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Tawa Associates Limited  
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## LETTER FROM THE CHAIRMAN

16<sup>th</sup> June 2016

Dear shareholders

I enclose our 2015 report and accounts and notice of our annual general meeting to be held on 12 July 2016.

These are the second 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.

Our key 2015 achievements have been the satisfactory resolution of the legal action brought against Penn National in the Delaware federal court. This settlement enabled us to launch a return of capital of \$19.2 million to shareholders, equivalent to 11p per share. We also completed the announced sale of the shares in subsidiary PXRE Reinsurance Company ("PXRE") to the Catalina group following receipt of regulatory approval. Proceeds from this sale contributed to the repayment of \$11.9 million of bank debt. We have also now settled the legal action conducted against the vendors of PXRE; the settlement is confidential but there will be no material change to the group's net assets as a consequence.

Our Bermudian risk carrier, Island Capital Limited, is now off risk and is in the process of managing subrogation recoveries. Recently it applied to the Bermuda Monetary Authority to be deregistered as a licensed insurer. We continue to work on releasing surplus capital; much will depend on a major subrogation recovery action now being heard in the US court. The \$10.1 million of subordinated debt within Island Capital is the only remaining external debt within the Group.

During the year, the Group invited offers for the share capital of CX Re, now a wholly owned subsidiary. Ultimately, no offers considered satisfactory to the Group were received. The Group is now focused on continuing actively to reduce the volatility of the claims portfolio of CX Re to realise, over time, value from our investment in the company. Once the volatility of the remaining book has been reduced further, a new sales process might be initiated with the expectation that the heavy risk premium demanded by potential buyers might reduce to a more reasonable level.

For further details please refer to the Strategic Report included in the accounts. At the year end, consolidated net assets were stated at \$43.1 million (38 cents per share or 25p 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. As of today TAL has enough working capital for the asset realisation process to continue and to cover potential off balance-sheet liabilities such as sales warranties. 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.

On a closing note, I would again suggest there is considerable uncertainty as to the net realisable value of our remaining assets and as to the release of non-balance sheet contingent liabilities. The outcome of both is material to our ability to make further distributions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C G Bird', written in a cursive style.

C G Bird

Chairman