Tawa plc

Interim Report 2013

- Tawa on track for the 2013 plan:
  - Experiencing higher than expected growth on the service business hence better profitability;
  - Supporting the development of incubated companies; and
  - Successfully working on the reduction of reserves in its risk carriers, whilst still suffering a high level of lead paint claims.

- Integration of Tawa servicing entities on track, with ‘one Team’ project roll out, the rebranding of Chiltington entities to the “Pro” brand, and new appointments and organisational changes to strengthen servicing teams and accelerate integration;

- As announced, on 16 April 2013, Tawa completed the sale of the risk carrier KX Re and its direct subsidiary OX Re to Catalina Holdings (Bermuda) Limited, finalising a cash-on-cash return on the investment of $46.6 million;

- External revenues of $20.7 million (30 June 2012: $16.1 million);

- Reduced operating loss for the half year: $5.7 million (30 June 2012: loss $6.5 million);

- A final accounting loss of $21.3 million has been recognised upon the sale of KX Re resulting in an overall Group loss of $27.0 million for the period;

- Increased positive earnings from the service division of $1.7 million (30 June 2012: profit $0.6 million);

- Group net assets: $152.1 million (31 December 2012: $178.5 million); and

- Net assets per share in US dollars: $1.34/£0.85 per share (31 December 2012: $1.57/£1.01).

Tawa plc was formed in 2001 and is a specialised investor in the insurance industry. In the last few years, Tawa has moved from being a pure run-off risk owner towards being a multi-segment investor in the insurance market, expanding significantly in the servicing arena of the international insurance industry.

Tawa invests in acquiring run-off portfolios ("Portfolios", "Risk Carriers") and investing in servicing business. The Group also operates as an incubator for new projects and has invested alongside professional teams to create two new businesses, Q360 and Lodestar Marine, in addition to developing its own products to serve the insurance market as a whole such as STRIPE®.

On the portfolio front, Tawa has been an acquirer of insurance entities in run-off including CX Reinsurance Company Limited, Hamburger Internationale Rückversicherung AG (HIR), LGIC Holdings, LLC, PXRE Reinsurance Company, Island Capital Limited, Island Capital (Europe) Ltd and Pavant SAS (formerly Pavant International Re S.A). As an alternative technique to assuming run-off risks, Tawa established a dedicated reinsurance vehicle, QX Reinsurance Company Limited, in Bermuda to reinsure portfolios. Through HIR, a German reinsurance company, Tawa offers a vehicle for European run-off portfolios transfers under the European Union portfolios transfer directive.

On the service side, Tawa acquired Pro Insurance Solutions Ltd ("Pro") in 2009 and the Chiltington Consulting Group in April 2012. Both service companies trade as Pro.

Pro is a leading global provider of outsourcing and consultancy services, focusing solely on the (re)insurance market. Located in four major markets, Pro provides round the clock service for underwriting support, claims management, broking and consulting services to a wide range of international clients, from single entities to complex pools with complex assumed and reinsurance portfolios.

Pro's virtual services platform offers a "one-stop shop" solution for broking and underwriting teams, by supplying premises, systems and infrastructure.

As part of its expansion in the Lloyd's market, in January 2012, Tawa became the owner of 33% of Asta, the leading turnkey agency management services company in Lloyd's.

Highlights

For the 2013 year, Tawa plc ("Tawa") had set itself the following key strategic goals: grow the service business and restore its profitability; while continuing to reduce the volatility of the risk carriers. On the first goal, work streams continue with better integrated platforms across the various subsidiaries and regions, and cost synergies. Emphasis on reducing the cost base, coupled with significant new contract business, has ensured a better than forecast result for this segment. Whilst the Group still absorbs the expense of the continuing investment in broker and MGA start-ups, both are beginning to generate a growing income stream. On the run-off portfolios, whilst dealing with the lead paint development continues to be the primary focus, the previously announced sale of KX Reinsurance Company Limited ("KX Re") and its direct subsidiary OX Reinsurance Company Limited ("OX Re") is illustrative of the volatility reduction effort which also encompasses portfolio downscaling and potential sales of some assets.

Summary of interim financial results	30 Jun 2013 $m	30 Jun 2012 $m
External revenue	**20.7**	16.1
Profit recognised in respect of service division for the period	**1.7**	0.6
Profit/(loss) recognised in respect of share of associate Asta for the period	**1.3**	(0.8)
Total servicing profit/(loss)	**3.0**	(0.2)
(Loss)/profit recognised in respect of risk carriers for the period	**(1.2)**	1.9
Loss recognised in respect of corporate costs for the period	**(4.0)**	(3.1)
Loss recognised in respect of incubator costs for the period	**(1.8)**	(3.5)
Loss recognised in respect of finance costs for the period	**(1.2)**	(1.6)
Loss before disposal of assets	**(5.2)**	(6.5)
Loss recognised in respect of acquisition/disposal related costs for the period	**(0.5)**	-
Loss on disposal of KX Re	**(21.3)**	-
Loss for the year attributable to owners of the Company	**(27.0)**	(6.5)
Group surplus	**152.1**	193.3

- Loss for the period attributable to owners of the Company was $27.0 million (30 June 2012: loss $6.5 million);
- The Group's total equity has decreased by $26.4 million since 31 December 2012 to $152.1 million as at 30 June 2013;
- Net assets per share in sterling decreased from £1.01 to £0.85 ($ decreased from $1.57 to $1.34); and
- The Group's net tangible assets are $128.3 million (31 December 2012: $154.6 million).

On 16 April 2013, Tawa completed the sale of the 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 $21.3 million under IFRS accounting. However, the sale finalised a cash-on-cash return of $46.6 million (total purchase and interest costs of $71.7 million against 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 enabled management to deleverage the platform. The cash-on-cash numbers are considered a better indicator of how Tawa's investment portfolio creates value for its shareholders.

Financial review

During the first six months of 2013, Tawa recognised net losses of $27.0 million compared to net losses of $6.5 million in the six months to 30 June 2012. The half-year 2013 figures include a loss of $21.3 million recognised upon the sale of KX Re, thus the underlying loss of $5.7 million from operational activities indicates improved performance against the prior year. During the period Group net assets decreased by $26.4 million, from $178.5 million ($1.57/£1.01 per share) at 31 December 2012 to $152.1 million ($1.34/£0.85 per share) at 30 June 2013 mainly as a result of the KX Re sale.

Dividend and dividend policy

No dividend will be distributed in 2013 in relation to the results for the 2012 financial year. The Group does not propose the payment of a dividend to shareholders in relation to the six month period to 30 June 2013 (June 2012: £nil).

Operational results

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

- Risk carriers/insurance division which holds the Group's acquired insurance entities in run-off (risk carriers). Profitability is achieved by effectively managing these assets and liabilities;
- Service providers 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; and
- Corporate division which comprises incubators, all Group overheads, corporate costs, acquisition activities and financing.

Risk carriers/insurance division

Tawa generates value from run-offs in a variety of ways, depending on the nature of each run-off entity in question. These strategies include:

- Buying net assets at a significant discount to economic value and accelerating capital extraction; and
- Buying volatile books of business and applying its 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:

Subsidiary	Place of incorporation (or registration) and operation	Portion of ownership interest
PXRE Reinsurance Company ("PXRE")	United States Connecticut	100%
Hamburger Internationale Rückversicherung AG ("HIR")	Germany	100%
Island Capital Limited ("ICL")	Bermuda	94.30%
Island Capital (Europe) Limited ("ICE")	Great Britain	94.30%
Pavant SAS – formerly Pavant International Re S.A ("PIR")	France	100%
QX Reinsurance Company Limited ("QX Re")	Bermuda	100%
Associate		
CX Reinsurance Company Limited ("CX Re")	Great Britain	12.65%

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. At 30 June 2013, the total deferred consideration was $47.8 million (June 2012: $48.0 million).

The risk carriers' net loss of $1.2 million (June 2012: profit of $1.9 million), excluding taxation which is subject to group relief and any intergroup fees which are eliminated on consolidation, is summarised below:

	Group risk carriers							Associate		
	KX Re $m	PXRE $m	ICG [(1)] $m	OX Re $m	QX Re $m	HIR Group [(2)] $m	**Total Group $m**	**CX Re $m**	**30 Jun 2013 $m**	30 Jun 2012 $m
Results										
ALM results	0.3	(0.2)	0.2	(0.1)	0.1	0.4	**0.7**	**(0.6)**	**0.1**	3.3
Premium and other income	0.2	-	-	-	-	-	**0.2**	**(0.2)**	**-**	1.0
Liability management	(0.4)	(1.9)	0.1	-	-	0.7	**(1.5)**	**4.3**	**2.8**	(1.1)
Expenses	0.3	-	(0.3)	-	(0.4)	(0.9)	**(1.3)**	**(2.5)**	**(3.8)**	(1.3)
Discontinued operation eliminated in period	(0.4)	-	-	0.1	-	-	**(0.3)**	**-**	**(0.3)**	-
Group profit/(loss) for the year	**-**	**(2.1)**	**-**	**-**	**(0.3)**	**0.2**	**(2.2)**	**1.0**	**(1.2)**	1.9
Group relief payment of surrendered losses	-	-	(0.1)	-	-	-	**(0.1)**	**-**	**(0.1)**	(2.0)
Intergroup fees eliminated on consolidation	-	-	-	-	-	-	**-**	**(0.5)**	**(0.5)**	(1.6)
Segmental profit/(loss) for the year	**-**	**(2.1)**	**(0.1)**	**-**	**(0.3)**	**0.2**	**(2.3)**	**0.5**	**(1.8)**	(1.7)
Capital extracted	-	-	-	-	-	-	**-**	**-**	**-**	(2.4)

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

(2) HIR Group includes the results of HIR and PIR.

No dividends were paid during the period (2012: A dividend of $2.4 million was paid by OX Re).

Service providers

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:

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")	Great Britain	100%
Chiltington group of companies ("Chiltington") [(1)]	Various	100%

(1) Chiltington group of companies reported under this segment comprises all entities with the exception of the risk carrier HIR.

The service providers' net profit of $1.7 million (June 2012: profit of $0.6 million), excluding any taxation which will be eliminated on consolidation under group relief, is summarised below:

	Pro [1] $m	TCL $m	Chiltington $m	30 Jun 2013 $m	30 Jun 2012 $m
Results					
Revenue from services	14.8	-	3.8	**18.6**	13.6
Other income	0.7	-	-	**0.7**	2.1
Cost of services	(13.8)	-	(3.8)	**(17.6)**	(15.1)
Group profit/(loss) for the year	**1.7**	**-**	**-**	**1.7**	0.6
Taxation eliminated under group relief	(0.1)	-	-	**(0.1)**	(0.3)
Segmental profit/(loss) for the year	**1.6**	**-**	**-**	**1.6**	0.3
Capital extracted	-	-	-	**-**	(3.2)

[1] Pro includes the results of Pro and Pro IS.

No dividends were paid during the period (2012: A dividend of $3.2 million was paid by Pro).

Corporate division

This division incorporates corporate costs and Group overheads, incubator costs, acquisition activities and financing resulting in a loss of $27.5 million (June 2012: loss of $9.0 million) as summarised below:

	30 Jun 2013 $m	30 Jun 2012 $m
Corporate costs		
Tawa plc	(2.5)	(2.3)
Share based payment accrual	-	(0.2)
Holding company costs	(0.1)	-
Other	(1.4)	(0.4)
Total corporate costs	**(4.0)**	(2.9)
Total acquisition/disposal related costs	**(0.5)**	(0.2)
Incubator costs	**(1.8)**	(3.5)
Finance costs	**(1.2)**	(1.6)
Share of result in associate Asta	**1.3**	(0.8)
Loss on disposal of subsidiary KX Re	**(21.3)**	-
Group loss for the year	**(27.5)**	(9.0)
Group tax relief	**0.2**	2.3
Intergroup fees eliminated on consolidation	**0.5**	1.6
Segmental loss for the year	**(26.8)**	(5.1)

The ongoing investment in incubators remains significant. Operating costs of Q360 Limited $1.9 million (June 2012: $2.0 million), Lodestar Marine Limited $1.7 million (June 2012: $1.1 million) and STRIPE® $0.4 million (June 2012: $0.4 million) were partly offset by combined revenues of $2.2 million (June 2012: $0.3 million). As these investments represent development of new projects, it is accepted that the generation of positive cash flows will take varying amounts of time and the Group is implementing measures to control costs.

Tawa's associate Asta Capital Limited returned a trading profit for the period of $6.8 million, before finance costs of $1.2 million and adjustment for goodwill. It reported a final overall profit for the period of $3.8 million, of which Tawa has a 33.33% share. Tawa's share of the result for the period was $1.3 million profit (June 2012: loss of $0.8 million).

Prospects

The remainder of 2013 will see a continuation of efforts to grow the service business both in size and earnings. Volatility reduction and downscaling will continue for the risk carriers. At Group level, Tawa's agenda remains: deleveraging, cost savings and the restoration of an internal and external investment capacity.

	Notes	6 months 30 Jun 2013 (Unaudited) $m	6 months 30 Jun 2012 restated (Unaudited) $m	12 months 31 Dec 2012 restated (Audited) $m
Income from continuing operations				
Insurance premium revenue		**0.3**	0.2	(0.2)
Insurance premium ceded to reinsurers		**-**	(0.2)	(0.1)
Commission income		**1.9**	0.1	1.1
Net earned premium revenue		**2.2**	0.1	0.8
Revenue from consultancy, insurance and run-off services		**20.7**	16.1	33.0
Investment return		**1.2**	2.4	5.6
Other income		**0.5**	2.1	8.4
Income		**22.4**	20.6	47.0
Total income		**24.6**	20.7	47.8
Insurance claims and loss adjustment expenses		**(2.0)**	(1.5)	(6.1)
Insurance claims and loss adjustment expenses recovered from reinsurers		**0.5**	0.4	(3.7)
Net insurance claims		**(1.5)**	(1.1)	(9.8)
Total expenses		**(28.8)**	(23.1)	(54.4)
Results of operating activities before negative goodwill recognised		**(5.7)**	(3.5)	(16.4)
Negative goodwill recognised		**-**	-	0.3
Results of operating activities		**(5.7)**	(3.5)	(16.1)
Share of results of associates		**1.4**	(0.8)	(1.2)
Finance costs		**(1.7)**	(1.5)	(5.0)
Loss before taxation		**(6.0)**	(5.8)	(22.3)
Taxation		**(0.4)**	2.0	1.8
Loss for the period from continuing operations		**(6.4)**	(3.8)	(20.5)
Loss for the period from discontinued operations	7	**(20.6)**	(2.7)	(2.0)
Loss for the period		**(27.0)**	(6.5)	(22.5)
Attributable to:				
Owners of the Company		**(27.0)**	(6.5)	(22.5)
Non-controlling interests		**-**	-	-
		(27.0)	(6.5)	(22.5)
Earnings per share				
From continuing and discontinued operations				
Basic: Ordinary shares (cents per share)	8	**(23.81)**	(5.78)	(20.22)
Diluted: Ordinary shares (cents per share)	8	**(23.81)**	(5.78)	(20.22)
From continuing operations				
Basic: Ordinary shares (cents per share)	8	**(5.64)**	(3.38)	(18.42)
Diluted: Ordinary shares (cents per share)	8	**(5.64)**	(3.38)	(18.42)

Tawa plc Condensed consolidated statement of comprehensive income

	6 months 30 Jun 2013 (Unaudited) $m	6 months 30 Jun 2012 (Unaudited) $m	12 months 31 Dec 2012 (Audited) $m
Loss for the period	**(27.0)**	(6.5)	(22.5)
Other comprehensive income/(losses)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	**0.6**	(0.4)	0.6
	0.6	(0.4)	0.6
Total comprehensive losses for the period	**(26.4)**	(6.9)	(21.9)
Attributable to:			
Owners of the Company	**(26.4)**	(6.9)	(21.9)
Non-controlling interests	**-**	-	-
	(26.4)	(6.9)	(21.9)

Tawa plc Condensed consolidated statement of financial position

	Notes	30 Jun 2013 (Unaudited) $m	30 Jun 2012 (Unaudited) $m	31 Dec 2012 (Audited) $m
Assets				
Cash and cash equivalents		**46.4**	63.3	57.0
Financial assets - investments		**173.0**	279.7	249.9
Loans and receivables including insurance receivables		**42.4**	60.9	59.0
Reinsurers' share of technical provisions		**8.1**	41.4	27.9
Property, plant and equipment		**2.0**	1.9	1.6
Deferred assets	10	**47.8**	48.0	48.7
Interest in associates		**15.1**	14.3	13.9
Other intangible assets		**1.0**	2.2	1.1
Goodwill		**22.8**	23.7	22.8
Total assets		**358.6**	535.4	481.9
Equity				
Share capital		**22.2**	22.2	22.2
Share premium		**110.6**	110.6	110.6
Other reserves		**4.0**	2.2	3.4
Retained earnings		**14.3**	57.3	41.3
Equity attributable to owners of the Company		**151.1**	192.3	177.5
Non-controlling interests		**1.0**	1.0	1.0
Total equity		**152.1**	193.3	178.5
Liabilities				
Creditors arising out of insurance operations		**61.5**	69.4	71.2
Other liabilities		**38.0**	38.4	41.0
Financial liabilities - borrowings		**52.1**	59.5	60.5
Technical provisions		**54.9**	174.8	130.7
Total liabilities		**206.5**	342.1	303.4
Total liabilities and equity		**358.6**	535.4	481.9

Tawa plc Condensed consolidated statement of changes in equity

As at 30 June 2013

	Issued capital $m	Share premium reserve $m	Share based payments reserve $m	Own shares reserve $m	Translation reserve $m	Retained earnings $m	Total $m	Non-controlling interests $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 loss									
Loss for the period	-	-	-	-	-	(6.5)	(6.5)	-	(6.5)
Other comprehensive income									
Currency translation differences	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Total comprehensive loss for the period	-	-	-	-	(0.4)	(6.5)	(6.9)	-	(6.9)
Transactions with owners									
Issue of share capital	0.4	1.4	-	-	-	-	1.8	-	1.8
Share based payments	-	-	0.2	-	-	-	0.2	-	0.2
Own shares cancelled in the period	(0.4)	(2.2)	-	2.6	-	-	-	-	-
Total transactions with owners	**-**	**(0.8)**	**0.2**	**2.6**	**-**	**-**	**2.0**	**-**	**2.0**
Balance at 30 June 2012	**22.2**	**110.6**	**3.9**	**-**	**(1.7)**	**57.3**	**192.3**	**1.0**	**193.3**
Balance at 1 July 2012	**22.2**	**110.6**	**3.9**	**-**	**(1.7)**	**57.3**	**192.3**	**1.0**	**193.3**
Comprehensive loss									
Loss for the period	-	-	-	-	-	(16.0)	(16.0)	-	(16.0)
Other comprehensive income									
Currency translation differences	-	-	-	-	1.0	-	1.0	-	1.0
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**1.0**	**(16.0)**	**(15.0)**	**-**	**(15.0)**
Transactions with owners									
Share based payments	-	-	0.2	-	-	-	0.2	-	0.2
Total transactions with owners	**-**	**-**	**0.2**	**-**	**-**	**-**	**0.2**	**-**	**0.2**
Balance at 31 December 2012	**22.2**	**110.6**	**4.1**	**-**	**(0.7)**	**41.3**	**177.5**	**1.0**	**178.5**

	Issued capital $m	Share premium reserve $m	Share based payments reserve $m	Own shares reserve $m	Translation reserve $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2013	**22.2**	**110.6**	**4.1**	**-**	**(0.7)**	**41.3**	**177.5**	**1.0**	**178.5**
Comprehensive loss									
Loss for the period	-	-	-	-	-	(27.0)	(27.0)	-	(27.0)
Other comprehensive income									
Currency translation differences	-	-	-	-	0.6	-	0.6	-	0.6
Total comprehensive profit/(loss) for the period	**-**	**-**	**-**	**-**	**0.6**	**(27.0)**	**(26.4)**	**-**	**(26.4)**
Transactions with owners									
Share based payments	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2013	**22.2**	**110.6**	**4.1**	**-**	**(0.1)**	**14.3**	**151.1**	**1.0**	**152.1**

Condensed consolidated statement of cash flows

For the period ended 30 June 2013

	Notes	6 months 30 Jun 2013 (Unaudited) $m	6 months 30 Jun 2012 (Unaudited) $m	12 months 31 Dec 2012 (Audited) $m
Net cash used in operations	11	**(21.1)**	(36.2)	(76.4)
Investing activities				
Cash payments to acquire debt securities		**(159.7)**	(170.7)	(318.4)
Cash receipts from sale or maturity of debt securities		**183.6**	193.1	368.1
Cash transferred from investing activities		**2.4**	5.9	8.3
Cash receipts from interest		**2.0**	4.0	7.8
Purchases of property, plant and equipment		**-**	-	(0.1)
Acquisition of investment in an associate		**-**	(10.1)	(10.1)
Acquisition of subsidiary net of cash and cash equivalents acquired		**-**	9.2	9.1
Disposal of subsidiary net of tax, cash and cash equivalents disposed of		**(10.1)**	-	-
Cash generated by investing activities		**18.2**	31.4	64.7
Financing activities				
Proceeds from financial borrowings		**-**	23.2	24.1
Repayments of financial borrowings		**(7.8)**	-	-
Cash flows (used in)/generated by financing activities		**(7.8)**	23.2	24.1
Net (decrease)/increase in cash and cash equivalents		**(10.7)**	18.4	12.4
Cash and cash equivalents at beginning of period		**57.0**	44.7	44.7
Effects of exchange rate changes on the balance of cash held in foreign currencies		**0.1**	0.2	(0.1)
Cash and cash equivalents at end of period		**46.4**	63.3	57.0

1 General information

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

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

On 16 April 2013, Tawa completed the sale of the risk carrier KX Re and its direct subsidiary OX Re to Catalina Holdings (Bermuda) Limited as part of the Group's active investment management program with a view to volatility reduction.

The interim consolidated financial statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2012. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors draw attention by way of emphasis without qualifying the report, and did not contain any statements under section 498(2) or 498(3) of the Companies Act 2006.

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 interim results. In light of these reviews the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the interim report.

The interim results have been reviewed by the Group’s auditors, Mazars LLP, and their review report is set out on page 24.

2 Significant accounting policies

The annual financial statements of Tawa plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012.

3 Critical accounting judgements and estimates

The judgements and estimates made by management which have a significant effect on the condensed consolidated financial statements are consistent with those disclosed in the Group’s consolidated financial statements for the year ended 31 December 2012.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012. There have been no changes since the year end in any risk management policies.

5 Disposal of subsidiaries

KX Reinsurance Company Limited and OX Reinsurance Company Limited

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 in 2011 as a strategic investment.

Consideration received

	Period ended 30 Jun 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	(47.1)	(4.0)	-	**(51.1)**
Net assets disposed of	51.8	5.3	(20.6)	**36.5**

5 Disposal of subsidiaries continued

KX Reinsurance Company Limited and OX Reinsurance Company Limited *continued*

Loss on disposal of subsidiary

	Period ended 30 Jun 2013 $m
Net consideration received in cash	15.2
Net assets disposed of	(36.5)
Loss on disposal	(21.3)

The loss on disposal is included in the loss for the year from discontinued operations (see note 7).

Net cashflow on disposal of subsidiary

	Period ended 30 Jun 2013 $m
Net consideration received in cash	15.2
Less: cash and cash equivalents disposed of	(25.3)
Total consideration received	(10.1)

6 Segmental information

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

- Underwriting run-off and insurance;
- CX Re (associate) underwriting run-off;
- Service providers; and
- Other corporate activities.

The other corporate activities segment includes corporate expenses 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.

The accounting policies of the reportable segments are not the same as the Group's accounting policies. The segmental reporting includes the results for associate CX Re in relation to all equity holders as an operating segment, whereas the financial statements show the results for CX Re as a non-operating activity; namely share of results of associate and loss for the year from discontinued operations. A reconciliation to the financial statements has been performed.

6 Segmental information continued

Segment income and results

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

For the period ended 30 June 2013	Underwriting run-off and insurance $m	CX Re underwriting run-off $m	Service providers $m	Other corporate activities $m	Discontinued operations $m	Intra-group $m	Reconciliation to financial statements $m	**Total $m**
Income from continuing operations								
Insurance premium expense	0.3	-	-	-	-	-	-	**0.3**
Insurance premium ceded to reinsurers	-	(0.1)	-	-	-	-	0.1	**-**
Commission income	-	-	-	1.9	-	-	-	**1.9**
Net earned premium expense	0.3	(0.1)	-	1.9	-	-	0.1	**2.2**
Revenue from consultancy and run-off services	-	-	20.6	4.7	-	(4.6)	-	**20.7**
Investment return	1.9	(2.2)	-	(0.3)	(0.4)	-	2.2	**1.2**
Other income	0.4	0.2	0.9	(0.6)	(0.2)	-	(0.2)	**0.5**
Total other income	2.3	(2.0)	21.5	3.8	(0.6)	(4.6)	2.0	**22.4**
Total income	2.6	(2.1)	21.5	5.7	(0.6)	(4.6)	2.1	**24.6**
Insurance claims and loss adjustment expenses	(2.5)	7.3	-	0.1	0.4	-	(7.3)	**(2.0)**
Insurance claims and loss adjustment expenses recovered from reinsurers	0.5	(1.2)	-	-	-	-	1.2	**0.5**
Net insurance claims	(2.0)	6.1	-	0.1	0.4	-	(6.1)	**(1.5)**
Segment expenses	(1.8)	(3.5)	(19.7)	(11.8)	(0.1)	4.6	3.5	**(28.8)**
Segment results of operating activities	(1.2)	0.5	1.8	(6.0)	(0.3)	-	(0.5)	**(5.7)**
Share of results of associate	-	-	-	1.3	-	-	0.1	**1.4**
Finance costs	(1.0)	-	-	(0.7)	-	-	-	**(1.7)**
Taxation	(0.1)	-	(0.2)	(0.1)	-	-	-	**(0.4)**
Loss for the period from discontinued operations	-	-	-	(21.3)	0.3	-	0.4	**(20.6)**
Segment (loss)/profit for the period	(2.3)	0.5	1.6	(26.8)	-	-	-	**(27.0)**

6 Segmental information continued

Segment income and results continued

For the period ended 30 June 2012	Underwriting run-off and insurance $m	CX Re underwriting run-off $m	Service providers $m	Other corporate activities $m	Discontinued operations $m	Intra-group $m	Reconciliation to financial statements $m	**Total $m**
Income from Continuing operations								
Insurance premium expense	0.2	(0.7)	-	-	-	-	0.7	**0.2**
Insurance premium ceded to reinsurers	(0.2)	(0.4)	-	-	-	-	0.4	**(0.2)**
Commission income	-	-	-	0.1	-	-	-	**0.1**
Net earned premium expense	-	(1.1)	-	0.1	-	-	1.1	**0.1**
Revenue from consultancy and run-off services	-	-	18.0	7.6	-	(9.5)	-	**16.1**
Investment return	4.0	2.7	-	-	(1.6)	-	(2.7)	**2.4**
Other income	1.9	-	2.1	-	(1.9)	-	-	**2.1**
Total other income	5.9	2.7	20.1	7.6	(3.5)	(9.5)	(2.7)	**20.6**
Total income	**5.9**	**1.6**	**20.1**	**7.7**	**(3.5)**	**(9.5)**	**(1.6)**	**20.7**
Insurance claims and loss adjustment expenses	(3.8)	(1.9)	-	-	2.3	-	1.9	**(1.5)**
Insurance claims and loss adjustment expenses recovered from reinsurers	0.7	0.8	-	-	(0.3)	-	(0.8)	**0.4**
Net insurance claims	(3.1)	(1.1)	-	-	2.0	-	1.1	**(1.1)**
Segment expenses	(2.1)	(0.8)	(19.6)	(12.8)	1.9	9.5	0.8	**(23.1)**
Segment results of operating activities	**0.7**	**(0.3)**	**0.5**	**(5.1)**	**0.4**	**-**	**0.3**	**(3.5)**
Share of results of associate	-	-	-	(0.8)	-	-	-	**(0.8)**
Finance costs	(0.1)	-	-	(1.4)	-	-	-	**(1.5)**
Taxation	(2.0)	-	(0.2)	2.2	2.0	-	-	**2.0**
Loss for the period from discontinued operations	-	-	-	-	(2.4)	-	(0.3)	**(2.7)**
Segment (loss)/profit for the period	**(1.4)**	**(0.3)**	**0.3**	**(5.1)**	**-**	**-**	**-**	**(6.5)**

6 Segmental information continued

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 30 June 2013	Underwriting run-off and insurance $m	CX Re underwriting run-off $m	Service providers $m	Other corporate activities $m	Intra-group $m	Reconciliation to financial statements $m	**Total $m**
Segment assets	234.9	174.9	22.4	100.4	-	(174.0)	**358.6**
Segment liabilities	(145.1)	(136.5)	(10.3)	(51.1)	-	136.5	**(206.5)**
Segment net assets	**89.8**	**38.4**	**12.1**	**49.3**	**-**	**(37.5)**	**152.1**
Depreciation	-	-	(0.2)	-	-	-	**(0.2)**
Amortisation of intangible assets	-	-	(0.1)	-	-	-	**(0.1)**
Amortisation of risk premium	0.2	-	-	-	-	-	**0.2**

As at 30 June 2012	Underwriting run-off and insurance $m	CX Re underwriting run-off $m	Service providers $m	Other corporate activities $m	Intra-group $m	Reconciliation to financial statements $m	**Total $m**
Segment assets	424.2	195.6	24.6	100.7	(15.3)	(194.6)	**535.2**
Segment liabilities	(268.4)	(156.9)	(14.4)	(74.4)	15.3	156.9	**(341.9)**
Segment net assets	**155.8**	**38.7**	**10.2**	**26.3**	**-**	**(37.7)**	**193.3**
Depreciation	-	-	(0.4)	-	-	-	**(0.4)**
Amortisation of intangible assets	-	-	(0.1)	-	-	-	**(0.1)**
Amortisation of risk premium	0.2	-	-	-	-	-	**0.2**

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

Geographical information

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

As at 30 June 2013	United Kingdom $m	United States of America $m	**Total $m**
Segment revenue	19.4	5.2	**24.6**
Segment net assets	63.7	88.4	**152.1**
As at 30 June 2012	$m	$m	**$m**
Segment revenue	15.8	4.9	**20.7**
Segment net assets	92.4	100.9	**193.3**

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 Discontinued operations

	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Profit/(loss) arising from CX Re	**0.4**	(0.3)	(0.2)
Profit/(loss) arising from KX Re	**0.3**	(2.4)	(1.8)
Loss on disposal of KX Re	**(21.3)**	-	-
Loss for the period	**(20.6)**	(2.7)	(2.0)

CX Reinsurance Company Limited

On 21 March 2006, the Company sold a significant proportion (87.35%) of its "A" shareholding in CX Re to a consortium in which the Company participates. The majority of the consideration receivable is in the form of deferred consideration, any adjustments to the deferred consideration are accounted for as a profit/(loss) on sale of investment in the period in which the adjustments to the deferred consideration arise. The results of the discontinued operation which have been included in the consolidated income statement are as follows:

	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Profit/(loss) on sale of investment	**0.4**	(0.3)	(0.2)
Profit/(loss) for the period	**0.4**	(0.3)	(0.2)

KX Reinsurance Company Limited

On 16 April 2013, the Group disposed of its risk carrier KX Re and its direct subsidiary OX Re.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Net earned premium revenue	**-**	-	-
Total other income	**0.6**	3.5	4.8
Net insurance claims	**(0.4)**	(2.0)	(2.2)
Total expenses	**0.1**	(1.9)	(2.4)
	0.3	(0.4)	0.2
Loss on disposal of discontinued operations	**(21.3)**	-	-
(Loss)/profit before tax	**(21.0)**	(0.4)	0.2
Tax on profit or (loss) from the ordinary activities of the discontinued operation for the period	**-**	(2.0)	(2.0)
Net loss for the period from discontinued operations	**(21.0)**	(2.4)	(1.8)

The effect of discontinued operations on segment results is disclosed in note 6.

Where appropriate, the comparatives have been re-presented to include those operations discontinued in the current year.

8 Earnings per share

Earnings	30 Jun 2013 $m	30 Jun 2012 restated $m	31 Dec 2012 restated $m
Earnings for the purposes of basic earnings per share from continuing and discontinued operations being net profit attributable to equity holders of the Group	**(27.0)**	(6.5)	(22.5)
Earnings for the purposes of basic earnings per share from continuing operations being net loss attributable to equity holders of the Group	**(6.4)**	(3.8)	(20.5)

Number of shares	30 Jun 2013	30 Jun 2012	31 Dec 2012
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**113,375,177**	112,481,734	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	**113,375,177**	112,481,734	111,263,808

Basic earnings per share	30 Jun 2013 US cents	30 Jun 2012 restated US cents	31 Dec 2012 restated US cents
From continuing and discontinued operations			
Basic: Ordinary Shares (cents per share)	**(23.81)**	(5.78)	(20.22)
Diluted: Ordinary Shares (cents per share)	**(23.81)**	(5.78)	(20.22)
From continuing operations			
Basic: Ordinary Shares (cents per share)	**(5.64)**	(3.38)	(18.42)
Diluted: Ordinary Shares (cents per share)	**(5.64)**	(3.38)	(18.42)
From discontinued operations			
Basic: Ordinary Shares (cents per share)	**(18.17)**	(2.40)	(1.80)
Diluted: Ordinary Shares (cents per share)	**(18.17)**	(2.40)	(1.80)

9 Dividends

The Group does not propose the payment of a dividend to shareholders in relation to the interim period (June 2012: £nil).

No dividend will be distributed in 2013 in relation to the results for the 2012 financial year.

10 Deferred assets

Deferred assets relate to the consideration outstanding on the disposal of a subsidiary CX Re, as described in note 7, and a transaction facilitation fee. Part of the deferred consideration is related to the net asset value of CX Re and is subject to net asset value adjustments through the income statement.

	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Facilitation fee	**14.3**	14.2	14.7
Deferred consideration	**33.5**	33.8	34.0
Deferred assets	**47.8**	48.0	48.7

11 Cash used in operating activities

	30 Jun 2013 (Unaudited) $m	30 Jun 2012 (Unaudited) $m	31 Dec 2012 (Audited) $m
Operating loss - continuing operations	**(5.7)**	(3.5)	(16.1)
Operating (loss)/profit - operation discontinued in period	**0.3**	(0.4)	0.3
Operating loss for the period	**(5.4)**	(3.9)	(15.8)
Adjustments for:			
- negative goodwill	**-**	-	(0.3)
- share of (profit)/loss of associate	**(1.4)**	-	1.2
- income tax expense	**(0.4)**	-	(0.3)
- investment return for the period transferred to investing activities	**(2.0)**	(4.0)	(7.8)
- realised (gains)/losses on investments	**(7.4)**	0.3	(0.5)
- unrealised losses/(gains) on investments	**8.2**	(0.3)	0.6
- depreciation	**0.3**	0.4	0.6
- share based payment expense	**-**	0.2	0.4
- amortisation of risk premium	**(0.2)**	(0.2)	(0.3)
- amortisation of intangible asset	**(0.1)**	(0.1)	(0.4)
- adjustment to amortised cost	**0.9**	0.7	0.2
- other gains and losses	**19.0**	(5.3)	(6.4)
	11.5	(12.2)	(28.8)
Change in operating assets and liabilities			
Net decrease in insurance receivables and liabilities	**(45.1)**	(16.1)	(37.2)
Net (decrease)/increase in loans and receivables	**(7.6)**	0.4	(3.7)
Net increase/(decrease) in other operating liabilities	**21.2**	(7.1)	(4.5)
Cash used in operations	**(20.0)**	(35.0)	(74.2)
Finance costs	**(1.1)**	(1.2)	(2.2)
Net cash used in operations	**(21.1)**	(36.2)	(76.4)

12 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 and balances between the Group and its associate are disclosed below.

Trading transactions

Tawa Management Limited provides insurance run-off management services to CX Re an associate of the Group in which the Company has a 12.65% equity interest and a 49.95% voting interest.

Run-off services are provided on a negotiated fee basis, the terms and pricing of which are at arm's length. Run-off management expenses are recharged at cost by Tawa Management Limited.

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

	Group income received		
	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
From associate CX Reinsurance Company Limited for a management fee	**0.6**	0.6	0.5
From associate CX Reinsurance Company Limited for expenses recharged	**2.2**	2.5	4.4
	2.8	3.1	4.9

At the period end, the following balances with related parties who are not members of the Group were outstanding:

	Amounts owed (to)/from related parties		
	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Amounts due from/(to) associate CX Reinsurance Company Limited	**0.5**	0.2	-

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.

Remuneration of key management personnel

The remuneration of key management included in the income statement is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	30 Jun 2013 $m	30 Jun 2012 $m	31 Dec 2012 $m
Short-term employee benefits	**2.0**	2.0	3.4
Post-employment benefits	**0.2**	0.2	0.4
Share based payments	**0.1**	0.2	0.3
Management remuneration	**2.3**	2.4	4.1

Immediate and ultimate parent company

In the opinion of the Directors, the immediate and ultimate parent is Financière Pinault S.C.A., a Société en commandite par actions incorporated in France. 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.

13 Contingent liabilities

Certain of the Group's subsidiaries and its associate CX Re are routinely involved in litigation or potential litigation related to primarily 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 30 June 2013 (30 June 2012 and 31 December 2012: no contingent liabilities).

14 Events after reporting period

There are no events to report.

Independent review report to Tawa plc

We have been engaged by Tawa plc to review the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Respective responsibilities of directors and auditor

The interim report, including the condensed set of consolidated financial statements contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules issued by the London Stock Exchange, which require that the interim report be prepared and presented in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. As disclosed in note 2, the condensed set of consolidated financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the interim report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules issued by the London Stock Exchange.

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

19 September 2013

Notes:
(a) The maintenance and integrity of the Tawa plc web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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Independent Non-Executive Chairman

Gilles Erulin
Chief Executive Officer

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Executive Director

Anthony Hamilton
Independent Non-Executive Director

Loïc Brivezac
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