TAL

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LETTER FROM THE CHAIRMAN

6 May 2015

Dear shareholders

I enclose our 2014 report and accounts and notice of our annual general meeting to be held on 24 June 2015.

These are the first audited accounts to be produced since the demerger in April 2014 of the risk carrier business from what was then Tawa plc (now Pro Global Insurance Solutions plc) when TAL became the independent, unlisted holding company for this business.

As announced in November 2014, we have signed a definitive agreement to sell PXRE Reinsurance Company ("PXRE") to Catalina Holdings and with the sale proceeds we will have realised $64m from our investment. We purchased PXRE in 2008 for $56m. Completion of the transaction is contingent upon the approval of PXRE's domiciliary regulatory, the Connecticut Department of Insurance, which we hope to conclude this quarter. As indicated at the time, we anticipated reducing our net asset value by $12m in our 2014 year end accounts to reflect the sale. This forms part of the total reduction during 2014 in consolidated net assets at 31 December 2014 of $25m, full details of which are outlined in the accounts. Please refer to the Strategic Report. At the year end, consolidated net assets were stated at $57m (50 cents per share or 33p at an exchange rate of $1.5 to £1).

The stated objectives of TAL are to maximise the return to shareholders by realising the assets of the group, which are primarily investments in subsidiaries and ongoing litigation. In this latter respect our cash has been increased following the successful conclusion of litigation by shareholders with HMRC which allowed TAL to receive the incentive fees payable by associate CX Re and agreed back in 2006. This has provided us with working capital for the asset realisation process to continue. We expect the sale proceeds of PXRE to repay our external borrowings, leaving the Group essentially debt free, except for some long dated debt within subsidiary Island Capital.

TAL needs to retain sufficient resources to continue the realisation of its assets and to pursue claims against third parties in the USA. We are committed to releasing cash to shareholders from asset realisations, whilst retaining adequate funds to complete the realisation process. We expect this process to continue for the next several years.

Our fixed premium MGA, Lodestar continues to develop, increasing its premium income and developing its product range focussed on vessels up to 40,000 Gross Tons.

Since the year end we have purchased, for a nominal sum, almost all the issued shares of CX Re, increasing our holding from 12.65% to 99.99%. This has allowed us to simplify the structure of CX Re and to commence a sale process for this subsidiary. The net asset value of CX Re at 31 December 2014 was $35m. Under accounting conventions, this value assumes that CX Re will be run off to extinction and takes into account future net investment income by discounting insurance reserves at the risk free rate. The discount amounts to approximately $10m. Some loss of this discount is to be expected if CX Re is sold but we expect the sale to enable us to declare our first post demerger dividend to shareholders.

As a closing note, I would suggest there is considerable uncertainty as to the net realisable value of our assets, both those on the balance sheet, like CX Re, and those not on the balance sheet, primarily the legal actions being conducted against the vendors of PXRE and the claim for rescission of QX Re's reinsurance of lead paint claims in Baltimore. The outcome of both litigations is material to the asset realisation process. In spite of this uncertainty we aim to maximise distributable value to shareholders as some or all of these assets crystallise.

Yours sincerely

CG Bird
Chairman