

Company Number 4200676

Tawa UK Limited

Report and Accounts

31 December 2006

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REPORT OF THE DIRECTORS

The Directors present their report, together with the accounts of the Company for the year ended 31 December 2006.

Principal activity and review of business

The Company continued to trade as a company acting as an investment vehicle within the insurance industry. It incurs most of its costs in the pursuit of appropriate acquisition opportunities. Given the nature of the Company, the principal risks and uncertainties facing the Company are deemed to be in respect of the performance of investments acquired and acquisition opportunities. The key performance indicators used to monitor the performance of the Company are the value and changes in value of investments acquired, administrative expenses incurred and the progress made in relation to potential acquisitions.

The Company recorded a profit on ordinary activities after tax for the year of £38,778,136 (2005: loss of £30,611). This profit was due to the profit on disposal of the majority of the shares held in CX Reinsurance Company Limited on 21 March 2006 and the recognition of a facilitation fee receivable relating to the realisation of consortium relief for CX Reinsurance Company Limited.

Following the year end, the Company set up a new wholly owned subsidiary, KX Re Holdings Limited. On 4 May 2007, this subsidiary acquired the whole of the share capital of KX Reinsurance Company Limited, formerly known as Continental Management Services Limited.

The Directors do not recommend that a final dividend be paid (2005: Nil).

Directors

The Directors who held office during the year are as shown below and, in respect of those Directors who held office at the end of the year, their beneficial interests in the Company's issued deferred share capital at the end of the year are shown opposite their respective names:

P.M.M. Barbizet	-
J. Casamayou	-
G.M.J. Erulin	110
R.A.G. Jackson	-
G. Pagniez	50
A.J. Hamilton	-
E.M. Roscnstiehl (Alternate)	75
W.D. McConnell	172

The Company maintains insurance cover for its Directors and Officers against liabilities which may be incurred by them while acting as Directors and Officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify its Directors and Officers, to the extent permitted by law and the Company's Articles of Association, against all costs, charges, losses, liabilities and expenses that they may incur in the execution of their duties, powers and offices as Directors and Officers of the Company. Copies of these indemnities are kept at the Company's registered office and are open for inspection by any member of the Company without charge. For the Tawa group, Tawa UK maintains the pertinent policy and the Directors and Officers of its subsidiaries (Tawa Associates and Tawa Management) have benefits pursuant to that policy.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

REPORT OF THE DIRECTORS (CONTINUED)

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law, the Directors are also responsible for preparing a Directors' Report that complies with that law.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

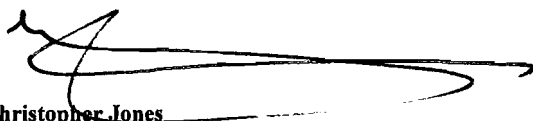
Auditors

A resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



Christopher Jones
Company Secretary
24 May 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAWA UK LIMITED

We have audited the financial statements of Tawa UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary, in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
24 May 2007

PROFIT AND LOSS ACCOUNT*For the period from to 31 December 2006*

	Note	2006 £	2005 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		1,702,352	442,037
Operating loss		(1,702,352)	(442,037)
Profit on disposal of fixed asset investments		13,270,415	-
Interest receivable and other income	2	27,283,507	487,790
		38,851,570	45,753
Interest payable		73,434	76,364
Profit / (loss) on ordinary activities before taxation	3	38,778,136	(30,611)
Taxation	4	-	-
Profit / (loss) on ordinary activities after taxation		38,778,136	(30,611)
Dividend receivable	5	-	-
Profit / (loss) for the financial year		38,778,136	(30,611)
Retained loss at 1 January		(5,405,997)	(5,375,386)
Retained profit / (loss) at 31 December		33,372,139	(5,405,997)

All amounts relate to continuing activities.

All recognised gains and losses are included in the Profit and Loss account.

The notes on pages 7-10 also form part of these financial statements.

BALANCE SHEET
As at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	8	<u>10,827,044</u>	<u>24,476,521</u>
Current assets			
Debtors	9	116,004	260,687
Cash at bank and in hand		14,621	33,746
Debtors falling due in more than one year	10	<u>54,163,726</u>	-
		54,294,351	294,433
Creditors - Amounts falling due within one year	11	<u>2,548,911</u>	<u>976,605</u>
Net current assets / (liabilities)		<u>51,745,440</u>	<u>(682,172)</u>
Net assets		<u>62,572,484</u>	<u>23,794,349</u>
Capital and reserves			
Called up share capital	12	29,200,345	29,200,345
Profit and loss account	12	<u>33,372,139</u>	<u>(5,405,996)</u>
Shareholders' funds		<u>62,572,484</u>	<u>23,794,349</u>

The notes on pages 7-10 also form part of these accounts.

These financial statements were approved by the Board of Directors on 24 May 2007 and were signed on its behalf on 24 May 2007 by:



W. D. McConnell
Director

NOTES TO THE ACCOUNTS

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of accounting

These accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards. Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size. The Company is also exempt from the requirement to produce group accounts under S228 of the Companies Act 1985 on the basis that its ultimate parent, as set out in note 14, is an EU entity which prepares group accounts. The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities.

Taxation

The charge for taxation is based on the result for the year, after available loss reliefs, and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen and not reversed by the balance sheet date, except as otherwise required by FRS19.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Turnover

The Company is an investment holding company. There was no turnover during the year.

Investments

Investments are stated at the lower of cost or net realisable value.

2. Interest receivable and other income

	2006	2005
	£	£
Fee receivable for facilitating the realisation of consortium relief for CX Reinsurance Company Limited	10,473,309	-
Increase in value of deferred consideration relating to the sale of shares in CX Reinsurance Company Limited	16,698,149	-
Interest receivable	72,643	5,255
Other income	39,406	482,535
	<u>27,283,507</u>	<u>487,790</u>

3. Profit on ordinary activities before taxation

	2006	2005
	£	£
The profit / (loss) on ordinary activities before taxation is stated after (crediting) / charging:		
Foreign exchange (gains) / losses	<u>(108,890)</u>	<u>95,969</u>

Fees incurred in the audit of the Company were provided for in 2006 by Tawa Management Limited.

4. Taxation

	2006	2005
	£	£
Current tax		
UK Corporation Tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>

	2006	2005
	£	£
Profit/(loss) on ordinary activities before tax	38,778,136	(30,611)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	11,633,441	(9,183)
Effects of:		
Depreciation in excess of capital allowances	-	-
Utilisation of tax losses	(11,633,441)	9,183
Total current tax	<u>-</u>	<u>-</u>

5. Dividend receivable

No dividends were receivable during the year (2005: £nil).

6. Remuneration of Directors

	2006	2005
	£	£
Directors' emoluments	214,000	186,000
Emoluments of the highest paid director	<u>52,000</u>	<u>48,000</u>

7. Staff numbers and costs

Other than the Directors, there were no other persons employed by the Company and so the Company did not incur any staff costs.

8. Investments

Reconciliation of investments

Cost	£
At 1 January 2006	24,476,521
Disposal during the year	<u>(13,649,477)</u>
At 31 December 2006	<u><u>10,827,044</u></u>

Information on investments	Country of incorporation	Principal activity	Class and percentage	£
CX Reinsurance Company Limited	England	Carrying out of reinsurance contracts	12.65% of class A (non voting shares) and 49.95% of class B (voting shares)	1,976,498
Tawa Associates Limited	England	Provision of services to the insurance industry	Intermediate Holding Company	<u>8,850,546</u>
				<u><u>10,827,044</u></u>

On 21 March 2006, the Company sold the majority of its shareholding in CX Reinsurance Company Limited to a consortium in which Tawa UK participates. The majority of the consideration receivable is in the form of deferred consideration.

9. Debtors - amounts falling due within one year

	2006	2005
	£	£
Prepayments	-	99,553
VAT recoverable	42,506	161,134
Other debtors	<u>73,498</u>	<u>-</u>
	<u><u>116,004</u></u>	<u><u>260,687</u></u>

10. Debtors – amounts falling due in more than one year

	2006	2005
	£	£
Facilitation fee receivable	10,545,685	-
Deferred consideration relating to the sale of shares in CX Reinsurance Company Limited	<u>43,618,041</u>	<u>-</u>
	<u><u>54,163,726</u></u>	<u><u>-</u></u>

11. Creditors – amounts falling due within one year

	2006	2005
	£	£
Trade creditors	458	4,890
Other creditors	55,422	36,739
Accruals	119,648	19,906
Amounts owed to group undertakings	<u>2,373,383</u>	<u>915,070</u>
	<u><u>2,548,911</u></u>	<u><u>976,605</u></u>

The amounts owed to group undertakings relate to amounts owed to other companies within the group incorporated in England, whose ultimate parent company is also Financière Pinault S.C.A., a company incorporated in France.

12. Called up share capital

	2006	2005
	£	£
Authorised:		
1,499,990,000 Preferred shares of 10p each	<u>149,999,000</u>	<u>149,999,000</u>
10,000 Deferred shares of 10p each	<u>1,000</u>	<u>1,000</u>
Allotted issued and fully paid		
292,001,452 Preferred shares of 10p each	29,200,145	29,200,145
2,000 Deferred shares of 10p each	<u>200</u>	<u>200</u>
	<u><u>29,200,345</u></u>	<u><u>29,200,345</u></u>

Reconciliation of movement in shareholders' funds

	2006	2005
	£	£
Opening shareholders' funds	23,794,348	23,824,959
Profit / (loss) for the financial year	<u>38,778,136</u>	<u>(30,611)</u>
Closing shareholders' funds	<u><u>62,572,484</u></u>	<u><u>23,794,348</u></u>

13. Related party transactions

Under FRS 8, the Company is exempt from the requirement to disclose related party transactions with other members of the Tawa group on the grounds that 90% or more of its voting rights are controlled within the group. During the year, the Company settled invoices of £73,498 on behalf of the CX Reinsurance Limited, a related party for subsequent reimbursement. At the year end, the balance owed by CX Reinsurance Company Limited was £73,498.

14. 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.

15. Consolidated accounts

Tawa UK Limited is exempt from the preparation of consolidated accounts by S228 of the Companies Act 1988. Consolidated accounts are produced by Tawa UK Limited's parent company, Financière Pinault S.C.A.

16. Post balance sheet event

Following the year end, the Company set up a new wholly owned subsidiary, KX Re Holdings Limited. On 4 May 2007, this subsidiary acquired the whole of the share capital of KX Reinsurance Company Limited, formerly known as Continental Management Services Limited