





Tawa plc is an investment vehicle formed in 2001 with the purpose of acquiring or developing assets and business in the run-off segment of the insurance industry. Tawa is interested in acquiring run-off portfolios of insurance and reinsurance companies, companies and businesses providing services to the run-off industry, but also in developing its own products to serve the run-off market.

By creating a diversified portfolio of businesses at different stages of the run-off process Tawa intends to be 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 (CX Re), KX Reinsurance Company Limited (KX Re) and PXRE Reinsurance Company (PXRE). Its service companies Tawa Management and Tawa Consulting provide services to these three companies and to third parties. Tawa also operates as an incubator for new projects and is currently developing STRIPE, a new claims and post placement transactions processing platform.

In July 2007 Tawa plc was floated on the AIM market.

Highlights

Tawa returns to profit and significantly strengthens its balance sheet with the repayment of \$37.4 million of debt.

During the first six months of 2009, Tawa returned to profit following the turbulence within the bond markets during 2008. Net profits for the period were \$2.3 million up from \$1.4 million in the six months to 30 June 2008. The Group also achieved a capital extraction of \$40 million from its subsidiary, KX Re, of which \$37.4 million was utilised to repay bank debt taken on at the time of KX Re's acquisition.

The Group continues to develop further opportunities within the run-off market including acquisitions, market service initiatives and consultancy assignments. Recent sales of companies in run-off, which have been put out to tender, have indicated that prices are becoming more realistic. However, prices are still high and Tawa remains determined to maintain pricing discipline and will not jeopardise shareholder value by not adequately reflecting risks within its pricing of portfolios.

Financial results

Ongoing operations contributed \$2.9 million to overall profits. During the interim period the Group reviewed goodwill held on the balance sheet and reduced it by \$5 million. Overall, including the goodwill reduction, the continuing operations returned an accounting loss of \$2.1 million. The profit on discontinued operations was \$4.4 million, resulting in a Group net profit of \$2.3 million.

During the period Group net assets increased by \$5.6 million, from \$214.6 million at 31 December 2008 to \$220.2 million (\$1.95/£1.18 per share) at 30 June 2009.

Dividend and dividend policy

In line with the Group's dividend policy a final dividend for the year ended 31 December 2008 of 0.8 cents (0.5 pence) per share was paid in July 2009. The Group does not propose the payment of a dividend relating to the interim period.

Operational results

The Group's operations are underwriting run-off, run-off management and other corporate activities.

Underwriting run-off

Underwriting run-off comprises the Group's insurance subsidiaries in run-off, namely KX Re and PXRE. The objective for the Group is to reduce insurance liabilities by accelerating the natural run-off of the portfolios to enable extraction of capital with regulatory consent. The underwriting run-off profit for the period was \$5.7 million and the Group reduced net insurance liabilities by \$22.1 million. A dividend of \$40 million was paid on 25 June 2009 by KX Re which was utilised to repay bank borrowings of \$37.4 million and to provide working capital for the Group.

Run-off management

Run-off management represents the results of the Group's providers of run-off management and consultancy services. The revenue comprises income from consultancy services, inspections performed, run-off fees and expenses recharged. Profit for the period was \$1.4 million which was broadly in line with the business plan.

Other corporate activities

Other corporate activities summarises acquisition activity, 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.

Through the Group's remaining investment in 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. During the interim period CX Re net assets increased by \$5.0 million, to \$52.3 million. The principal contributory factors were:

- The significant rally within the bond markets and the strengthening of Sterling since March 2008 has provided a benefit of \$12.7 million to the balance sheet. This performance has validated the company's investment strategy of retaining investments with unrealised losses to enable the company to benefit from future unwinding of losses, subject to regular review of the security of investments and the overall risk profile of the portfolio. The investment managers have taken the opportunity afforded by the improvement in the bond prices to reduce the holdings of Commercial Mortgage Backed Securities ("CMBS") and to invest in certain new issues of bonds of which several have the backing of the US Treasury. The average credit rating of CX Re's investment portfolio remains AA+.
- Net discounted claims reserves and provision for expenses reduced in the period from \$169.1 million to \$158.9 million. There was a net incurred deterioration on insurance risks of \$3.6 million. In addition CX Re strengthened its ULAE (a provision for future management costs) by \$5 million.

Future prospects

The Group is well positioned to deliver its strategy of investing in the run-off market, whether acquiring run-off portfolios, as a service provider, or developing innovative products for the industry. Its short term key goal remains extraction of capital from the insurance carriers in which it has invested as well as creating further value for its shareholders by making considered, appropriately priced investments in run-off portfolios and developing innovative service products for the global insurance market.

Notes	6 months 30 Jun 2009 (Unaudited) \$m	6 months 30 Jun 2008 (Unaudited) \$m	12 months 31 Dec 2008 (Audited) \$m
Continuing operations			
Income			
	(1.2)	0.1	0.5
	0.3	(0.1)	0.2
	(0.9)	–	0.7
	4.3	11.9	20.3
	(0.9)	2.6	15.7
	2.5	14.5	36.7
	12.5	6.4	(10.0)
	(1.9)	0.4	2.8
	10.6	6.8	(7.2)
	(3.1)	(7.0)	(13.5)
	(5.8)	(6.4)	(16.1)
	(8.9)	(13.4)	(29.6)
	4.2	7.9	(0.1)
	–	7.8	6.4
8	(5.0)	–	–
	(0.8)	15.7	6.3
	0.6	(1.5)	(5.7)
	(1.9)	(2.5)	(4.4)
	(2.1)	11.7	(3.8)
	–	–	0.6
	(2.1)	11.7	(3.2)
4	4.4	(10.3)	(39.2)
	2.3	1.4	(42.4)
Attributable to:			
	2.3	1.4	(42.4)
Earnings per share			
From continuing and discontinued operations			
5	0.0204	0.0133	(0.3847)
	0.0196	0.0130	(0.3758)
From continuing operations			
5	(0.0186)	0.1108	(0.0290)
	(0.0179)	0.1090	(0.0284)

	Notes	30 Jun 2009 (Unaudited) \$m	30 Jun 2008 (Unaudited) \$m	31 Dec 2008 (Audited) \$m
Assets				
Cash and cash equivalents		22.0	53.9	29.0
Financial assets – investments		291.9	328.5	322.4
Loans and receivables including insurance receivables		44.5	40.4	66.1
Reinsurers' share of technical provisions		26.5	48.7	31.5
Property, plant and equipment		1.1	1.4	1.0
Deferred assets	7	67.4	94.4	59.9
Interest in associate		6.6	10.2	6.0
Goodwill	8	13.2	18.2	18.2
Total assets		473.2	595.7	534.1
Equity				
Share capital		22.2	22.2	22.2
Share premium		111.4	111.4	111.4
Share based payments reserve		1.7	0.6	1.3
Retained earnings		84.9	129.2	79.7
Total equity attributable to equity holders		220.2	263.4	214.6
Liabilities				
Creditors arising out of insurance operations		64.3	68.7	65.3
Other liabilities		6.0	8.2	8.9
Financial liabilities – borrowings	9	32.3	66.0	67.8
Technical provisions		150.4	189.4	177.5
Total liabilities		253.0	332.3	319.5
Total liabilities and equity		473.2	595.7	534.1

	Note	6 months 30 Jun 2009 (Unaudited) \$m	6 months 30 Jun 2008 (Unaudited) \$m	12 months 31 Dec 2008 (Audited) \$m
Net cash used in operations	10	(0.7)	(6.9)	(66.6)
Investing activities				
Cash payments to acquire debt securities		(337.1)	(494.2)	(1,023.6)
Cash receipts from sale of debt securities		356.1	515.3	1,038.8
Cash transferred from/(to) investing activities		5.9	(7.5)	26.9
Cash receipts from interest		4.6	4.5	7.2
Purchases of property, plant and equipment		(0.2)	(1.5)	(1.3)
Acquisition of subsidiary net of cash and cash equivalents		–	(49.4)	(49.4)
Cash generated by/(used) in investing activities		29.3	(32.8)	(1.4)
Financing activities				
Dividend paid		–	(3.3)	(3.3)
Proceeds from issue of equity shares		–	28.4	28.4
Proceeds from financial borrowings		7.8	30.0	33.4
Repayment of financial borrowings		(43.4)	–	–
Cash flows (utilised in)/generated from financing activities		(35.6)	55.1	58.5
Net (decrease)/increase in cash and cash equivalents		(7.0)	15.4	(9.5)
Cash and cash equivalents at beginning of period		29.0	38.5	38.5
Cash and cash equivalents at end of period		22.0	53.9	29.0

	6 months 30 Jun 2009 (Unaudited) \$m	6 months 30 Jun 2008 (Unaudited) \$m	12 months 31 Dec 2008 (Audited) \$m
Profit/(loss) for the period	2.3	1.4	(42.4)
Other comprehensive income/(losses)			
Currency translation differences	2.9	(0.8)	(6.5)
Total comprehensive income/(losses) for the period	5.2	0.6	(48.9)
Attributable to:			
Equity holders of the Group	5.2	0.6	(48.9)

Tawa plc Condensed consolidated statement of changes in equity

As at 30 June 2009

	Issued capital \$m	Share premium reserve \$m	Share based payments reserve \$m	Retained earnings \$m	Total \$m
Balance at 1 January 2008	20.0	85.2	–	131.9	237.1
Share issue	2.2	–	–	–	2.2
Premium arising on issue of equity shares	–	26.5	–	–	26.5
Expenses on issue of equity shares	–	(0.3)	–	–	(0.3)
Share based payments	–	–	0.6	–	0.6
Dividends paid	–	–	–	(3.3)	(3.3)
Total comprehensive income for the period	–	–	–	0.6	0.6
Balance at 30 June 2008 (Unaudited)	22.2	111.4	0.6	129.2	263.4
Balance at 1 July 2008	22.2	111.4	0.6	129.2	263.4
Share based payments	–	–	0.7	–	0.7
Total comprehensive losses for the period	–	–	–	(49.5)	(49.5)
Balance at 31 December 2008 (Audited)	22.2	111.4	1.3	79.7	214.6
Balance at 1 January 2009	22.2	111.4	1.3	79.7	214.6
Share based payments	–	–	0.4	–	0.4
Total comprehensive income for the period	–	–	–	5.2	5.2
Balance at 30 June 2009 (Unaudited)	22.2	111.4	1.7	84.9	220.2

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.

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 Company's consolidated financial statements for the year ended 31 December 2008. 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 237(2) or (3) of the Companies Act 1985.

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. On 25 March 2009 the Financial Services Authority confirmed that they had no objection to a \$40 million capital reduction from subsidiary KX Reinsurance Company Limited. Part of the KX Reinsurance Company Limited initial capital distribution was utilised to repay in whole the outstanding acquisition debt of \$37.4 million. The remainder was used to provide working capital at Group level. 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 Directors confirm that the risks disclosed in the Company's consolidated financial statements for the year ended 31 December 2008 are still relevant for the current period and the remaining period to the year end. A description of these risks is included in note 5 to the 31 December 2008 consolidated financial statements, namely; insurance risk, market risk (including interest rate risk), credit risk, liquidity risk, foreign currency risk and risk related to the Group's deferred assets.

The interim results have been reviewed by the Group's auditors, Deloitte LLP, and their review report is set out on page 17.

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 financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2008.

During the period ended 30 June 2009 the Group adopted the following significant standards and revisions to standards:

- IFRS 8 (Revised) "Operating Segments" with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive to allocate resources to the segments and assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach.
- IAS 1 (Revised) "Presentation of financial statements" with effect from 1 January 2009. The revised standard aims to ensure comparability both with the Group's financial statements of previous periods and with the financial statements of other entities. The adoption of the revised standard has no effect on the results reported in the consolidated financial statements. It does however result in certain presentational changes in the Group's financial statements, including:
 - the presentation of all items in the income statement in two financial statements, a "Condensed consolidated income statement" and a "Condensed consolidated statement of comprehensive income".
- During the period the Group adopted some amendments to standards and interpretations which had no significant effect on the consolidated financial statements.

3 Segmental information

Following the adoption of IFRS 8, the Group's reportable segments have not changed as the business segments reported to the Group Chief Executive follow clear lines with distinct risk and rewards which formed the basis under IAS 14.

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

- Underwriting run-off;
- Run-off management services; 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 the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central corporate expenses and tax expense. This is the measure reported to the Group Chief Executive for the purposes of resource allocation and assessment of segment performance. Amounts reported for the prior period have been restated to conform to the requirements of IFRS 8.

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 2009	Underwriting run-off \$m	Run-off management \$m	Other corporate activities \$m	Intra-group \$m	Total \$m
Continuing operations					
Income					
Insurance premium expense	(1.2)	–	–	–	(1.2)
Insurance premium ceded to reinsurers	0.3	–	–	–	0.3
Net earned premium expense	(0.9)	–	–	–	(0.9)
Revenue from run-off services	–	11.6	0.2	(7.5)	4.3
Investment return	(1.0)	–	0.1	–	(0.9)
Segment income	(1.9)	11.6	0.3	(7.5)	2.5
Insurance claims and loss adjustment expenses	10.0	(0.7)	2.3	0.9	12.5
Insurance claims and loss adjustment expenses recovered from reinsurers	(1.3)	–	(0.6)	–	(1.9)
Net insurance claims	8.7	(0.7)	1.7	0.9	10.6
Cost of run-off services	(0.1)	(9.0)	(0.6)	6.6	(3.1)
Administrative expenses	(1.0)	(0.5)	(4.3)	–	(5.8)
Segment expenses	(1.1)	(9.5)	(4.9)	6.6	(8.9)
Segment results of operating activities before goodwill write-off	5.7	1.4	(2.9)	–	4.2
Goodwill write-off	–	(5.0)	–	–	(5.0)
Segment results of operating activities	5.7	(3.6)	(2.9)	–	(0.8)
Share of results of associate	–	–	0.6	–	0.6
Finance costs	–	–	(1.9)	–	(1.9)
Profit for the period from discontinued operations	–	–	4.4	–	4.4
Segment profit/(loss) for the period	5.7	(3.6)	0.2	–	2.3

3 Segmental information continued

For the period ended 30 June 2008	Underwriting run-off \$m	Run-off management \$m	Other corporate activities \$m	Intra-group \$m	Total \$m
Continuing operations					
Income					
Insurance premium revenue	0.1	–	–	–	0.1
Insurance premium ceded to reinsurers	(0.1)	–	–	–	(0.1)
Net earned premium revenue	–	–	–	–	–
Revenue from run-off services	–	21.1	0.6	(9.8)	11.9
Investment return	2.2	–	0.4	–	2.6
Segment income	2.2	21.1	1.0	(9.8)	14.5
Insurance claims and loss adjustment expenses	6.6	(1.1)	0.6	0.3	6.4
Insurance claims and loss adjustment expenses recovered from reinsurers	0.4	–	–	–	0.4
Net insurance claims	7.0	(1.1)	0.6	0.3	6.8
Cost of run-off services	(0.1)	(16.4)	–	9.5	(7.0)
Administrative expenses	0.7	(1.2)	(5.9)	–	(6.4)
Segment expenses	0.6	(17.6)	(5.9)	9.5	(13.4)
Segment results of operating activities before negative goodwill recognised	9.8	2.4	(4.3)	–	7.9
Negative goodwill recognised	–	–	7.8	–	7.8
Segment results of operating activities	9.8	2.4	3.5	–	15.7
Share of results of associate	–	–	(1.5)	–	(1.5)
Finance costs	–	–	(2.5)	–	(2.5)
Loss for the period from discontinued operations	–	–	(10.3)	–	(10.3)
Segment profit/(loss) for the period	9.8	2.4	(10.8)	–	1.4

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 2009	Underwriting run-off \$m	Run-off management \$m	Other corporate activities \$m	Total \$m
Segment assets	374.4	11.2	87.6	473.2
Segment liabilities	(205.4)	(4.6)	(43.0)	(253.0)
Segment net asset	169.0	6.6	44.6	220.2
Capital expenditure	–	0.2	–	0.2
Depreciation	–	(0.2)	–	(0.2)
Goodwill write-off	–	(5.0)	–	(5.0)
Amortisation of risk premium	–	–	1.9	1.9

3 Segmental information continued

As at 30 June 2008	Underwriting run-off \$m	Run-off management \$m	Other corporate activities \$m	Total \$m
Segment assets	456.6	19.9	119.2	595.7
Segment liabilities	(249.5)	(5.8)	(77.0)	(332.3)
Segment net assets	207.1	14.1	42.2	263.4
Capital expenditure	–	1.5	–	1.5
Depreciation	–	(0.2)	–	(0.2)
Amortisation of risk premium	–	–	0.6	0.6

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.

Revenue from major products and services

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

Geographical information

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

As at 30 June 2009	United Kingdom \$m	United States of America \$m	Total \$m
Segment revenue	1.3	1.2	2.5
Segment net assets	144.5	75.7	220.2

As at 30 June 2008	United Kingdom \$m	United States of America \$m	Total \$m
Segment revenue	9.3	5.2	14.5
Segment net assets	185.1	78.3	263.4

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.

4 Discontinued operation

On 21 March 2006, the Company sold a significant proportion (87.35%) of its "A" shareholding in CX Reinsurance Company Limited 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 2009 \$m	30 Jun 2008 \$m	31 Dec 2008 \$m
Profit/(loss) on sale of investment	4.4	(10.3)	(39.2)

5 Earnings per share

	30 Jun 2009 \$m	30 Jun 2008 \$m	31 Dec 2008 \$m
Earnings			
Earnings for the purposes of basic earnings per share from continuing and discontinued operations being net profit/(loss) attributable to equity holders of the Group	2.3	1.4	(42.4)
Earnings for the purposes of basic earnings per share from continuing operations being net (loss)/profit attributable to equity holders of the Group	(2.1)	11.7	(3.2)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	112,987,164	105,589,733	110,213,127
Effect of dilutive potential ordinary shares: Share options	4,435,532	1,740,000	2,617,627
Weighted average number of ordinary shares for the purposes of diluted earnings per share	117,422,696	107,329,733	112,830,754
	\$	\$	\$
Basic earnings per share			
From continuing and discontinued operations			
Basic: Ordinary shares (\$ per share)	0.0204	0.0133	(0.3847)
Diluted: Ordinary shares (\$ per share)	0.0196	0.0130	(0.3758)
From continuing operations			
Basic: Ordinary shares (\$ per share)	(0.0186)	0.1108	(0.0290)
Diluted: Ordinary shares (\$ per share)	(0.0179)	0.1090	(0.0284)

6 Dividends

During the interim period no dividends were paid to the shareholders (Jun 2008: 2.96 cents per share).

7 Deferred assets

Deferred assets relate to the consideration outstanding on the disposal of a subsidiary CX Reinsurance Company Limited, as described in note 4, and a transaction facilitation fee. Part of the deferred consideration is related to the net asset value of CX Reinsurance Company Limited and is subject to net asset value adjustments through the income statement.

	30 Jun 2009	30 Jun 2008	31 Dec 2008
	\$m	\$m	\$m
Facilitation fee	20.6	24.0	18.5
Deferred consideration	46.8	70.4	41.4
Deferred assets	67.4	94.4	59.9

8 Goodwill

As at 30 June 2009 the run-off management segment carried goodwill. For the purpose of testing goodwill for impairment, the Group compares the cash-generating unit's current carrying value of goodwill with the higher of its fair value less costs to sell or value in use.

Current acquisition activity within the Group has been significantly below anticipated levels and the reduced likelihood of future acquisitions being completed has led to the recognition of impairment losses.

The recoverable amount of the cash-generating unit is its value in use. The current estimate of the cash-generating unit's value in use is \$13.2 million using a discount rate of 10%. Compared to the current carrying value of the cash-generating unit's goodwill of \$18.2 million an impairment loss of \$5 million has been recognised in the Group's interim report.

9 Financial liabilities – borrowings

The Group repaid and terminated a term and revolving loan of \$37.4 million on 25 June 2009.

10 Cash used in operating activities

	6 months to 30 Jun 2009			6 months to 30 Jun 2008			12 months to 31 Dec 2008		
	Contin- uing \$m	Discon- tinued \$m	Total \$m	Contin- uing \$m	Discon- tinued \$m	Total \$m	Contin- uing \$m	Discon- tinued \$m	Total \$m
(Loss)/profit for the period	(2.1)	4.4	2.3	11.7	(10.3)	1.4	(3.2)	(39.2)	(42.4)
Adjustments for:									
– share of results of associate	(0.6)	–	(0.6)	1.5	–	1.5	5.7	–	5.7
– discontinued operations	–	(4.4)	(4.4)	–	10.3	10.3	–	39.2	39.2
– negative goodwill	–	–	–	(7.8)	–	(7.8)	(6.4)	–	(6.4)
– investment return	(4.4)	–	(4.4)	(5.1)	–	(5.1)	(11.9)	–	(11.9)
– realised (gains)/losses on investments	(0.5)	–	(0.5)	0.4	–	0.4	1.1	–	1.1
– unrealised losses/(gains) on investments	5.8	–	5.8	2.1	–	2.1	(4.9)	–	(4.9)
– finance costs	1.9	–	1.9	2.5	–	2.5	4.4	–	4.4
– depreciation	0.2	–	0.2	0.2	–	0.2	0.4	–	0.4
– goodwill write-off	5.0	–	5.0	–	–	–	–	–	–
– share based payment expense	0.4	–	0.4	0.3	–	0.3	1.3	–	1.3
– amortisation of risk premium	(1.9)	–	(1.9)	(0.6)	–	(0.6)	(3.2)	–	(3.2)
– other gains and losses	2.9	–	2.9	(0.8)	–	(0.8)	(1.3)	–	(1.3)
	6.7	–	6.7	4.4	–	4.4	(18.0)	–	(18.0)
Change in operating assets and liabilities									
Net decrease in insurance receivables and liabilities	(17.8)	–	(17.8)	(12.4)	–	(12.4)	(31.5)	–	(31.5)
Net decrease/(increase) in loans and receivables	15.1	–	15.1	0.5	–	0.5	(14.1)	–	(14.1)
Net (decrease)/increase in other operating liabilities	(2.9)	–	(2.9)	1.4	–	1.4	2.1	–	2.1
Cash generated by/(used in) operations	1.1	–	1.1	(6.1)	–	(6.1)	(61.5)	–	(61.5)
Interest paid	(1.8)	–	(1.8)	(0.8)	–	(0.8)	(5.1)	–	(5.1)
Net cash used in operations	(0.7)	–	(0.7)	(6.9)	–	(6.9)	(66.6)	–	(66.6)

11 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.

Associate – CX Reinsurance Company Limited

Two of the Company's subsidiaries, Tawa Management Limited and Tawa Consulting Limited, provide 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 by Tawa Management Limited and at an hourly charge out rate by Tawa Consulting Limited.

For the interim period to 30 June 2009 a run-off management fee of \$1.5 million (Jun 2008: \$2 million, Dec 2008: \$4 million) was charged to CX Reinsurance Company Limited by Tawa Management Limited, expenses recharged at cost amounted to \$3.1 million (Jun 2008: \$9.0 million, Dec 2008: \$18 million) and amounts owed to Tawa Management Limited of \$0.2 million (Jun 2008: \$4.6 million, Dec 2008: \$3.1 million). \$0.2 million (Jun 2008: \$0.1 million, Dec 2008: \$0.2 million) was charged by Tawa Consulting Limited.

On 18 June 2008 a sale and repurchase agreement was entered into between CX Reinsurance Company Limited and the Company's subsidiary, KX Reinsurance Company Limited as part of the Group's treasury management. On the same date and under the repurchase agreement CX Reinsurance Company Limited sold an interest in an ECM fund to KX Reinsurance Company Limited for £11.5 million (\$23.5 million at that date). On 6 February 2009 CX Reinsurance Company Limited repurchased this investment for £12.0 million (\$17.3 million at that date) including accrued interest.

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 2009	30 Jun 2008	31 Dec 2008
	\$m	\$m	\$m
Short-term employee benefits	2.7	2.2	3.2
Post-employment benefits	0.4	0.4	0.6
Termination benefits	0.1	–	–
Share based payments	0.3	0.2	0.6
Management remuneration	3.5	2.8	4.4

11 Related party transactions *continued*

Share and loan transactions with members of key management

As at 30 June 2009, the Group had no loans outstanding to key management (30 Jun 2008: \$nil, 31 Dec 2008: \$nil). Share based payments to key management outstanding during the period were as follows:

	30 Jun 2009 Number of share awards	30 Jun 2008 Number of share awards	31 Dec 2008 Number of share awards
Outstanding at the beginning of the period	2,940,281	1,509,600	1,509,600
Granted during the period	2,724,127	1,070,435	1,430,681
Forfeited during the period	(271,652)	–	–
Outstanding at the end of the period	5,392,756	2,580,035	2,940,281

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.

12 Contingent liabilities

Certain of 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 2009 (30 Jun 2008 and 31 Dec 2008: no contingent liabilities).

13 Post balance sheet events

There are no post balance sheet events that require adjustment to, or disclosure in, the financial statements.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of 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 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 inquiries, 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 financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom
25 September 2009

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Chairman and Independent Non-Executive Director

Gilles Erulin
Chief Executive Officer

Colin Bird
Executive Director

David Vaughan
Chief Operating Officer

Anthony Hamilton
Independent Non-Executive Director

John Hendrickson
Independent Non-Executive Director

Patricia Barbizet
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Loïc Brivezac
Non-Executive Director

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