

Company Registration No 2202362



TALBOT UNDERWRITING LTD
Report and Financial Statements
31st December 2004

Reports & Financial Statements 2004

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Officers and Professional Advisers

Directors

D K Newbigging	(Chairman)
C N R Atkin	
G A M Bonvarlet	
M E A Carpenter	(Chief Executive)
J S Clouting	
H E Hutter	(Non-executive)
M S Johnson	
A J Keys	(Non-executive)
G S Langford	
J J Quinn	(Non-executive)
D P Redhead	
J G Ross	
V G Southey	(Non-executive)
N D Wachman	

Secretary

J S Clouting

Registered Office

Gracechurch House
55 Gracechurch Street
London EC3V 0JP

Auditor

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Bankers

Lloyds TSB plc
PO Box 72
Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December 2004.

Principal Activity and Review of the Business

The company's principal activity is that of a Lloyd's underwriting agency which manages the affairs of syndicate 1183. The company also managed the affairs of syndicate 376 until 17 May 2004 when the managing agency agreement was novated to *Omni Whittington Capital Management Ltd.*

Syndicate 1183 commenced underwriting for the 2002 year of account. The capacity is provided by a fellow group company, Talbot 2002 Underwriting Capital Ltd. Capacity for the 2004 year of account was £287,500,000 (2003: £193,500,000).

The directors have reviewed the company's development during the year and look forward to 2005 and the continued development of the business.

Results and Dividend

The retained profit for the year was £4,697,384 (2003: £1,637,559). The directors do not recommend the payment of any dividend (2003: £nil).

Future Prospects

The directors are confident of the future prospects of the company.

Directors

The following directors have held office during the period from 1st January 2004 to the date of this report:

C N R Atkin	
G A M Bonvarlet	(appointed 22 nd November 2004)
M E A Carpenter	
J S Clouting	
H E Hutter	
M S Johnson	
A J Keys	
G S Langford	
D K Newbigging	(appointed 21 st January 2004)
J J Quinn	(appointed 25 th August 2004)
D P Redhead	
J G Ross	
V G Southey	
R I Stansbury	(resigned 25 th August 2004)
N D Wachman	

No director had any interest in the share capital of the company at any time during the year. Directors' interests in the ultimate holding company, Talbot Holdings Ltd, a Bermuda registered company, are not disclosed in accordance with SI 1985/802 - Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

Political and Charitable Contributions

The company did not make any political or charitable donations during the year (2003: £nil).

Auditor

KPMG Audit Plc have expressed their willingness to continue in office as auditors to the company. The company has an elective resolution in place under Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'J S Clouting', with a stylized flourish at the end.

J S Clouting
Secretary

10th March 2005

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Independent Auditor's Report to the Member of Talbot Underwriting Ltd

We have audited the financial statements on pages 6 to 10.

This report is made solely to the company's member, 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 member those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

17th March 2005

Profit & Loss Account

Year ended 31st December 2004

	Note	2004 £	2003 £
Turnover	3	10,603,043	5,019,675
Operating expenses		(3,884,462)	(3,382,116)
Operating profit	5	6,718,581	1,637,559
Other income		1,105	-
Profit on ordinary activities before taxation		6,719,686	1,637,559
Tax on profit on ordinary activities	6	(2,022,302)	-
Profit for the financial year	10	4,697,384	1,637,559

All activities derive from continuing operations. There are no recognised gains or losses in either the current or preceding years other than the profit for the financial year. Accordingly, no statement of recognised gains and losses is required.

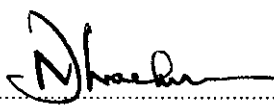
Balance Sheet

As at 31st December 2004

	Note	2004 £	2003 £
Current assets			
Debtors	7	8,407,718	3,286,112
Creditors: amounts falling due within one year	8	(424,222)	-
Total current assets and total net assets		7,983,496	3,286,112
Capital and reserves			
Called up share capital	9	400,000	400,000
Profit and loss account	10	7,583,496	2,886,112
Total equity shareholders' funds	10	7,983,496	3,286,112

These financial statements were approved by the Board of Directors on 10th March 2005.

Signed on behalf of the Board of Directors


 (Director)
 N D Wachman

Year ended 31st December 2004

1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Companies Act 1985 ("the Act") and with applicable Accounting Standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

2 Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is a subsidiary with more than 90% of the voting rights controlled within the group.

(b) Turnover

Turnover consists of net managing agency fees and profit commission receivable from insurance underwriting activities at Lloyd's.

Managing agency fees

Managing agency fees are recognised in the period over which they are earned.

Profit commission

Profit commissions expected to arise on closure of a Lloyd's year of account are recognised on an accruals basis subject to an assessment of certainty over the year's profitability.

(c) Taxation

The charge for taxation based on the profit/loss for the year takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The provisions of FRS 19 "Deferred Tax" have been adopted in these financial statements. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes. As a consequence, full provision has been made for the deferred tax on tax assets and liabilities arising on timing differences.

3 Turnover

	2004 £	2003 £
Managing agency fee	4,312,500	2,902,500
Profit commission	6,290,543	2,117,175
	10,603,043	5,019,675

All income arises in the United Kingdom.

4 Staff costs and directors' remuneration

All staff are employed by Talbot Underwriting Services Ltd ("TUSL"), a fellow group company which pays all their remuneration. Amounts included in the management charge are not separately identified. No emoluments were paid to directors of the company in respect of their services as directors of the company.

5 Profit on ordinary activities before taxation

	2004 £	2003 £
Profit on ordinary activities before taxation is after charging:		
Management charge	3,884,462	3,376,643

All expenses of the UK group of companies are administered by TUSL and a management charge is made for reimbursement. The audit fee is borne by another group company.

6 Tax on profit on ordinary activities

The current tax charge for the year is higher (2003 lower) than the standard rate of corporation tax in the UK (30%; 2003 30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	6,719,686	1,637,559
United Kingdom corporation tax at 30% (2003: 30%) based on the profit for the year	2,015,906	491,268
Tax effect of:		
non deductible and non taxable items	6,396	-
group loss relief not paid for	-	(491,268)
Tax on profit on ordinary activities	2,022,302	-

There are no timing differences between the treatment of any items for taxation and accounting purposes which give rise to any deferred taxation assets or liabilities.

7 Debtors

	2004 £	2003 £
Amounts owed by other group companies	-	1,168,937
Accrued income	8,407,718	2,117,175
	8,407,718	3,286,112

Accrued income of £2,905,500 (2003 £2,117,175) is receivable after more than one year.

8 Creditors – amounts falling due within one year

	2004 £	2003 £
Amounts owed to other group companies	424,222	-

Notes to the Accounts

9 Share capital

	2004 £	2003 £
Authorised ordinary shares of £1 each	400,000	400,000
Allotted and fully paid ordinary shares of £1 each	400,000	400,000

10 Reconciliation of movement in shareholders' funds

	Share Capital £	Profit and Loss £	Total £
Opening shareholders' funds	400,000	2,886,112	3,286,112
Profit for the financial year	-	4,697,384	4,697,384
Closing shareholders' funds	400,000	7,583,496	7,983,496

11 Related parties

The company managed the capacity on syndicate 1183. The amounts receivable were:

	Agency Fees		Profit Commission	
	2004 £	2003 £	2004 £	2003 £
Syndicate 1183	4,312,500	2,902,500	6,290,543	2,117,175

CNR Atkin, MEA Carpenter, JS Clouting and ND Wachman are also directors of 1384 Capital Ltd. This company provides Funds at Lloyd's to Talbot 2002 Underwriting Capital Ltd, a fellow group company, for the 2002, 2003 and 2004 years of account of syndicate 1183. An amount of \$1.68m was provided for the 2002 year of account and amounts of \$2.17m were provided for each of the 2003 and 2004 years of account.

The company has taken advantage of the exemption for greater than 90% owned subsidiaries available in FRS8 and has not disclosed related party transactions between itself and other group companies.

12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Talbot Underwriting Holdings Ltd, incorporated and registered in England and Wales. The only UK group in which the results of the company are consolidated is that headed by Talbot Underwriting Holdings Ltd, incorporated in England and Wales. The consolidated accounts for this group are available to the public and may be obtained from Companies House, Crown Way, Maindy, CF14 3UZ, Wales.

The ultimate parent undertaking is Talbot Holdings Ltd, a company registered in Bermuda, the Registered Office of which is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.