

Tawa plc
20 August 2010

Tawa plc

Acquisition of Island Capital Ltd

Tawa plc ("Tawa" or the "Group") the quoted insurance service provider and run-off investor, today announces that it has entered into a share purchase agreement to acquire 94.3% of the issued shares of Island Capital Ltd ("Island Capital" or the "Company"), and its wholly-owned UK subsidiary, Island Capital (Europe) Ltd, for an initial consideration of \$7.4m and deferred consideration dependent on future financial performance of the Company, which is expected to be largely driven by subrogation recoveries. For technical reasons the aggregate of all consideration has been capped at \$40m, although it is unlikely that deferred consideration would exceed \$15m.

The acquisition will give Tawa access to expertise in credit and political risk insurance.

Island Capital is a Bermuda insurance company with a specialist underwriting portfolio of trade credit and political risk insurance business. The Company went into run-off in November 2008 following the sale of its trade credit and political risk insurance underwriting platform. As at 31 December 2009 the Company had gross reserves of \$20.6m and net assets on its pro forma, US GAAP undiscounted balance sheet of \$28.1m. International and financial reporting standards require a company to make a provision for future expenses where it discounts its balance sheet, as Tawa does. After making adjustments for ULAE and other adjustments relating to the acquisition, the impact of the transaction on Tawa's net assets is broadly neutral.

Following completion, Paul Mooney, President and Chief Executive Officer of Island Capital, who owns 5.7% of the issued shares of Island Capital, will join the Tawa team and continue to manage the portfolio from the Group's offices with an initial employment term from the closing of the transaction through 31 December 2012.

This transaction is subject to regulatory approval from the Bermuda Monetary Authority and the FSA. It is expected that such approval should be obtained within 3 months.

It is intended that the acquisition cost will be financed from Tawa's existing cash resources. There will be no change to the board or senior management of Tawa arising from the acquisition.

Gilles Erulin, Chief Executive Officer of Tawa plc, commented:

"One of our goals is to expand our involvement and develop our expertise in specialist and niche areas of the insurance arena. Trade credit insurance is definitely an area where the conjunction of Tawa and Island Capital will provide for further portfolio expansion. This acquisition fits with our strategy of enhancing our long term expansion by combining the existing skills of our people with those of acquired teams and represents an interesting development for Tawa."

"We look forward to welcoming Paul Mooney to the Group."

Enquiries:

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Notes for Editors:

Tawa was formed in 2001 with the purpose of acquiring or developing assets and business in the insurance industry. Tawa provides capital solutions for insurance and reinsurance run-off portfolios, companies and businesses, through acquisition, part VII transfer, reinsurance and debt purchase. Tawa also provides services to the run-off industry and develops its own products to serve the insurance market as a whole.

By creating a diversified portfolio of businesses at different stages of the run-off process Tawa is a consolidator of this specific market in the UK, US, continental Europe, Bermuda, and elsewhere as opportunities arise.

Since its formation, Tawa has acquired CX Reinsurance Company Limited, KX Reinsurance Company Limited, PXRE Reinsurance Company and the PRO group of companies.

The combined Tawa/PRO team of 350 professionals deal with a broad range of companies including a number of the world's largest insurance businesses. PRO deliver a market-wide third-party insurance servicing capability to active underwriters as well as run-offs; operating in London's company and Lloyd's markets as well as continental Europe the USA and Bermuda.

Tawa also operates as an incubator for new projects and is currently developing the STRIPE[®] system, a new claims and post-placement transactions processing platform.

Given the nature of the transaction, Tawa has provided such disclosure as is required in accordance with Schedule Four of the AIM Rules for Companies as a "Substantial Transaction".

Further information can be found on the Company's website: www.tawaplco.co.uk