Tawa plc Interim Report 2007

- Profit before tax and discontinued operations for the period $39.4 million (H1 2006: $4.6 million).
- Reported net profit $41.8 million (H1 2006: $58.0 million).
- Net assets at 30 June 2007 were $186.8 million.
- Net assets increased to $236.5 million following the IPO on 26 July 2007 and net assets per share were £1.17.
- On 4 May, Tawa completed the acquisition of KX Reinsurance Company Limited (“KX Re”), formerly Continental Management Services Limited, from the CNA Group.
- On 26 July Tawa raised $50 million through an IPO and was admitted to AIM.

Tawa®

Tawa was formed in 2001 to acquire and manage the run-off of non-life insurance companies and portfolios of policies and to provide run-off related services.

Tawa is able to conduct nearly all activities relating to run-offs, from acquisition through to the management and to finality. Its claims-focused, accelerated run-off strategy is a key strength for the Group and is designed to protect and then create shareholder value while respecting the rights of policyholders.

Tawa's strategy is to build up and manage a portfolio of run-off businesses and by doing so become a consolidator of the non-life run-off market. Since its formation, Tawa has acquired CX Re and KX Re and is managing the run-off of these businesses.

Summary

2007 has been a year of significant development for Tawa plc ("Tawa" or "the Group"). On 4 May, Tawa completed the acquisition of KX Reinsurance Company Limited ("KX Re"), formerly Continental Management Services Limited, from the CNA group and on 26 July Tawa plc raised $50 million through an IPO and was admitted to AIM. These events represent key milestones in the Group's strategic objective to establish itself as the UK's principal consolidator of non-life run-off portfolios. The Group intends to use future issues of share capital as a currency to finance the acquisition of additional portfolios of run-off liabilities.

The Group's operating segments are:

- Underwriting run-off – results from the Group's investment in its subsidiary KX Re. CX Reinsurance Company Limited's ("CX Re") results were included in 2006 when it was a subsidiary of the Group;
- Run-off management – results of the operations of Tawa Management Limited ("Tawa Management"), the Group's provider of run-off management and consultancy services; and
- Other corporate activities – results from the acquisition of KX Re, the Group's investment in its associated undertaking CX Re, the change in the deferred consideration attributable to the sale of 87.35% of the shares of CX Re in March 2006 and the costs of developing the Group's business.

The profit for the period was $41.8 million. Group net assets at 30 June 2007 were $186.8 million and increased to $236.5 million ($2.31:£1.17 per share) following the IPO on 26 July 2007.

Underwriting run-off

The business of KX Re comprises a collection of mature portfolios of long-tail liabilities, including exposure to asbestos, environmental and other latent claims. Net discounted reserves at 30 June 2007 were $74 million and net assets were $119 million.

The objective for KX Re is to reduce the company's liabilities by accelerating the natural run-off of the portfolio to enable extraction of the capital, with regulatory approval.

Run-off management

The revenue of Tawa Management comprises:

- Management fees from and expenses recharged to CX Re and KX Re;
- Income from consultancy service provided to a range of third party clients;
- Income from inspections performed on behalf of CX Re; and
- Expenses recharged to Tawa plc in relation to acquisitions and business development.

Profit for the period was $1.8 million which was broadly in line with the business plan. The scope for developing the contribution from this segment was enhanced by the recruitment during the year of three professionals experienced in providing advice on claims handling and reserve assessment within the London Market business.

Other corporate activities

The acquisition of KX Re was completed in the period. As a result of the acquisition $41.5 million profit has been reflected in the income statement, representing the difference between the total cost of the acquisition and the net assets acquired.

The acquisition of KX Re was financed by a bridging loan from Financière Pinault, the ultimate parent company of the Group, and a facility from a bank of $35 million. The loan of $35 million from Financière Pinault was repaid using proceeds from the IPO in July 2007.

Through its remaining investment in the shares of CX Re and the deferred consideration which is dependent on the ultimate earn-out of the company, the Group's results are affected by changes in the net assets of CX Re. The net assets of CX Re increased by $3 million during the period, representing the return on the investments supporting the surplus and after charging $2 million in management fees payable to Tawa Management.

The strategy for CX Re continues to be the descaling of the company's portfolio of international insurance and reinsurance liabilities and the management of the risks impacting the assets and liabilities. During the first six months of the year, net claims deterioration was offset by the benefits from claims mitigation activities and gross claims reserves, which were $2.2 billion at acquisition by Tawa in October 2002, decreased by $144 million to $436 million. Of this decrease, $72 million was due to the transfer of the fully reinsured liabilities relating to IGI Underwriting Agencies Limited to CNA Insurance Company Limited with effect from 1 January 2007. Net discounted claims reserves reduced by $48 million to $270 million.

The profit relating to CX Re is incorporated in the Income Statement as "Share of results of associates" and "profit for the period from discontinued operations". Net assets attributable to CX Re are included in the balance sheet within the lines "Interests in associates" and "Deferred assets". As set out in note 7, deferred assets also include $20 million due to Tawa plc as a facilitation fee as part of the sale of the shares of CX Re to a consortium in March 2006.

Asset and liability management

The Group's strategy is to mitigate risks relating to liquidity and changes in interest rates and foreign exchange rates and to assume controlled credit risk within its investment portfolios. Such mitigation is achieved by broadly matching the duration and currency of assets and liabilities, subject to agreed strategies on the investment of the Group's surplus, and maintaining a high quality and readily realisable portfolio of fixed income securities. Since acquisition by Tawa, this approach has been applied to the investment of the KX Re portfolio.

During the period, investment income was sufficient to cover the unwinding of the liabilities and the impact of changes in interest rates on net discounted reserves.

Since the balance sheet date, the Group has been marginally affected by the spread-widening experienced across the global investment markets in July and August in corporate and asset backed securities. The Group's asset and liability management philosophy is to match asset and liability durations and currencies with the aim of insulating the Group from foreign exchange and interest rate risk whilst retaining credit spread risks in only a minority of the portfolio. At 31 August 2007 the Group's investment portfolio had an average rating of AA+. The impact of recent market turmoil has been thus reduced by this conservative strategy. The estimated unrealised reduction in the Group's surplus due to asset and liability management in the two months to the end of August is less than $2 million. Moreover, the matching of Group cash flows, including overheads attributable to our run-off operations, means that no sales of assets outside normal operating requirements have taken place or are required. Following discussion with the Group's asset managers, no change has been made to the Group's investment strategies or guidelines.

Future prospects

The delivery of business objectives for CX Re and KX Re is broadly in line with expectations. These objectives, which form the bulk of the Group's prospective cash flow in the next few years, remain key priorities.

As to development prospects, Tawa continues to process a range of investment opportunities in various parts of the world and is confident of its ability to bring one or more of these targets to acquisition. Active targets continue to run at recent high levels. The complex nature of the potential transactions plays to the Group's strengths and provides an opportunity to differentiate Tawa from the competition. As such, Tawa remains well positioned to capitalise on current investment opportunities.

Tawa plc Consolidated income statement

	Notes	**6 months 30 June 2007 $m**	6 months 30 June 2006 $m	12 months 31 Dec 2006 $m
Continuing operations				
Revenue		**13.0**	6.2	21.9
Investment return	4	**1.2**	0.2	0.6
Other income		**–**	0.1	0.1
Net income		**14.2**	6.5	22.6
Insurance claims and loss adjustment expenses		**0.4**	–	–
Insurance claims and loss adjustment expenses recovered from reinsurers		**(0.2)**	–	–
Net insurance claims		**0.2**	–	–
Cost of services		**(12.4)**	(6.3)	(18.6)
Administrative expenses		**(3.9)**	(1.8)	(4.3)
Expenses		**(16.3)**	(8.1)	(22.9)
Results of operating activities		**(1.9)**	(1.6)	(0.3)
Share of results of associates	8	**0.3**	6.2	5.6
Negative goodwill recognised		**41.5**	–	–
Profit before finance costs		**39.9**	4.6	5.3
Finance costs		**(0.5)**	–	(0.2)
Profit before tax		**39.4**	4.6	5.1
Income tax	5	**–**	–	–
Profit for the period from continuing operations		**39.4**	4.6	5.1
Profit for the period from discontinued operations		**2.4**	53.4	47.9
Profit for the period		**41.8**	58.0	53.0
Attributable to:				
Equity holders of the Company		**41.8**	58.0	53.0

Tawa plc Consolidated statement of recognised income and expense

	6 months 30 June 2007 $m	6 months 30 June 2006 $m	12 months 31 Dec 2006 $m
Currency translation differences	**2.5**	(1.7)	1.1
Net income/(expense) recognised directly in equity	**2.5**	(1.7)	1.1
Profit for the period	**41.8**	58.0	53.0
Total recognised income and expense for the period attributable to equity holders of the Company	**44.3**	56.3	54.1

Tawa plc Consolidated balance sheet

	Notes	**30 June 2007 $m**	30 June 2006 $m	31 Dec 2006 $m
Assets				
Cash and cash equivalents		**74.2**	6.9	5.7
Investments: Debt and equity securities		**123.1**	–	–
Loans and receivables including insurance receivables		**10.5**	2.9	3.7
Reinsurers' share of technical provisions	6	**19.2**	–	–
Property, plant and equipment		**0.7**	0.9	0.8
Deferred assets	7	**109.2**	109.3	106.0
Interests in associates	8	**12.9**	13.1	12.6
Goodwill	9	**18.2**	18.2	18.2
Total assets		**368.0**	151.3	147.0
Equity				
Share capital	10	**57.2**	57.2	57.2
Retained earnings	11	**129.6**	87.5	85.3
Total equity attributable to equity holders		**186.8**	144.7	142.5
Liabilities				
Creditors arising out of reinsurance operations		**2.7**	–	–
Other liabilities		**6.8**	6.6	4.5
Financial liabilities – borrowings	12	**70.0**	–	–
Technical provisions	6	**101.7**	–	–
Total liabilities		**181.2**	6.6	4.5
Total liabilities and equity		**368.0**	151.3	147.0

Tawa plc Consolidated cash flow statement

	Notes	**6 months 30 June 2007 $m**	6 months 30 June 2006 Continuing $m	Discontinued $m	Total $m	12 months 31 Dec 2006 Continuing $m	Discontinued $m	Total $m
Cash used in operating activities	13	**(0.4)**	(2.5)	(46.3)	(48.8)	(4.2)	(46.3)	(50.5)
Cash payments to acquire equity and debt securities		**(19.2)**	–	(88.0)	(88.0)	–	(88.0)	(88.0)
Cash receipts from sale of equity and debt securities		**9.9**	–	125.6	125.6	–	125.6	125.6
Cash transferred from investing activities		**(37.9)**	–	–	–	–	–	–
Cash receipts from interest and dividends		**1.1**	0.2	–	0.2	0.7	–	0.7
Acquisition of subsidiary net of cash and cash equivalents		**45.0**	–	–	–	–	–	–
Cash (used in)/generated from investing activities		**(1.1)**	0.2	37.6	37.8	0.7	37.6	38.3
Proceeds from financial borrowings		**70.0**	–	–	–	–	–	–
Cash flows generated from financing activities		**70.0**	–	–	–	–	–	–
Net increase/(decrease) in cash and cash equivalents		**68.5**	(2.3)	(8.7)	(11.0)	(3.5)	(8.7)	(12.2)
Cash and cash equivalents at beginning of period		**5.7**	9.2	14.3	23.5	9.2	14.3	23.5
Cash held in associates		**–**	–	(5.6)	(5.6)	–	(5.6)	(5.6)
Cash and cash equivalents at end of period		**74.2**	6.9	(0.0)	6.9	5.7	(0.0)	5.7

1 General information

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

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

On 21 March 2006, the Company disposed of the majority of its 100% shareholding in CX Reinsurance Company Limited ("CX Re"), whose primary business activity had been the carrying out of reinsurance contracts written prior to August 2001, when it ceased underwriting new business. As a result of the disposal, the classification of the Company's shareholding in CX Re changed from "subsidiary" to "associate" as the Company retains 49.95% of the voting power. Consequently, the operating results, assets and liabilities have been treated as discontinued for all years up to the date of sale. The profit on disposal was included in "Profit for the year from discontinued operations" in the Income Statement. Deferred consideration related to the disposal of CX Re has been recorded in the balance sheet. Any future adjustments to deferred consideration are accounted for as adjustments to the profit on disposal in the years in which the adjustments to the deferred consideration arise.

The Group acquired the entire share capital of KX Reinsurance Company Limited in May 2007.

2 Accounting policies

These interim consolidated financial statements have been prepared in accordance with the accounting policies that are anticipated to be used in preparation of the annual financial statements for the year ended 31 December 2007. These accounting policies were published in the AIM Admission Document dated 20 July 2007. A summary of the key differences between IFRS and UK GAAP is presented in note 18.

3 Segmental information

Primary segment information – operating results by operating segment

The Group has three primary segments:

- Underwriting Run-off;
- Run-off Management Services; and
- Other Corporate Activities.

3 Segmental information continued

Primary segment information – operating results by operating segment continued

Six months ended 30 June 2007

	Underwriting Run-off $m	Run-off Management $m	Other Corporate Activities $m	Eliminations $m	**Total $m**
Continuing operations					
Investment return	0.7	0.3	0.2	–	**1.2**
Revenue	–	15.2	–	(2.2)	**13.0**
Other income	–	–	1.0	(1.0)	**–**
Net income	0.7	15.5	1.2	(3.2)	**14.2**
Insurance claims and loss adjustment expenses	0.1	–	–	0.3	**0.4**
Insurance claims and loss adjustment expenses recovered from reinsurers	(0.2)	–	–	–	**(0.2)**
Net insurance claims	(0.1)	–	–	0.3	**0.2**
Cost of services	–	(13.4)	(0.8)	1.8	**(12.4)**
Administrative expenses	(0.2)	(0.3)	(2.0)	(1.4)	**(3.9)**
Expenses	(0.2)	(13.7)	(2.8)	0.4	**(16.3)**
Results of operating activities	0.4	1.8	(1.6)	(2.5)	**(1.9)**
Share of results of associates	–	–	0.3	–	**0.3**
Negative goodwill recognised	–	–	41.5	–	**41.5**
Profit/(loss) before finance costs	0.4	1.8	40.2	(2.5)	**39.9**
Finance costs	–	–	(0.5)	–	**(0.5)**
Profit/(loss) before tax	0.4	1.8	39.7	(2.5)	**39.4**
Income tax	–	–	–	–	**–**
Profit/(loss) for the period from continuing operations	0.4	1.8	39.7	(2.5)	**39.4**
Profit for the period from discontinued operations	–	–	2.4	–	**2.4**
Profit/(loss) for the period	0.4	1.8	42.1	(2.5)	**41.8**

3 Segmental information continued

Primary segment information – operating results by operating segment continued

Six months ended 30 June 2006

	Underwriting Run-off $m	Run-off Management $m	Other Corporate Activities $m	Eliminations $m	Total $m
Continuing operations					
Investment return	–	0.2	–	–	0.2
Revenue	–	12.9	–	(6.7)	6.2
Other income	–	–	0.2	(0.1)	0.1
Net income	–	13.1	0.2	(6.8)	6.5
Insurance claims and loss adjustment expenses	–	–	–	–	–
Insurance claims and loss adjustment expenses recovered from reinsurers	–	–	–	–	–
Net insurance claims	–	–	–	–	–
Cost of services	–	(12.0)	–	5.7	(6.3)
Administrative expenses	–	(0.4)	(1.4)	–	(1.8)
Expenses	–	(12.4)	(1.4)	5.7	(8.1)
Results of operating activities	–	0.7	(1.2)	(1.1)	(1.6)
Share of results of associates	–	–	6.2	–	6.2
Negative goodwill recognised	–	–	–	–	–
Profit/(loss) before finance costs	–	0.7	5.0	(1.1)	4.6
Finance costs	–	–	–	–	–
Profit/(loss) before tax	–	0.7	5.0	(1.1)	4.6
Income tax	–	–	–	–	–
Profit/(loss) for the period from continuing operations	–	0.7	5.0	(1.1)	4.6
Profit for the period from discontinued operations	(9.7)	–	63.1	–	53.4
Profit/(loss) for the period	(9.7)	0.7	68.1	(1.1)	58.0

3 Segmental information continued

Primary segment information – operating results by operating segment continued

Year ended 31 December 2006

	Underwriting Run-off $m	Run-off Management $m	Other Corporate Activities $m	Eliminations $m	Total $m
Continuing operations					
Investment return	–	0.6	–	–	0.6
Revenue	–	28.6	–	(6.7)	21.9
Other income	–	–	0.1	–	0.1
Net income	–	29.2	0.1	(6.7)	22.6
Insurance claims and loss adjustment expenses	–	–	–	–	–
Insurance claims and loss adjustment expenses recovered from reinsurers	–	–	–	–	–
Net insurance claims	–	–	–	–	–
Cost of services	–	(24.3)	–	5.7	(18.6)
Administrative expenses	–	(4.3)	–	–	(4.3)
Expenses	–	(28.6)	–	5.7	(22.9)
Results of operating activities	–	0.6	0.1	(1.0)	(0.3)
Share of results of associates	–	–	5.6	–	5.6
Negative goodwill recognised	–	–	–	–	–
Profit/(loss) before finance costs	–	0.6	5.7	(1.0)	5.3
Finance costs	–	(0.2)	–	–	(0.2)
Profit/(loss) before tax	–	0.4	5.7	(1.0)	5.1
Income tax	–	–	–	–	–
Profit/(loss) for the period from continuing operations	–	0.4	5.7	(1.0)	5.1
Profit for the period from discontinued operations	(9.7)	–	57.6	–	47.9
Profit/(loss) for the period	(9.7)	0.4	63.3	(1.0)	53.0

Secondary segment information – Geographical analysis

All of the Group's revenue is derived from providing services to UK entities and the assets and liabilities are not managed on a geographical basis. Accordingly no geographical segmental information has been provided.

4 Investment return

	6 months 2007 $m	6 months 2006 $m	12 months 2006 $m
Cash and cash equivalents interest income	**1.1**	0.2	0.6
Realised gains and losses on investments	**(0.1)**	–	–
Unrealised gains and losses on investments	**0.2**	–	–
	1.2	0.2	0.6

5 Income tax

	6 months 2007 $m	6 months 2006 $m	12 months 2006 $m
Current tax (continuing activities)	**–**	–	–
Current tax (discontinued activities)	**–**	(2.3)	(2.3)
Deferred tax (continuing and discontinued activities)	**–**	–	–

UK corporation tax is calculated at 30% (31 December 2006 and 30 June 2006 30%) of the estimated assessable UK profit for the year. The tax charge for the 31 December 2006 period presented varied from the stated rate of UK corporation tax.

6 Technical provisions

	30 June 2007 $m	30 June 2006 $m	31 Dec 2006 $m
Gross claims outstanding			
Provision for claims outstanding, reported and not reported	**122.6**	–	–
Discount	**(43.9)**	–	–
	78.7	–	–
Claims handling provisions	**14.3**	–	–
Insurance risk premium	**8.7**	–	–
Total gross claims outstanding	**101.7**	–	–
Reinsurance			
Provision for claims outstanding, reported and not reported	**31.5**	–	–
Discount	**(12.3)**	–	–
Total reinsurers' share of claims outstanding	**19.2**	–	–
Undiscounted claims outstanding, net of reinsurance	**114.1**	–	–
Discount	**(31.6)**	–	–
Claims outstanding net of reinsurance	**82.5**	–	–

7 Deferred assets

Deferred assets relate to the consideration outstanding on the disposal of CX Re, as described in note 1. 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. Deferred consideration consists of $20.6 million in respect of a transaction facilitation fee and $88.6 million of proceeds on the disposal of CX Re, a total of $109.2 million. Of this sum, $47 million arises through the offset of CX Re's tax losses for its accounting period ended 31 December 2006 by the shareholders against their respective taxable profits. These proceeds will not be released to the Group until the claiming companies agree their tax returns for the relevant periods with HMRC.

8 Interests in associates

On 21 March 2006, the Company disposed of 87.35% of its shareholding in CX Re. The retained shareholding of 12.65% has been accounted for under the equity method since that date. The Company retains 49.95% of the voting shares. The following table provides a summary of the financial results and position of CX Re for the period 21 March 2006 to 30 June 2007:

Associate: CX Re

	$m
Carrying value at 21 March 2006	6.9
12.65% Share of associate's profits to 30 June 2006	6.2
Carrying value at 30 June 2006	13.1
12.65% Share of associate's profits to 31 December 2006	(0.5)
Carrying value at 31 December 2006	12.6
12.65% Share of associate's profits to 30 June 2007	0.3
Carrying value at 30 June 2007	**12.9**

9 Goodwill

	30 June 2007 $m	30 June 2006 $m	31 Dec 2006 $m
Carrying value at 31 December and 30 June	**18.2**	18.2	18.2

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to the run-off services segment. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations.

10 Share capital

	Number '000	30 June 2007 $m	Number '000	30 June 2006 $m	Number '000	31 Dec 2006 $m
Authorised:						
Preferred shares of £0.10	**1,499,990**	**293.9**	1,499,990	293.9	1,499,990	293.9
Deferred shares of £0.10	**10**	–	10	–	10	–
Total authorised	**1,500,000**	**293.9**	1,500,000	293.9	1,500,000	293.9
Allotted, called up and fully paid:						
Preferred shares of £0.10	**292,001**	**57.2**	292,001	57.2	292,001	57.2
Deferred shares of £0.10	**2**	–	2	–	2	–
Total allotted, called up and fully paid	**292,003**	**57.2**	292,003	57.2	292,003	57.2

11 Reserves

	Retained Earnings $m
As at 31 December 2005	31.2
Profit for the period	58.0
Translation loss – gross	(1.7)
As at 30 June 2006	87.5
As at 1 July 2006	87.5
Loss for the period	(5.0)
Translation gains – gross	2.8
As at 31 December 2006	85.3
As at 1 January 2007	85.3
Profit for the period	41.8
Translation gains – gross	2.5
As at 30 June 2007	**129.6**

12 Financial liabilities – borrowings

	30 June 2007 $m	30 June 2006 $m	31 Dec 2006 $m
Bridging loan from parent company	**35.0**	–	–
Bank loan falling due after more than one year	**35.0**	–	–
	70.0	–	–

Interest was payable at LIBOR +1% on the bridging loan from Financière Pinault.

Interest was payable at LIBOR +2.5% on the bank loan.

13 Cash (used in)/generated from operations

	6 months 30 June 2007 $m	6 months 30 June 2006 Continuing $m	Discontinued $m	Total $m	12 months 31 Dec 2006 Continuing $m	Discontinued $m	Total $m
Profit for the period	**41.8**	10.1	47.9	58.0	5.1	47.9	53.0
Adjustments for:							
– depreciation	**(0.1)**	(0.1)	–	(0.1)	0.4	–	0.4
– (additions)/disposals of fixed asset	**(41.5)**	30.8	–	30.8	25.3	–	25.3
Investment return for the period transferred to investing activities	**(1.5)**	–	(6.3)	(6.3)	–	(6.3)	(6.3)
Loss/(profit) on foreign exchange	**1.9**	(1.5)	7.6	6.1	(0.1)	7.6	7.5
	0.6	39.3	49.2	88.5	30.7	49.2	79.9
Change in operating assets and liabilities							
Net change in insurance receivables and liabilities	**(0.7)**	–	(42.1)	(42.1)	–	(42.1)	(42.1)
Net increase in loans and receivables	**(1.8)**	(43.9)	(54.2)	(98.1)	(35.1)	(54.2)	(89.3)
Net increase in other operating liabilities	**1.5**	2.1	0.8	2.9	0.2	0.8	1.0
Cash used in operations	**(0.4)**	(2.5)	(46.3)	(48.8)	(4.2)	(46.3)	(50.5)

14 Business combinations

On 4 May 2007, 100% of the issued share capital of KX Reinsurance Company Limited was acquired by KX Re Holdings Limited, a wholly owned subsidiary. The table below shows the consideration paid, the net assets at fair values (considered equal to carrying values) and the negative goodwill arising on acquisition.

	$m
Cost	68.1
Less:	
Assets	216.3
Liabilities	(98.0)
Net assets acquired	118.3
	50.2
Insurance risk premium	(8.7)
Negative goodwill on acquisition	41.5

Since acquisition, the acquired company and its subsidiary have contributed profits of $0.2m after the elimination of intra-group income and expenses.

15 Related party transactions

One of the Company's subsidiaries, Tawa Management Limited, provides insurance run-off management services to CX Reinsurance Company Limited an associate of the Group in which the company has a 12.65% share 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.

A run-off management fee of $2 million was charged to CX Reinsurance Company Limited by Tawa Management Limited. Expenses recharged at cost amounted to $10.7 million.

Parent – Financière Pinault

Loans made to the Group by Financière Pinault:

	$m
Bridging loan granted 4 May 2007	35.0
Balance at 30 June 2007	**35.0**

15 Related party transactions continued

Loans from Financière Pinault were subject to a general treasury agreement for the Financière Pinault group. Interest was payable at LIBOR +1%. This agreement was terminated on the 27 July 2007.

The bridging loan of $35 million was repaid in full on 30 July 2007. Interest of $0.3 million was paid on the loan during the period.

During the period the Group paid $0.05 million to Financière Pinault for various services including access to some key employees.

Immediate and ultimate parent company

In the opinion of the Directors, the immediate and ultimate parent company is Financière Pinault S.C.A., a company 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.

16 Contingent liabilities

The Group's subsidiaries and its associate 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 2007 (2006: no contingent liabilities).

17 Post balance sheet events

The Group was admitted to the Alternative Investment Market (AIM) on 26 July 2007. $50 million, net of costs, was raised as a result of the flotation, of which $35 million was used to repay the bridging loan made by the parent company, Financière Pinault. Following the flotation, the number of shares in issue was 101.9 million.

18 Transition to IFRS

As part of the transition from UK GAAP to IFRS, the following changes have been effected:

- The accounts have been prepared as consolidated accounts, incorporating the results and net assets of the Company's subsidiaries;
- The Company has chosen the exemption under IFRS 1 not to reconsider business combinations prior to the date of transition; and
- The Company has chosen to retain the value of property, plant and equipment as under prior GAAP and not to revalue them.

19 Statutory accounts

The information for the year ended 31 December 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. No consolidated statutory accounts for that year were prepared nor delivered to the Registrar of Companies since Tawa plc was not required to prepare consolidated financial statements.

20 Independent review

The interim results have been reviewed by the Group's auditors, Deloitte & Touche LLP, and their review report is set out on page 19.

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and related notes 1 to 20. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 them 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.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP
Chartered Accountants
London
25 September 2007

Tawa plc Company information

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Gilles Marie Jacques Erulin
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Colin Graham Bird
Chief Financial Officer

David Andrew Vaughan
Chief Operating Officer

Anthony John Hamilton
Independent Non-executive Director

John Joseph Hendrickson
Independent Non-executive Director

Patricia Marie Marguerite Barbizet
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