basic: Ordinary Shares (cents per share)	**(35.43)**	(2.07)
Diluted: Ordinary Shares (cents per share)	**(35.43)**	(2.07)

20 Cash and cash equivalents

	31 Dec 2013 $m	31 Dec 2012 $m
Cash	**21.7**	56.8
Deposit contract cash	**-**	0.2
Cash at bank and in hand	**21.7**	57.0

Cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. In the normal course of business insurance company subsidiaries have deposited funds in respect of certain contracts which can only be released with the approval of the appropriate regulatory authority. Cash and cash equivalents of $nil (2012: $39.4 million) belonging to regulated subsidiaries is not regarded as readily distributable within the Group.

In accordance with normal market practice, Citibank N.A. has previously issued letters of credit for outstanding losses. There are no longer any such liabilities in place and no collateral pledged (2012: $4.0 million) against cash at bank and in hand.

The Group has deposited cash of $nil (2012: $0.2 million) in a trust fund for the benefit of a counterparty. These contracts are treated as deposit contracts for accounting purposes with the related liabilities included within creditors arising out of reinsurance operations, note 35. These contracts were commuted during the year and the Group no longer has deposit contracts.

Cash and cash equivalents are classified as financial instruments - loans and receivables.

21 Assets and liabilities classified as held for sale

On 20 December 2013 the Group announced its plan to demerge the Group's risk carrier business. The Group will transfer the net assets of the companies below by means of dividend in specie.

Name of subsidiary		Place of incorporation (or registration) and operation	Portion of ownership interest	Portion of voting power held
Tawa Associates Limited	("TAL")	Great Britain	100.0%	100.0%
Tawa Management Limited	("TM")	Great Britain	100.0%	100.0%
WT Holdings Incorporated	("WTH")	United States Delaware	100.0%	100.0%
PXRE Reinsurance Company	(PXRE")	United States Connecticut	100.0%	100.0%
Tawa Management (Bermuda) Limited	("TMB")	Bermuda	100.0%	100.0%
Amberley Alternative Assets Limited (Tawa Managing Agency Limited)	("TMA")	Great Britain	100.0%	100.0%
CX Reinsurance Company Limited	("CX (Ass)")	Great Britain	12.65%	12.65%
ICL Holdings Incorporated	("ICH Grp")	United States Delaware	100.0%	100.0%
Island Capital (Europe) Limited (in Liquidation)	("ICH Grp")	Great Britain	94.3%	94.3%
Island Capital Limited	("ICH Grp")	Bermuda	94.3%	94.3%
Pocono Holdings Limited	("Poc")	Great Britain	100.0%	100.0%
Q360, Inc	("Q360 Grp")	United States Delaware	100.0%	100.0%
Q360 Limited	("Q360 Grp")	Great Britain	100.0%	100.0%
Lodestar Marine Limited	("Lodestar")	Great Britain	100.0%	100.0%
LGIC Holdings, LCC	("LGIC")	United States Delaware	51.0%	51.0%

The assets and liabilities as at 31 December 2013 classified as held for sale are shown in the table below.

	31 Dec 2013 $m	31 Dec 2012 $m
Assets		
Cash and cash equivalents	**17.2**	-
Financial assets - investments	**35.2**	-
Loans and receivables including insurance receivables	**27.1**	-
Reinsurers' share of technical provisions	**4.0**	-
Property, plant and equipment	**0.2**	-
Deferred assets	**52.5**	-
Interest in associate	**5.4**	-
Total assets held for sale	**141.6**	-
Liabilities		
Creditors arising out of insurance operations	**6.9**	-
Other liabilities	**11.0**	-
Financial liabilities - borrowings	**29.2**	-
Technical provisions	**11.3**	-
Total liabilities held for sale	**58.4**	-

CX Re and subsidiary QX Re will continue to be owned by the Group but transfer certain economic rights to the risk carrier business.

Following the classification as held for sale, goodwill in Tawa Associates Limited of $13.2 million was fully impaired.

22 Financial assets – investments

Investments are designated at initial recognition as fair value through profit or loss. The fair values of these investments, disclosed in the table below, are based on bid market prices and fair value adjustments are made through the income statement.

	Fair value	
Carrying amount	**31 Dec 2013 $m**	31 Dec 2012 $m
Designated fair value through profit or loss ("FVTPL")		
Debt securities		
Foreign Government bonds	**14.0**	78.3
Local Government bonds	**-**	3.0
Corporate bonds	**52.2**	114.1
Mortgaged backed	**6.0**	38.2
Equity securities	**-**	1.5
Deposits with credit institutions	**2.4**	14.8
Balance at 31 December	**74.6**	249.9
Due within one year	**13.6**	43.5
Due after one year	**61.0**	206.4

A reconciliation of the carrying amount is below:

	Fair value	
Movements in carrying amount	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance at 1 January	**249.9**	267.1
Additions	**219.7**	352.5
Maturities and redemptions	**(49.9)**	(137.6)
Disposals	**(261.3)**	(230.5)
Reclassification on non cash movements	**(5.2)**	(1.3)
Fair value gains recorded in the income statement	**-**	(0.8)
Foreign exchange	**(1.1)**	0.5
Disposal of subsidiaries	**(42.3)**	-
Reclassified as held for sale	**(35.2)**	-
Balance at 31 December	**74.6**	249.9

At the year end, the duration of the Group's cash and investment portfolio was 2.6 years (2012: 2.6 years). The durations of the individual cash and investment portfolios of the Group's insurance subsidiaries are:

	31 Dec 2013 Duration (Yrs)	31 Dec 2012 Duration (Yrs)
HIR group of companies	**3.0**	2.0
QX Re	**2.0**	2.4

In accordance with normal market practice, Citibank N.A. has previously issued letters of credit for outstanding losses. There are no longer any such liabilities in place and no collateral pledged (2012: $6.6 million) against an investment portfolio.

The Group has deposited investments of $nil million (2012: $52.3 million) in a trust fund for the benefit of a counterparty. These contracts are treated as deposit contracts for accounting purposes with the related liabilities included within creditors arising out of reinsurance operations, note 35. These contracts were commuted during the year and the Group no longer has deposit contracts.

23 Loans and receivables including insurance receivables

	31 Dec 2013 $m	31 Dec 2012 $m
Debtors arising out of reinsurance operations	**2.6**	14.6
Debtors arising out of insurance operations	**-**	1.7
Accrued income and prepayments	**1.0**	2.5
Other debtors	**9.3**	40.2
Total loans and receivables including insurance receivables	**12.9**	59.0
Due within one year	**11.2**	27.2
Due after one year	**1.7**	31.8

Other debtors include subrogation recoveries in respect of Island Capital Limited of $16.1 million in 2012, in the current year this asset is classified as held for sale. The amounts due in respect of the KX Re debt purchase portfolio in 2012 was $9.8 million. In 2013 KX Re was disposed of and the debt purchase portfolio was transferred to Associate CX Re. Other debtors receivable of $9.3 million comprises amounts due or accrued in respect of services provided to clients by Pro of $3.9 million (2012: $5.3 million).

There are no debtors arising out of reinsurance operations past due (2012: $18.7 million and net of bad debts $5.2 million) which are considered recoverable. Ageing of debtors arising out of reinsurance and insurance operations are detailed below:

	0-6 months	6-12 months	12-24 months	>24 months
31 Dec 2013	18%	17%	7%	58%
31 Dec 2012	7%	2%	8%	83%

The Group holds no security or collateral against these balances.

Loans and receivables including insurance receivables are classified as financial instruments – loans and receivables.

24 Technical provisions

Carrying amount	31 Dec 2013 $m	31 Dec 2012 $m
Gross claims outstanding		
Provision for gross claims outstanding	**55.7**	131.3
Discount	**(5.0)**	(15.8)
	50.7	115.5
Claims handling provisions	**6.0**	12.0
	56.7	127.5
Risk premium adjustment	**2.9**	3.2
Total gross claims outstanding	**59.6**	130.7
Reinsurance		
Provision for reinsurance reserves outstanding	**0.7**	31.2
Discount	**-**	(3.3)
Total reinsurers' share of claims outstanding	**0.7**	27.9
Undiscounted claims outstanding, net of reinsurance	**63.9**	115.3
Discount	**(5.0)**	(12.5)
Total claims outstanding net of reinsurance	**58.9**	102.8
Security held for reinsurance		
Letters of credit held	**-**	0.4
Total collateral held	**-**	0.4

The technical provisions are all within the Group's risk carrier subsidiaries.

24 Technical provisions continued

Whilst the Directors consider that the gross provision for claims and the related recoveries are fairly stated on the basis of the information currently available to them, due to the nature of the insurance industry there is inherent uncertainty in these estimates. This uncertainty is such that the ultimate liability, which will vary as a result of subsequent information and events, may result in adjustments to the amount provided. Adjustments to the amount of the provisions are reflected in the financial statements for the period in which the adjustments are made.

The liabilities for HIR's portfolio are subject to discounting. At 31 December 2013 HIR's portfolio had an average mean term of 3.04 years (2012: 10.1 years) and the average effective rate of investment return used to discount net liabilities is 1.84% (2012: 1.95%).

Reserve development

The Group's expected loss development is determined by the Group's internal actuaries based on historical claims analysis and projected trends. Actual reported losses may vary from expected loss development. Generally, as an underwriting year matures the level of newly reported claims decreases.

During the year the Group (excluding liabilities held for sale) experienced deterioration in the net reserves before discount excluding commutations of $26.2 million (2012: improvement of $0.1 million). The significant increase in net reserves was for QX Re during the year of $28.2 million (2012: $15.8 million). Following an actuarial review the Group decided to exhaust the reinsurance facility up to QX Re's exposure of funds held in the segregated accounts due to significantly higher claims experience than previously anticipated.

The following table presents the development of the Group's outstanding claims and claims handling expense reserves net of reinsurance and after discounting.

Movements in carrying amount	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance of net discounted reserves at 1 January	**102.8**	130.7
Acquisition of subsidiary	**-**	24.2
Disposal of subsidiary	**(33.5)**	-
Demerger of TAL	**(7.3)**	-
Impact of changes in foreign exchange rates	**(0.8)**	0.2
Net claims paid	**(27.3)**	(60.5)
Increase in ultimate for net claims before discounting	**25.3**	(0.1)
Change in the impact of discounting	**-**	8.6
Risk premium released	**(0.3)**	(0.3)
Balance of net discounted reserves at 31 December	**58.9**	102.8

25 Property, plant and equipment

	Computer equipment		Fixtures and fittings		Total	
	31 Dec 2013	31 Dec 2012	**31 Dec 2013**	31 Dec 2012 $m	**31 Dec 2013**	31 Dec 2012 $m
Cost or valuation						
Balance at 1 January	9.1	9.0	2.6	2.6	11.7	11.6
Additions	0.1	0.1	0.7	-	0.8	0.1
Reclassified as held for sale	**-**	-	**(0.6)**	-	**(0.6)**	-
Balance at 31 December	**9.2**	9.1	**2.7**	2.6	**11.9**	11.7
Accumulated depreciation and impairment						
Balance at 1 January	7.9	7.4	2.2	2.1	10.1	9.5
Charge for the year	0.4	0.5	0.2	0.1	0.6	0.6
Reclassified as held for sale	**-**	-	**(0.5)**	-	**(0.5)**	-
Balance at 31 December	**8.3**	7.9	**1.9**	2.2	**10.2**	10.1
Carrying amount at 31 December	**0.9**	1.2	**0.8**	0.4	**1.7**	1.6

26 Deferred assets

Deferred assets related to the consideration outstanding on the disposal of subsidiary CX Re. This asset now forms part of the assets held for sale as it will be transferred as part of the demerger. Part of the deferred consideration was related to the net asset value of the company and is subject to net asset value adjustments through the income statement. Deferred consideration consists of $15.0 million (2012: $14.7 million) in respect of a transaction facilitation fee and $33.1 million (2012: $34.0 million) of proceeds on the disposal, a total of $48.1 million (2012: $48.7 million) which is included within assets held for sale at 31 December 2013.

27 Subsidiaries

A list of the investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 53 to the Company's financial statements.

28 Interest in associates

Details of the investment in associates, including the name, country of incorporation and proportion of ownership interest is given in note 54 to the Company's financial statements. Aggregated amounts relating to associates:

CX Reinsurance Company Limited	**31 Dec 2013 $m**	31 Dec 2012 $m
Loss for the year	**-**	(0.2)
Group's share of associate's loss at 12.65%	**-**	-
Total assets	**-**	187.7
Total liabilities	**-**	(148.8)
Net assets	**-**	38.9
Group's share of associate's net assets at 12.65%	**-**	4.9

Asta Capital Limited	**31 Dec 2013 $m**	31 Dec 2012 $m
Gross premiums written	**47.5**	34.7
Profit/(loss) for the year	**8.2**	(3.5)
Group's share of associate's profit/(loss) at 33.33%	**2.7**	(1.2)
Total assets	**60.1**	51.4
Total liabilities	**(26.0)**	(24.2)
Net assets	**34.1**	27.2
Group's share of associate's net assets at 33.33%	**11.7**	9.0
Total Group's share of associates' profit/(loss)	**2.7**	(1.2)
Total Group's share of associates' net assets	**11.7**	13.9

During the year CX Reinsurance Company Limited was classified as held for sale.

29 Other intangible assets

The intangible assets comprise software costs and other acquired intangible assets as disclosed in the table below:

	Software		Acquired Intangible Assets		Other		Total	
	31 Dec 2013 $m	31 Dec 2012 $m	**31 Dec 2013 $m**	31 Dec 2012 $m	**31 Dec 2013 $m**	31 Dec 2012 $m	**31 Dec 2013 $m**	31 Dec 2012 $m
Cost								
Balance at 1 January	1.1	1.1	2.0	2.0	0.1	-	**3.2**	3.1
Additions	-	-	-	-	-	0.1	**-**	0.1
Balance at 31 December	**1.1**	1.1	**2.0**	2.0	**0.1**	0.1	**3.2**	3.2
Amortisation								
Balance at 1 January	(0.4)	(0.2)	(1.7)	(1.5)	-	-	**(2.1)**	(1.7)
Amortised to income statement	(0.1)	(0.2)	(0.1)	(0.2)	-	-	**(0.2)**	(0.4)
Balance at 31 December	**(0.5)**	(0.4)	**(1.8)**	(1.7)	**-**	-	**(2.3)**	(2.1)
Carrying amount at 31 December	**0.6**	**0.7**	**0.2**	**0.3**	**0.1**	**0.1**	**0.9**	**1.1**

Software intangible assets represent development costs and costs in respect of patents and trademarks relating to STRIPE® which is a proprietary web based platform that was launched in September 2010, allowing principal to principal processing of claims and other post placement transactions between ceding company and reinsurer. Software (development costs, patents and trademarks) are amortised on a straight line basis over 5 years.

The Group recognised an intangible asset of $2.0 million as part of a business combination in 2009. The acquired intangible asset comprises a contract-based intangible of $1.3 million and a customer-related intangible of $0.7 million. The acquired contract-based and customer-related intangible assets are amortised on a straight line basis over 2 and 5 years respectively.

The amortisation charge for the year is included within total expenses in the income statement.

30 Goodwill

	31 Dec 2013 $m	31 Dec 2012 $m
Cost		
Balance at 1 January	**27.8**	28.4
Adjustment to deferred consideration	**-**	(0.6)
Goodwill transferred to assets held for sale	**(18.2)**	-
Balance at 31 December	**9.6**	27.8
Accumulated impairment losses		
Balance at 1 January	**(5.0)**	(5.0)
Accumulated impairment transferred to assets held for sale	**5.0**	-
Balance at 31 December	**-**	(5.0)
Carrying amount at 31 December	**9.6**	22.8

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGU"s) that are expected to benefit from that business combination, unless through a diversification of the Group a change is justified. Before recognition of impairment losses the carrying amount of goodwill (other than goodwill relating to discontinued operations) has been allocated as follows:

	31 Dec 2013 $m	31 Dec 2012 $m
Tawa plc's acquisition of Tawa Associates Limited, which is now represented by the business of Tawa Management Limited, STRIPE® Global Services Ltd, Q360 Limited, Lodestar Marine Limited and Pro's extraction fees	**-**	18.2
Tawa plc's acquisition of the Pro group of companies ("Pro"). The Pro group of companies comprise Pro Insurance Solutions Limited, and Pro IS, Inc	**9.6**	9.6
Total cost	**9.6**	27.8

30 Goodwill continued

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets and liabilities acquired. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Tawa Associates Limited

During the year the Group classified $13.2 million of goodwill and related accumulated impairment in respect of Tawa Associates Limited as held for sale, leaving no remaining goodwill allocated to this CGU.

Pro

The recoverable amount of this CGU is determined from a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors for one year and thereafter extrapolated for four years using an estimated growth rate of 3%. This rate does not exceed the average long term growth rate for relevant markets. The rate used to discount the forecast cash flows is 15%.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to prices and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU.

Management believes that any reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of $16.7 million.

31 Share capital

	31 Dec 2013 Number	**31 Dec 2013 $m**	31 Dec 2012 Number	31 Dec 2012 $m
Authorised:				
Ordinary shares of £0.10	**200,000,000**	**40.0**	200,000,000	40.0
Total authorised	**200,000,000**	**40.0**	200,000,000	40.0
Allotted, called up and fully paid:				
Ordinary shares of £0.10	**113,375,177**	**22.2**	113,375,177	22.2
Total allotted, called up and fully paid	**113,375,177**	**22.2**	113,375,177	22.2

During the year the Company purchased 508,552 ordinary shares with a nominal value of £0.10, and representing 0.45% of the Company's called up ordinary share capital, for a total consideration of £5,086.

32 Share premium

	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**110.6**	111.4
Correction of error (*)	**2.2**	-
Premium arising on issue of equity shares	**-**	1.4
Own shares cancelled in the period	**-**	(2.2)
Balance at 31 December	**112.8**	110.6

(*) Correction due to the incorrect treatment of own shares cancelled in 2012. The comparative figures have not been restated as we do not consider the error to be material.

33 Other reserves

Share base payments reserve (1)	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**4.1**	3.7
Share based payments	**0.1**	0.4
Balance at 31 December	**4.2**	4.1

Own shares reserve (2)	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**-**	(2.6)
Cancellation of shares	**-**	2.6
Balance at 31 December	**-**	-

Capital redemption reserve (3)	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**-**	-
Correction of error (*)	**0.4**	-
Balance at 31 December	**0.4**	-

Translation reserve (4)	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**(0.7)**	(1.3)
Currency translation differences	**1.4**	0.6
Balance at 31 December	**0.7**	(0.7)
Combined other reserves	**5.3**	3.4

(*) Correction due to the incorrect treatment of own shares cancelled in 2012. The comparative figures have not been restated as we do not consider the error to be material.

(1) Share-based payments reserve: As detailed in the Directors' remuneration report, the Company operates a Performance Share Plan providing for the grant of awards over ordinary shares. Awards are recorded in this reserve.

(2) Own shares reserve: As detailed in the Report of the Directors the company held 508,552 ordinary shares (2012: nil).

(3) Capital redemption reserve: The nominal value of share capital cancelled is recorded in this reserve.

(4) Translation reserve: In accordance with the Group's accounting policy 3e, exchange differences relating to the translation of results and net assets of all the Group entities that have a functional currency different from the presentation currency, are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

34 Retained earnings

	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**41.3**	63.8
Change in the scope of consolidation (*1)	**(0.8)**	-
Cancellation of own shares in 2012 (*2)	**(2.6)**	-
Loss for the year	**(78.3)**	(22.5)
Balance at 31 December	**(40.4)**	41.3

(*1) On 5 June 2012, Swiss Re transferred 74% of its shares in ASS Assekuranz Service-und Sachverständigen GmbH ("ASS") to Chiltington International Holding GmbH (73%) and PRO Insurance Solutions Limited (1%). The statutory financial statements for the 2011 year-end and the acquisition date financial statements, were still subject to formal approval at the 2012 year-end, therefore the entity was not consolidated into the Group. Consolidation has taken place in 2013 hence the accumulated reserves brought forward have been reflected in the Group retained earnings.

(*2) Correction due to the incorrect treatment of own shares cancelled in 2012. The comparative figures have not been restated as we do not consider the error to be material.

35 Creditors arising out of insurance operations

	31 Dec 2013 $m	31 Dec 2012 $m
Creditors arising out of reinsurance operations	**6.9**	18.3
Investment contracts	**-**	52.9
Balance at 31 December	**6.9**	71.2
Due within one year	**6.9**	18.3
Due after one year	**-**	52.9

Prior to becoming a subsidiary of the Group, PXRE entered into a small number of finite contracts that do not contain significant risk transfer. These contracts are treated as deposit contracts for accounting purposes with the related investments included within financial assets, note 22, and deposited cash included within cash and cash equivalents, note 21. During the current year all these contracts were commuted and the Group no longer has deposit contracts.

Creditors arising out of insurance operations are classified as financial instruments – financial liabilities. The carrying amounts of the financial liabilities in the financial statements approximate to their fair value.

36 Other liabilities

	31 Dec 2013 $m	31 Dec 2012 $m
Accruals	**3.6**	5.5
Deferred consideration	**0.1**	10.8
Defined benefit obligation	**17.6**	14.7
Other creditors	**12.3**	10.0
Balance at 31 December	**33.6**	41.0
Due within one year	11.1	35.6
Due after one year	22.5	5.4

Other liabilities are classified as financial instruments – financial liabilities. The carrying amounts of the financial liabilities in the financial statements approximate to their fair value.

Included in other creditors is a restructuring provision in respect of the demerger for the anticipated legal costs. The effective date for the demerger is expected to be April 2014. The details are as follows:

	31 Dec 2013 $m	31 Dec 2012 $m
Additions	**0.8**	-
Utilised	**(0.2)**	-
Balance at 31 December	**0.6**	-

37 Financial liabilities - borrowings

	31 Dec 2013 $m	31 Dec 2012 $m
Bank loan falling due after one year	**16.3**	60.5
Financial liabilities - borrowings	**16.3**	60.5

Following the classification of TAL as held for sale the only remaining loan facility in Tawa plc is the second Natixis facility. The first Natixis facility and the debenture through Island Capital Limited are included in liabilities held for sale. Therefore at the end of the year, the Group had one loan facility with Natixis Bank.

At the beginning of the year, the Group had an outstanding balance of $27.2 million on the $50 million facility set up originally to finance the creation of QX Re. Subsequent to the payment of PXRE's dividend in December 2013 $12.4 million of this facility was repaid leaving a balance of $14.6 million, this balance is included in the liabilities held for sale at 31 December 2013. The second facility was drawn down during 2012 to fund the Group's investment in Asta, Chiltington and the incubators. Following the disposal of KX Re in April 2013, $8.2 million was repaid against the second facility, leaving a balance due of $16.3 million in the Group.

The second Natixis facility is due to be repaid on 18 January 2015. The rate for interest payments during the year was 6 month LIBOR plus a margin of 4.5%. During the year the interest rate has varied between 4.99% and 5.56% (2012: 5.56% and 5.89%). The principal covenants comprise minimum net assets and maximum gearing for the Group, as defined in the agreement.

Liabilities held for sale

The first bank loan from Natixis is due to be repaid in full on 31 March 2015. The margin above LIBOR for interest payments is determined by the asset cover for QX Reinsurance Company Limited. During the year the interest rate varied between 3.99% and 4.06% (2012: 4.11% and 5.32%). The principal covenant of the loan is to ensure the Debt Cover Ratio shall not be less than 1.8:1.

As part of the acquisition of ICG in 2010, the Group took on $10.0 million of that company's debentures repayable in 2035 with an interest rate of LIBOR +3.75%.

Borrowings are classified as financial instruments - other liabilities. The carrying amounts of the other liabilities in the financial statements approximate to their fair value.

38 Cash used in operating activities

	31 Dec 2013 $m	31 Dec 2012 restated $m
Loss for the year before taxation from continuing operations	**(37.3)**	(18.9)
Adjustments for:		
- negative goodwill	**-**	(0.3)
- share of (profit)/loss of associate	**(2.7)**	1.2
- investment return for the year transferred to investing activities	**(4.0)**	(2.7)
- realised (gains)/losses on investments	**(0.6)**	0.1
- unrealised losses/(gains) on investments	**3.4**	(0.4)
- depreciation	**0.6**	0.6
- share based payment expense	**0.1**	0.4
- amortisation of risk premium	**-**	(0.3)
- amortisation of intangible asset	**(0.2)**	(0.4)
- adjustment to amortised cost		0.2
- other gains and losses	**(1.4)**	(6.4)
	(42.1)	(26.9)
Change in operating assets and liabilities		
Net decrease in insurance receivables and liabilities	**(48.8)**	(37.2)
Net increase in loans and receivables	**(8.1)**	(3.7)
Net decrease in other operating liabilities	**(9.9)**	(4.5)
Cash used in continuing operations	**(108.9)**	(72.3)
Finance costs	**(1.3)**	0.9
Taxation paid	**(0.9)**	1.9
Net cash used in continuing operations	**(111.1)**	(69.5)

39 Share based payments

Share awards

The Company now operates a single share plan that was introduced in 2007, being the Performance Share Plan which is designed to align the interests of senior management and shareholders to deliver outstanding results. There were no new awards granted in 2013.

The Deferred Share Bonus Plan previously operated by the Company ceased when the final tranche of shares under the Plan vested in September 2010 and with future payments being made in three cash tranches.

The performance and vesting conditions associated with these awards are fully detailed in the Directors Remuneration Report on page 23.

Details of the shares outstanding under the Tawa Performance Share Plan during the year are as follows:

	31 Dec 2013	31 Dec 2012
	Weighted average number of share awards	Weighted average number of share awards
Outstanding at the beginning of the year	**2,561,709**	5,219,610
Forfeited during the year	**(30,072)**	(66,449)
Lapsed during the year	**(1,113,500)**	(2,591,452)
Outstanding at the end of the year	**1,418,137**	2,561,709

No share awards were exercisable at the end of the year (2012: nil).

The Group recognised total expenses of $0.1 million (2012: $0.4 million) related to share based payments in 2013.

The weighted average exercise price for the 2010 and 2011 Performance Share Plan was $nil (2012: $nil).

40 Retirement benefit schemes

Defined contribution schemes

The employees of the Group are covered by defined contribution schemes, the costs of which are charged to the income statement when incurred. The total cost of retirement benefits for the Group in the year ended 31 December 2013 was $3.4 million (2012: $3.2 million).

The amount owing at the year end was nil (2012: $nil).

Defined benefit obligation

Following the acquisition of Chiltington, the Group has assumed an employer-sponsored defined benefit pension obligation.

Within the Chiltington Group there are two schemes:

- Under the scheme for the former employees of HIR, direct pension promises were made to 25 employees. This number comprises 1 active employee, 1 former employee and 23 pensioners;
- The second scheme relates to the former shareholder of HIR, Volksfürsorge Deutsche Sachversicherung Aktiengesellschaft. This scheme covers 5 former employees and 40 pensioners or their widows/widowers.

The obligation is to provide pensions based on the employee salary and length of service.

The schemes are administered according to German regulations and use the standard assumptions for German pension schemes called "Richttafeln 2005 G von Klaus Heubeck".

There is no requirement under German legislation to hold segregated assets in relation to the pension scheme. The investments held by HIR therefore funds obligations in respect of both the underwriting and pension liabilities. This exposes the Group to risk in terms of insuring that there are adequate assets to meet liabilities.

The individual pension obligation per person are based on the expected cash flows and transition probabilities and calculated as the present value of the individual cash flows, using a discount rate of 5.05%.

Specific investments have not been allocated to the pension scheme and the annual investment return is based upon a rate of return of 5.05%.

The most recent actuarial valuation of the present value of the defined benefit obligations of both schemes were carried out by Mercer Deutschland GmbH in December 2013.

Some significant amendments of the German Commercial Code were made in 2009/2010 which is commonly referred to as BilMoG. This has resulted in significantly higher pension liability valuations although companies were able to choose between an immediate increase of their pension liabilities and an increase over a period of 15 years. HIR chose to increase its liabilities over the 15 year period. To align with IFRS valuation principles, a fair value adjustment has been made to incur the full BilMoG impact at acquisition. This resulted in an additional liability of $1.2 million.

40 Retirement benefit schemes continued

At the 31 December 2013, the defined benefit obligation of the combined schemes is $17.6 million (2012: $14.7 million).

The principal assumptions used for the purposes of the actuarial valuations were as follows

	Valuation at
	31 Dec 2013
	%
Discount rate	5.05
Expected rate of salary increases	-
Future pension increases	1.0

Amounts recognised in the income statement in respect of these defined benefit plans are as follows:

	31 Dec 2013
	$m
Current service cost	**(0.6)**
Actuarial losses recognised in the year	**(2.9)**
Exchange differences on foreign plans	**(0.8)**
Total loss for the year	**(4.3)**

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the defined benefit scheme is:

	31 Dec 2013
	$m
Present value of funded defined benefit obligation	**-**
Deficit	**-**
Present value of unfunded defined benefit obligation	**17.6**
Net liability arising from defined benefit obligation	**17.6**

Movements in the present value of the defined benefit obligation in the current year were as follows:

	31 Dec 2013
	$m
Opening defined benefit obligation	**14.7**
Current service cost	**0.6**
Actuarial losses	**2.9**
Exchange differences on foreign plans	**0.8**
Payments	**(1.4)**
Closing defined benefit obligation	**17.6**

The major categories of plan assets, and the expected rate of return at the end of the period for each category, are as follows:

	Expected return	Fair value of plan assets
	31 Dec 2013	**31 Dec 2013**
	%	$m
Debt instruments	5.05	17.2
Weighted average expected return	5.05	

The overall expected rate of return is the weighted average of the expected returns of the various categories of plan assets held. The actual return on plan assets was $0.7 million (2012: $0.5 million).

The defined benefit obligation will be transferred with the expected sale of HIR as disclosed in note 45.

41 Disposal of subsidiaries

KX Reinsurance Company Limited ("KX Re") and OX Reinsurance Company Limited ("OX Re")

On 16 April 2013, the Group disposed of its risk carrier KX Re and its direct subsidiary OX Re. The sale was part of the Group's active investment management program with a view to volatility reduction.

The business of KX Re comprised a collection of mature portfolios of long-tail liabilities, including exposure to asbestos, environmental and other latent claims. OX Re was a small London market company which had been in run-off since 1994 and was acquired by Tawa as a strategic investment in 2011. The Group's objective for KX Re was to reduce the company's liabilities by accelerating the natural run-off of the portfolio to enable the extraction of capital with regulatory approval. Since acquisition Tawa had extracted capital of $75.0 million from KX Re by way of dividends to the holding company.

Consideration received

	31 Dec 2013 $m
Consideration received	**30.2**
Inter company loan repaid	**(15.0)**
Net consideration received in cash	**15.2**

Analysis of assets and liabilities over which control was lost

	KX Re $m	OX Re $m	Inter Group eliminations $m	**Date of disposal 16 April 2013 $m**
Assets				
Investments in subsidiaries	5.6	-	(5.6)	**-**
Inter-company loan with Tawa plc	15.0	-	(15.0)	**-**
Cash and cash equivalents	19.7	5.6	-	**25.3**
Investments: Debt and equity securities	40.1	-	-	**40.1**
Loans and receivables including insurance receivables	6.7	-	-	**6.7**
Reinsurers' share of technical provisions	13.8	3.8	-	**17.6**
Liabilities				
Creditors arising out of reinsurance operations	(2.0)	-	-	**(2.0)**
Other liabilities	-	(0.1)	-	**(0.1)**
Technical provisions	(47.2)	(4.0)	-	**(51.2)**
Net assets disposed of	51.7	5.3	(20.6)	**36.4**

Loss on disposal of subsidiary

	31 Dec 2013 $m
Net consideration received in cash	**15.2**
Net assets disposed of	**(36.4)**
Loss on disposal	**(21.2)**

The loss on disposal is included in the loss for the year from discontinued operations (see note 16).

Net cashflow on disposal of subsidiary

	31 Dec 2013 $m
Net consideration received in cash	**15.2**
Less: cash and cash equivalents disposed of	**(25.3)**
Net cash outflows	**(10.1)**

42 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate are disclosed below. Transactions between the Company and its subsidiaries are disclosed in note 63.

The Company may have additional exposure of $2.0m on the QX Re reinsurance treaty. Further details of this contingent liability may be found in Note 44

Trading transactions

Four of the Company's subsidiaries, Tawa Management Limited, Pro Insurance Solutions Ltd, Pro IS, Inc and Tawa Consulting Limited, provide insurance run-off management services to CX Re, an associate of the Group in which the Company has a 12.65% share and a 49.95% voting interest.

Run-off services are provided on a negotiated fee basis. Run-off management expenses are recharged at cost by Tawa Management Limited, Pro Insurance Solutions Ltd and Pro IS, Inc.

During the year Group companies entered into the following transactions with related parties who are not members of the Group:

	Group income received	
	31 Dec 2013 $m	31 Dec 2012 $m
From associate CX Reinsurance Company Limited for a management fee	**1.0**	0.5
From associate CX Reinsurance Company Limited for expenses recharged	**4.2**	4.4
	5.2	4.9

There were no amounts outstanding at the end of the year (2012: $nil).

Remuneration of key management personnel

The Group considers its key management personnel to include its Executive and Non-Executive Directors and those members of management reporting directly to its Board that have executive management responsibility for Group-wide operations. The remuneration of key management is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of the individual Directors is provided in the Directors' remuneration report on pages 22 and 23.

	31 Dec 2013 $m	31 Dec 2012 $m
Short-term employee benefits	**4.0**	3.4
Post-employment benefits	**0.5**	0.4
Share based payments	**0.1**	0.3
Management remuneration	**4.6**	4.1

No dividends were paid in the year in respect of Ordinary Shares held by the Company's Directors (2012: $nil). As at 31 December 2013, the Group had no loans outstanding to key management (2012: $nil).

Immediate and ultimate parent

The immediate and ultimate parent company is Financière Pinault S.C.A., a Société en commandite par actions incorporated in France. The Pinault family members are, in the opinion of the Directors, the ultimate controlling parties of the Company. The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Financière Pinault, a company incorporated in France. Copies of the group financial statements of Financière Pinault S.C.A. may be obtained from the Tribunal de Commerce de Paris, 1 Quai de Corse, 75004, Paris, France.

43 Operating leases

Costs in respect of operating leases are charged on a straight line basis over the term of the lease. The Group has four lease agreements all of which contain rent free periods. The benefit received relating to the rent free period is allocated over the life of the lease term. The rent payable per year for Bruton Court is $0.4 million (2012: $0.5 million) and expires March 2014; the Isis Building is $0.5 million (2012: $0.5 million) and expires in March 2014; Walsingham House, 6th Floor for $0.2 million (2012: $0.2 million) and the Ground Floor for $0.1 million (2012: $0.1 million), with both leases expiring December 2015.

The amount recognised as an expense in the year is:

	31 Dec 2013 $m	31 Dec 2012 $m
Land and buildings	**1.2**	1.3

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments in respect of operating leases, which fall due as follows:

Land and buildings	**31 Dec 2013 $m**	31 Dec 2012 $m
Expiring within one year	**0.2**	0.9
Expiring during years two to five inclusive	**0.6**	0.7
Financial commitments and guarantees	**0.8**	1.6

44 Contingent liabilities

The Group may have additional exposure of $2.0 million on the QX Re reinsurance treaty before the loss deterioration reverts back to Penn National. Management believe that the information received when initiating the reinsurance transaction was incomplete and as a consequence Tawa has commenced legal action against Penn National in the Delaware Federal Court seeking to rescind the reinsurance treaty on grounds of fraud. On this basis management believes that it has no exposure to any further losses arising from the reinsurance treaty.

Some of the Group's subsidiaries are routinely involved in litigation or potential litigation related primarily to the settlement of insurance claims liabilities. However, none of such actual or proposed litigation that had not been provided for met the definition of a contingent liability.

Consequently, the Group had no insurance related, or other, contingent liabilities as at 31 December 2013 (2012: no contingent liabilities).

45 Events after the reporting period

The proposed demerger was approved by Tawa's shareholders on 10 January 2014 and at that time was conditional on various consents. The High Court of Justice of England and Wales approved the reduction of share capital on 26 March 2014. The anticipated effective date for the demerger is April 2014. After the demerger the Group will be renamed Pro Insurance Solutions PLC.

On 26 March 2014 the High Court of Justice of England and Wales approved the Company's application to reduce its share capital and share premium account.

As a result of the capital reduction, interim accounts dated 31 March 2014 are being prepared to allow for the declaration of the dividend in specie in early April 2014 once all the consents have been received. These interim accounts will be filed at Companies House.

On 20 December 2013 the Group announced the sale of HIR, which is still subject to regulatory approval. As the sale is still subject to approval we have not presented these assets as held for sale.

On 25 and 26 March 2014 the Upper Tribunal of the Tax and Chancery Chamber heard an appeal against the refusal of HMRC to a claim by a member of a consortium to utilise trading losses surrendered by associate CX Re. It can typically be two months after the last day of hearing before the Tribunal's decision is known.

For the year ended 31 December 2013

	Notes	31 Dec 2013 $m	31 Dec 2012 $m
Continuing operations			
Investment return	47	-	0.1
Dividends from subsidiaries	63	-	47.8
Other income		3.6	4.1
Total income		3.6	52.0
Administrative expenses	48	(53.4)	(51.2)
Loss on sale of investment		(13.0)	(0.2)
Results of operating activities		(62.8)	0.6
Finance costs	49	(1.3)	(1.9)
Loss before taxation		(64.1)	(1.3)
Taxation	50	-	2.6
(Loss)/profit for the year	51	(64.1)	1.3

The notes on pages 89 to 96 form part of these financial statements.

	Notes	**31 Dec 2013 $m**	31 Dec 2012 $m
(Loss)/profit for the year		**(64.1)**	1.3
Other comprehensive income	57		
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**1.3**	0.3
		1.3	0.3
Total comprehensive (losses)/ income for the year		**(62.8)**	1.6

The notes on pages 89 to 96 form part of these financial statements.

	Notes	31 Dec 2013 $m	31 Dec 2012 $m
Assets			
Assets held for sale	52	**19.2**	-
Cash and cash equivalents		**0.9**	4.6
Loans and receivables	55	**34.1**	33.4
Investment in subsidiaries	53	**23.5**	126.3
Investment in associate	54	**14.0**	14.0
Deferred assets		**48.1**	48.7
Total assets		**139.8**	227.0
Equity			
Share capital	56	**22.2**	22.2
Share premium	56	**112.8**	110.6
Other reserves	57	**5.6**	3.8
Retained earnings	58	**(31.6)**	35.1
Total equity attributable to equity holders		**109.0**	171.7
Liabilities			
Other liabilities	59	**15.3**	17.2
Financial liabilities - borrowings	60	**15.5**	38.1
Total liabilities		**30.8**	55.3
Total liabilities and equity		**139.8**	227.0

The notes on pages 89 to 96 form part of these financial statements.

The financial statements of Tawa plc (4200676) were approved by the Board of Directors and authorised for issue on 26 March 2014 and were signed on its behalf on 28 March 2014 by:

Tim Carroll
Chairman

Gilles Erulin
Chief Executive Officer

	Issued capital $m	Share premium reserve $m	Share based payments reserve $m	Own shares reserve $m	Capital redemption reserve $m	Translation reserve $m	Retained earnings $m	Total Equity $m
Balance at 1 January 2012	**22.2**	**111.4**	**3.7**	**(2.6)**	**-**	**(0.6)**	**33.8**	**167.9**
Comprehensive income								
Profit for the year	-	-	-	-	-	-	1.3	1.3
Other comprehensive income								
Currency translation differences	-	-	-	-	-	0.3	-	0.3
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**0.3**	**1.3**	**1.6**
Transactions with owners								
Issue of share capital	0.4	1.4	-	-	-	-	-	1.8
Share based payments	-	-	0.4	-	-	-	-	0.4
Own shares cancelled in the period	(0.4)	(2.2)	-	2.6	-	-	-	-
Total transactions with owners	**-**	**(0.8)**	**0.4**	**2.6**	**-**	**-**	**-**	**2.2**
Balance at 31 December 2012	**22.2**	**110.6**	**4.1**	**-**	**-**	**(0.3)**	**35.1**	**171.7**
Comprehensive losses								
Loss for the year	-	-	-	-	-	-	(64.1)	(64.1)
Other comprehensive income								
Currency translation differences	-	-	-	-	-	1.3	-	1.3
Total comprehensive income/(losses) for the year	**-**	**-**	**-**	**-**	**-**	**1.3**	**(64.1)**	**(62.8)**
Transactions with owners								
Share based payments	-	-	0.1	-	-	-	-	0.1
Reclassification of amounts relating to own shares cancelled in 2012	-	2.2	-	-	0.4	-	(2.6)	-
Total transactions with owners	**-**	**2.2**	**0.1**	**-**	**0.4**	**-**	**(2.6)**	**0.1**
Balance at 31 December 2013	**22.2**	**112.8**	**4.2**	**-**	**0.4**	**1.0**	**(31.6)**	**109.0**

The notes on pages 89 to 96 form part of these financial statements.

Tawa plc Company Statement of Cash Flows

For the year ended 31 December 2013

	Note	31 Dec 2013 $m	Restated 31 Dec 2012 $m
Net cash used in operating activities	61	**3.7**	(17.5)
Investing activities			
Dividends received		**-**	5.6
Cash receipts from interest		**-**	0.1
Acquisition of subsidiary		**-**	0.6
Disposal of subsidiary		**15.2**	-
Acquisition of investment in associate		**-**	(10.1)
Cash generated from investing activities		**15.2**	(3.8)
Financing activities			
Proceeds from issue of equity shares		**-**	1.8
(Repayment of)/proceeds from financial borrowings		**(22.6)**	23.7
Cash flows ((utilised in)/generated from financing activities		**(22.6)**	25.5
Net (decrease)/increase in cash and cash equivalents		**(3.7)**	4.2
Cash and cash equivalents at beginning of year		**4.6**	0.4
Cash and cash equivalents at end of year		**0.9**	4.6

The notes on pages 89 to 96 form part of these financial statements.

46 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

47 Investment return

	31 Dec 2013 $m	31 Dec 2012 $m
Interest receivable	**-**	0.1
Investment return	**-**	0.1

48 Administrative expenses

	31 Dec 2013 $m	31 Dec 2012 $m
Demerger costs	**0.8**	-
Impairment of investment in subsidiaries	**41.4**	43.2
Other administrative expenses	**11.2**	8.0
	53.4	51.2

49 Finance costs

	31 Dec 2013 $m	31 Dec 2012 $m
Interest on borrowings	**1.3**	1.9

50 Taxation

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable UK profit for the year. The tax charge for the periods presented varied from the stated rate of UK corporation tax as explained below:

	31 Dec 2013 $m	31 Dec 2012 $m
UK Corporation tax on (loss)/profit for the year	-	-
Group relief recoverable at non-standard rates	-	2.6
Total taxation	-	2.6
(Loss)/profit on ordinary activities before taxation	(64.1)	(1.3)
Standard corporation tax of 23.25% (2012: 24.5%)	(14.9)	(0.3)
Factors affecting taxation charge:		
Income/expenses not taxable/deductible for tax purposes	13.0	2.1
Exchange difference on translation to USD	-	(1.9)
Effect of tax losses	1.9	-
Group relief surrendered for a charge	-	0.1
Group relief recoverable at non-standard rates	-	2.6
UK Corporation tax on (loss)/profit for the year	-	2.6

At 31 December 2013 the Company has unrecognised tax assets of $5.5 million (2012: $3.8 million) in respect of tax losses carried forward.

51 (Loss)/profit for the year

The auditor's remuneration for audit and other services is disclosed in note 12 to the consolidated financial statements. (Loss)/profit for the year has been arrived at after charging:

	31 Dec 2013 $m	31 Dec 2012 $m
Loss on sale of investments	13.0	-
Impairment of investments	41.4	-
Foreign exchange gains	1.3	0.3

52 Assets classified as held for sale

As detailed in note 20 above, on 20 December 2013 the Group announced its plan to demerge the Group's risk carrier business. The Company has therefore recorded the value of its direct investment in subsidiaries subject to the demerger as assets held for sale.

The assets and liabilities as at 31 December 2013 classified as held for sale are shown in the table below.

	31 Dec 2013 $m	31 Dec 2012 $m
Assets		
Investment in subsidiaries	19.2	-
Total assets held for sale	19.2	-

53 Investment in subsidiaries

	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**126.3**	126.9
Additions during the year	**-**	49.0
Disposals during the year	**(42.2)**	(6.5)
Impairment of investments during the year	**(41.4)**	(42.4)
Other changes during the year	**-**	(0.7)
Reclassified as held for sale	**(19.2)**	-
Balance at 31 December	**23.5**	126.3

Impairment losses in the subsidiaries Tawa Associates Limited of $17.7 million, and Pocono Holdings Limited ("Pocono") of $23.7 million, were recognised by the Company in the year (2012: $43.2 million).

The value in the investment in Pocono is $2.0 million at 31 December 2013. This follows the impairment of Pocono's own investment in its subsidiary QX Re as a result of the claims deterioration during the year.

The consolidated financial information presents the financial record of the Group for the year ended 31 December 2013. A list of all investments in Group subsidiaries, including the name and country of incorporation is given below:

Name of subsidiary	Place of incorporation (or registration) and operation	Portion of ownership interest	Portion of voting power held
Amberley Alternative Assets Limited (Tawa Managing Agency Limited)	Great Britain	100.00%	100.00%
Chiltington Holdings Limited	Great Britain	100.00%	100.00%
Chiltington Internacional S.A.	Argentina	98.00%	98.00%
Chiltington Internacional S.A de CV	Mexico	85.00%	85.00%
Chiltington Internacional S.L.	Spain	100.00%	100.00%
Chiltington International Limited	Great Britain	100.00%	100.00%
Chiltington International Holding GmbH	Germany	100.00%	100.00%
Chiltington International Holdings Limited	Great Britain	100.00%	100.00%
Chiltington International GmbH	Germany	100.00%	100.00%
Chiltington International Inc	United States	100.00%	100.00%
C.I.R.A.S Limited	Great Britain	100.00%	100.00%
Hamburg International Reinsurance Limited	Great Britain	100.00%	100.00%
Hamburger Internationale Rückversicherung AG (HIR)	Germany	100.00%	100.00%
Hermes People Limited (formerly Stopstart Limited)	Great Britain	100.00%	100.00%
ICL Holdings Incorporated	United States Delaware	100.00%	100.00%
Island Capital Limited	Bermuda	94.30%	94.30%
Island Capital (Europe) Limited (in Liquidation)	Great Britain	94.30%	94.30%
Lodestar Marine Limited	Great Britain	100.00%	100.00%
Pavant International Re S.A. (PIR)	France	100.00%	100.00%
Pocono Holdings Limited	Great Britain	100.00%	100.00%
PRO Insurance Solutions Limited	Great Britain	100.00%	100.00%
PRO IS, Inc	United States Delaware	100.00%	100.00%
Professional Resources Limited	Great Britain	100.00%	100.00%
Professional Resources SA	Argentina	85.00%	85.00%
PXRE Reinsurance Company	United States Connecticut	100.00%	100.00%
QX Reinsurance Company Limited	Bermuda	100.00%	100.00%
Q360 Limited	Great Britain	100.00%	100.00%
Q360, Inc	United States Delaware	100.00%	100.00%
STRIPE Global Services Limited (formally Tawa Corporate Capital Limited)	Great Britain	100.00%	100.00%
Tawa Associates Limited	Great Britain	100.00%	100.00%
Tawa Consulting Limited	Great Britain	100.00%	100.00%
Tawa Management (Bermuda) Limited	Bermuda	100.00%	100.00%
Tawa Management Limited	Great Britain	100.00%	100.00%
WT Holdings Incorporated	United States Delaware	100.00%	100.00%

The investments in subsidiaries are stated at cost.

51% of LGIC Holdings, LLC was acquired in 2011. It has not been consolidated as a subsidiary for the reasons set out in note 4d to the consolidated financial statements.

54 Investment in associates

	31 Dec 2013 $m	31 Dec 2012 $m
Balance as at 1 January	**14.0**	3.9
Additions during the year	**-**	10.1
Balance at 31 December	**14.0**	14.0

A list of all investments in Group associates, including the name and country of incorporation is given below:

Name of associate	Place of incorporation (or registration) and operation	Portion of ownership interest	Portion of voting power held
CX Reinsurance Company Limited	Great Britain	12.65%	49.95%
Asta Capital Limited	Great Britain	33.33%	33.33%
Asta Insurance Markets Limited	Great Britain	33.33%	33.33%
Asta Managing Agency Limited	Great Britain	33.33%	33.33%
Asta Insurance Services Limited	Great Britain	33.33%	33.33%
Asta Management Services Limited	Great Britain	33.33%	33.33%
Ama Underwriting Services Limited	Great Britain	33.33%	33.33%
Bricome Limited	Great Britain	33.33%	33.33%

The investment in associates are stated at cost.

55 Loans and receivables

At the statement of financial position date amounts receivable from fellow Group companies of $28.9 million (2012: $16.2 million) were outstanding. The carrying amount of these assets approximates their fair value. There are no past due impaired balances (2012: $nil).

56 Share capital and share premium

Any movements on these items are disclosed in notes 31 and 32 to the consolidated financial statements.

57 Other reserves

Share based payments reserve (1)	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance at 1 January	**4.1**	3.7
Share based payments	**0.1**	0.4
Balance at 31 December	**4.2**	4.1
Own shares reserve (2)	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance at 1 January	**-**	(2.6)
Cancelled in the year	**-**	2.6
Balance at 31 December	**-**	-
Capital redemption reserve (3)	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance at 1 January	**-**	-
Correction of error (*)	**0.4**	-
Balance at 31 December	**0.4**	-
Translation reserve (4)	**31 Dec 2013 $m**	31 Dec 2012 $m
Balance at 1 January	**(0.3)**	(0.6)
Currency translation differences	**1.3**	0.3
Balance at 31 December	**1.0**	(0.3)
Combined other reserves	**5.6**	3.8

(*) Correction due to the incorrect treatment of own shares cancelled in 2012. The comparative figures have not been restated as we do not consider the error to be material.

57 Other reserves continued

(1) Share-based payments reserve: As detailed in the Directors' remuneration report, the Company operates a Performance Share Plan providing for the grant of awards over ordinary shares. Awards are recorded in this reserve.

(2) Own shares reserve: As detailed in the Report of the Directors the company held 508,552 ordinary shares (2012: nil).

(3) Capital redemption reserve: The nominal value of share capital cancelled is recorded in this reserve.

(4) Translation reserve: In accordance with the Group's accounting policy 3e, exchange differences relating to the translation of results and net assets of all the Group entities that have a functional currency different from the presentation currency, are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

58 Retained earnings

	31 Dec 2013 $m	31 Dec 2012 $m
Balance at 1 January	**35.1**	33.8
(Loss)/profit for the year	**(64.1)**	1.3
Cancellation of own shares in 2012 (*)	**(2.6)**	-
Balance at 31 December	**(31.6)**	35.1

(*) Correction due to the incorrect treatment of own shares cancelled in 2012. The comparative figures have not been restated as we do not consider the error to be material.

No dividend was distributed in 2013 in relation to the results for the 2012 financial year (2012: $nil).

The Directors do not recommend any dividend to be paid in 2014 relating to the results for 2013.

59 Other liabilities

	31 Dec 2013 $m	31 Dec 2012 $m
Deferred consideration payable	**10.0**	9.8
Amounts payable to Group companies	**4.5**	6.9
Accruals	**0.8**	0.5
Balance at 31 December	**15.3**	17.2
Due within one year	**5.3**	7.4
Due after one year	**10.0**	9.8

60 Borrowings

On 30 June 2009 KX Re entered into a facility agreement with the Company, this facility was available until 31 March 2012. On 1 October 2009 the Group company utilised $7.9 million under the terms of this facility agreement and on 22 August 2011 it utilised a further $6.5 million. The loan was repaid in full from the consideration received upon completion of the disposal of KX Re to Catalina in April 2013.

At the beginning of the year, the Group had an outstanding balance of $24.5 million on the facility drawn down during 2012 to fund the Group's investment in Asta, Chiltington and the incubators. Following the disposal of KX Re in April 2013, $8.2 million was repaid.

The facility is due to be repaid on 18 January 2015. The rate for interest payments during the year was 6 month LIBOR plus a margin of 4.5%. During the year the interest rate has varied between 4.99% and 5.56% (2012: 5.56% and 5.89%). The principal covenants comprise minimum net assets and maximum gearing for the group, as defined in the agreement.

61 Cash used in operating activities

	31 Dec 2013 $m	Restated 31 Dec 2012 $m
(Loss)/ profit for the year	**(64.1)**	1.3
Adjustments for:		
- investment return for the year transferred to investing activities	**-**	(5.7)
- loss on sale of investment	**13.0**	0.2
- impairment of investment in subsidiaries	**41.4**	-
- finance costs	**1.3**	1.9
- share based payment expense	**0.1**	0.4
- other gains and losses	**1.0**	5.2
	(7.3)	3.3
Change in operating assets and liabilities		
Net increase in loans and receivables	**14.2**	(20.9)
Net decrease in other liabilities	**(1.9)**	4.6
Cash used in operations	**5.0**	(13.0)
Finance costs	**(1.3)**	(1.9)
Taxation	**-**	(2.6)
Net cash used in operating activities	**(3.7)**	(17.5)

Correction of prior period error

During the year the Company corrected a prior period error in the prior Annual Report and Accounts Company only cash flow statement. The error was the incorrect inclusion of an in specie dividend as a cash dividend. This was an isolated error only affecting the 2012 Annual Report and Accounts, the Company has adjusted the prior period error by retrospectively restating the comparatives on the face of the company only cash flow statement and related note.

	As disclosed 31 Dec 2012 $m	Correction 31 Dec 2012 $m	Restated 31 Dec 2012 $m
Net cash used in operating activities	(59.7)	42.2	**(17.5)**
Investing activities			
Dividends received	47.8	(42.2)	**5.6**

62 Financial instruments

All financial assets and financial liabilities of the Company are carried at amortised cost. There are no significant differences between the book value and the fair value of financial assets and financial liabilities of the Company. The Company has only a limited exposure to interest rate risk relating to cash and borrowings. A 1% increase/decrease in interest rates would result in an approximate $0.1 million loss/profit (2012: $0.1 million). The maximum exposure of the Company to credit risk is limited to cash, intercompany balances and a deferred asset (see note 26). In addition, refer to the financial instrument disclosures of the Group where these are also applicable to the Company.

63 Related party transactions

Transactions between the Company and its subsidiaries are included below.

Trading transactions

A proportion of the costs attributable to the Company's senior management team are re-charged to other group subsidiaries at cost.

During the year the following transactions between Tawa plc and related parties occurred:

	Group income received	
	31 Dec 2013 $m	31 Dec 2012 $m
From associate CX Reinsurance Company Limited for expenses recharged	**0.7**	0.5
From subsidiary Island Capital Limited for expenses recharged	**0.1**	0.1
From subsidiary Hamburger Internationale Rückversicherung AG (HIR) for expenses recharged	**0.1**	-
From subsidiary KX Reinsurance Company Limited for expenses recharged	**0.1**	0.5
From subsidiary OX Reinsurance Company Limited for expenses recharged	**-**	0.1
From subsidiary PXRE Reinsurance Company for expenses recharged	**0.4**	0.4
From subsidiary Pro Insurance Solutions Limited for expenses recharged	**0.5**	0.4
From subsidiary Pro Insurance Solutions, Inc for expenses recharged	**0.1**	0.3
From subsidiary WT Holdings Incorporated for expenses recharged	**0.2**	0.3
	2.2	2.6

The following amounts were outstanding at the statement of financial position date:

	Amounts owed (to) / from related parties	
	31 Dec 2013 $m	31 Dec 2012 $m
Intercompany loan to Amberley Alternative Assets Limited from Tawa plc	**0.3**	0.2
Intercompany loan to Lodestar Marine Limited from Tawa plc	**10.4**	0.7
Intercompany loan to Island Capital Limited from Tawa plc	**0.1**	0.1
Intercompany loan to Pocono Holdings Limited from Tawa plc	**5.1**	4.0
Intercompany loan to Pro InsuranceSolutions, Inc from Tawa plc	**0.1**	0.2
Intercompany loan to PXRE Reinsurance Company from Tawa plc	**0.1**	-
Intercompany loan to Q360 Limited from Tawa plc	**5.9**	4.0
Intercompany loan to QX Reinsurance Company Limited from Tawa plc	**1.1**	0.1
Intercompany loan to Stripe Global Services Limited from Tawa plc	**0.6**	0.3
Intercompany loan to Tawa plc from Pro Insurance Solutions Limited	**(1.8)**	(0.6)
Intercompany loan to Tawa plc from Tawa Associates Limited	**(2.1)**	-
Intercompany loan to Tawa plc from Tawa Management Limited	**(0.5)**	1.6
Intercompany loan to Tawa Management (Bermuda) Limited from Tawa plc	**0.1**	-
Intercompany loan to WT Holdings Inc from Tawa plc	**5.5**	4.8

Other related party transactions

During the current year the following dividends were received from related parties:

	31 Dec 2013 $m	31 Dec 2012 $m
Dividend paid in specie from KX Holdings Limited to Tawa plc	**-**	42.2
Dividend paid from OX Reinsurance Limited to Tawa plc	**-**	2.4
Dividend paid from Pro Insurance Solutions Limited to Tawa plc	**-**	3.2
Total Dividend paid to the Company	**-**	47.8

63 Related party transactions continued

Loans to related parties

On 30 June 2009 KX Re entered into a facility agreement with the Company, this facility was available until 31 March 2012. On 1 October 2009 the Group company utilised $7.9 million under the terms of this facility agreement and on 22 August 2011 it utilised a further $6.5 million. The loan had been rolled forward for an additional 36 months and was subject to interest equal to one year LIBOR plus a margin of 250 basis points. The loan was repaid in full from the consideration received upon completion of the disposal of KX Re to Catalina in April 2013.

Key management personnel

The Company considers its key management personnel to include its Executive and Non-Executive Directors and those members of management reporting directly to its Board that have executive management responsibility for Group-wide operations. The remuneration of key management is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	31 Dec 2013 $m	31 Dec 2012 $m
Short-term employee benefits	**4.0**	3.4
Post-employment benefits	**0.5**	0.4
Share based payments	**0.1**	0.4
Management remuneration	**4.6**	4.2

No dividends were paid in the year in respect of Ordinary Shares held by the Company's Directors (2012: $nil). As at 31 December 2013, the Group had no loans outstanding to key management (2012: $nil).

Immediate and ultimate parent

The immediate and ultimate parent company is Financière Pinault S.C.A., a Société en commandite par actions incorporated in France. The Pinault family members are, in the opinion of the Directors, the ultimate controlling parties of the Company. The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Financière Pinault, a company incorporated in France. Copies of the group financial statements of Financière Pinault S.C.A. may be obtained from the Tribunal de Commerce de Paris, 1 Quai de Corse, 75004, Paris, France.

Directors
Tim Carroll
Independent Non-Executive Chairman

Gilles Erulin
Chief Executive Officer

Colin Bird
Executive Director

Anthony Hamilton
Independent Non-Executive Director

Loïc Brivezac
Non-Executive Director

Registered Office
Walsingham House
35 Seething Lane
London
EC3N 4AH

Company Registration number
4200676

Secretary
Christopher Jones

Nominated Advisor and Broker
Peel Hunt Ltd
120 London Wall
London EC2Y 5ET

Auditor
Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

Solicitors
DLA Piper UK LLP
3 Noble Street
London EC2V 7EE

Principal Bankers
Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

Tawa plc

Walsingham House	T +44 (0)20 7068 8000
35 Seething Lane	F +44 (0)20 7068 8001
London EC3N 4AH	www.tawaplc.com