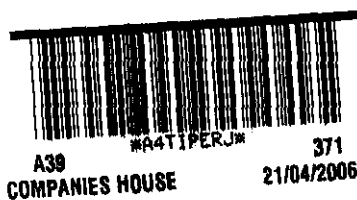


Company Registration No 2202362



TALBOT UNDERWRITING LTD
Report and Financial Statements
31st December 2005

Report and Financial Statements 2005

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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 2005.

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.

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 2005 year of account was £282,000,000 (2004: £287,500,000).

The directors have reviewed the company's development during the year and look forward to 2006 and the continued development of the business.

Results and Dividend

The profit for the year was £6,676,358 (2004: £4,697,384). The company paid a dividend of £6,000,000 during the year (2004: £nil). The directors have proposed a final dividend of £4,000,000 for the year ended 31st December 2005.

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 2005 to the date of this report:

C N R Atkin
G A M Bonvarlet
M E A Carpenter
J S Clouting
H E Hutter
M S Johnson
A J Keys
G S Langford
D K Newbigging
J J Quinn
D P Redhead
J G Ross
V G Southey
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 Statutory Instrument 1985/802 - Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

Political and Charitable Contributions

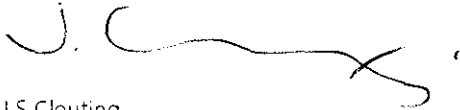
The company did not make any political or charitable donations during the year (2004: £nil).

Directors' Report

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.



J S Clouting
Secretary

16th March 2006

Statement of Directors' Responsibilities

The following statement applies to the directors' report and financial statements.

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 the directors 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 these 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 UK 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.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Independent Auditor's Report

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

We have audited the financial statements of Talbot Underwriting Ltd for the year ended 31st December 2005 which comprise the profit and loss account, balance sheet and related notes. 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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 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.

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 31st December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

16th March 2006

Profit and Loss Account

Year ended 31st December 2005

	Note	2005 £	2004 £
Turnover	3	13,694,221	10,603,043
Operating expenses		(4,088,901)	(3,884,462)
Operating profit		9,605,320	6,718,581
Other income		-	1,105
Profit on ordinary activities before taxation	5	9,605,320	6,719,686
Tax on profit on ordinary activities	6	(2,928,962)	(2,022,302)
Profit for the financial year	10	6,676,358	4,697,384

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.

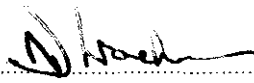
Balance Sheet

As at 31st December 2005

	Note	2005 £	2004 £
Current assets			
Debtors	7	12,383,821	8,407,718
Creditors: amounts falling due within one year	8	(3,723,967)	(424,222)
Total current assets and total net assets		8,659,854	7,983,496
Capital and reserves			
Called up share capital	9	400,000	400,000
Profit and loss account	10	8,259,854	7,583,496
Total equity shareholders' funds	10	8,659,854	7,983,496

These financial statements were approved by the Board of Directors on 16th March 2006.

Signed on behalf of the Board of Directors


 (Director)
 N D Wachman

Year ended 31st December 2005

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, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 "Events after the balance sheet date"; and
- The presentation requirements of FRS 25 "Financial instruments: presentation and disclosure".

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption.

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 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.

(d) **Dividends on shares presented within shareholders' funds**

Dividends on shares presented within shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the Accounts

3 Turnover

	2005 £	2004 £
Managing agency fee	4,230,000	4,312,500
Profit commission	9,464,221	6,290,543
	13,694,221	10,603,043

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

	2005 £	2004 £
Profit on ordinary activities before taxation is after charging:		
Management charge	4,038,418	3,884,462

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 (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	9,605,320	6,719,686
United Kingdom corporation tax at 30% (2003: 30%) based on the profit for the year	2,881,596	2,015,906
Tax effect of:		
non deductible and non taxable items	47,366	6,396
Tax on profit on ordinary activities	2,928,962	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

	2005 £	2004 £
Accrued income	12,369,721	8,407,718
Sundry debtors	14,100	-
	12,383,821	8,407,718

Accrued income of £3,085,000 (2004 £2,905,500) is receivable after more than one year.

Notes to the Accounts

8 Creditors – amounts falling due within one year

	2005 £	2004 £
Amounts owed to other group companies	792,904	424,222
Other creditors, including taxation and social security	2,931,063	-
	3,723,967	424,222

9 Share capital

	2005 £	2004 £
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 movements in shareholders' funds

	Share Capital £	Profit and Loss £	Total £
Opening shareholders' funds	400,000	7,583,496	7,983,496
Profit for the financial year	-	6,676,358	6,676,358
Dividends paid	-	(6,000,000)	(6,000,000)
Closing shareholders' funds	400,000	8,259,854	8,659,854

11 Subsequent events

The directors have proposed a final dividend of £4,000,000 for the year ended 31st December 2005.

12 Related parties

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

	Agency Fees		Profit Commission	
	2005 £	2004 £	2005 £	2004 £
Syndicate 1183	4,230,000	4,312,500	9,464,221	6,290,543

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 2003, 2004 and 2005 years of account of syndicate 1183. An amount of \$2.17m was provided by 1384 Capital Ltd for each of the 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.

- 13 Ultimate parent company and parent undertaking of a 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.

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.