

Company Registration No 2202362

TALBOT UNDERWRITING LTD
Report and Financial Statements
31st December 2002



Reports & Financial Statements 2002

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Officers and Professional Advisers

Directors

C N R Atkin	
M E A Carpenter	(Chairman and Chief Executive)
J S Clouting	
H E Hutter	(Non-executive)
M S Johnson	
D P Redhead	
J G Ross	
V G Southey	(Non-executive)
R I Stansbury	(Non-executive)
T M Taylor	
N D Wachman	

Secretary

J S Clouting

Registered Office

Gracechurch House
55 Gracechurch Street
London EC3V 0JP

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Bankers

LloydsTSB
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 2002.

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 Syndicates 1183 and 376. Syndicate 1183 commenced underwriting for the 2002 year of account. Syndicate 376 was put into run-off at the end of 2001 having suffered a significant loss as a result of the World Trade Centre terrorist attack.

The directors have reviewed the company's development during the year and look forward to 2003, where the rating environment continues to look favourable.

Results and Dividend

During the year a dividend of £1,200,000 (2001: £2,000,000) was paid. A profit before dividends of £2,029,258 (2001: £608,880) was made during the year.

Future Prospects

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

Directors

The directors holding office during the year, except as otherwise stated, were:

D M Slade	(Resigned 8 th February, 2002)
C N R Atkin	
M E A Carpenter	
P C Churchill	(Resigned 18 th October, 2002)
J S Clouting	
H E Hutter	(Appointed 12 th September, 2002)
M S Johnson	
D P Redhead	
J G Ross	
V G Southey	
R I Stansbury	
T M Taylor	
N D Wachman	

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

Political and Charitable Contributions

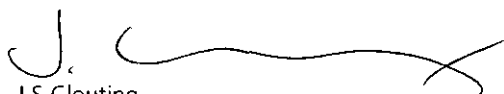
During the year the company made no charitable donations (2001: £Nil).

Auditors

In order to streamline the audit arrangements of the Talbot group of companies, the board has decided to appoint KPMG Audit Plc as auditors to Talbot Underwriting Ltd. This appointment was approved at a shareholder meeting of 12th September 2002. The company has an elective resolution in place under S386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

The board wishes to thank Deloitte & Touche for their good offices and support over recent years.

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



J S Clouting
Secretary
24th January 2003

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 Auditors' Report to the Members of Talbot Underwriting Ltd

We have audited the financial statements on pages 5 to 9.

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

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

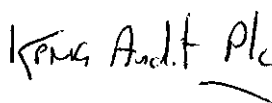
Basis of opinion

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 31 December, 2002 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

24th January 2003

Profit & Loss Account

Year ended 31st December 2002

	Note	2002 £	2001 £
Turnover	1	3,176,236	1,938,841
Operating expenses		(1,134,839)	(1,310,000)
Operating profit		2,041,397	628,841
Interest receivable		7,844	6,662
Interest payable and similar charges		(19,983)	-
Profit on ordinary activities before taxation	3	2,029,258	635,503
Tax on profit on ordinary activities	4	-	(26,623)
Profit for the financial year		2,029,258	608,880
Dividends paid on equity shares	5	(1,200,000)	(2,000,000)
Amount retained for the financial year		829,258	(1,391,120)
Profit and loss account brought forward		419,295	1,810,415
Profit and loss account carried forward		1,248,553	419,295

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 2002

	Note	2002 £	2001 £
Current assets			
Debtors	6	1,648,553	1,056,902
Total current assets		1,648,553	1,056,902
Creditors: amounts falling due within one year	7	-	(237,607)
Total assets less current liabilities		1,648,553	819,295
Total net assets		1,648,553	819,295
Capital and reserves			
Called up share capital	8	400,000	400,000
Profit and loss account		1,248,553	419,295
Total equity shareholders' funds	9	1,648,553	819,295

These financial statements were approved by the Board of Directors on 24th January 2003.

Signed on behalf of the Board of Directors


(Director)
 N D Wachman

Year ended 31st December 2002

1 Accounting Policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

i **Accounting convention**

The financial statements are prepared under the historical cost convention.

ii **Turnover**

Turnover consists of net underwriting agency fees and profit commission received on closed years of account from insurance underwriting activities at Lloyd's. Agency fees are recognised in the year in which they are chargeable to the underlying underwriting account. Profit commission is recognised on a receipts basis.

iii **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. Except where otherwise required by accounting standards full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

2 Staff Costs (including directors)

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.

3 Profit on Ordinary Activities Before Taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is after charging:		
Management charge	1,134,839	1,310,000

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.

4 Tax on Profit on Ordinary Activities

The current tax charge for the period is lower (2001 lower) than the standard rate of corporation tax in the UK (30%: 2001 30%). The differences are explained below:

	2002 £	2001 £
Profit on Ordinary Activities Before Taxation	2,029,258	635,503
United Kingdom corporation tax at 30% (2001: 30%) based on the profit for the year	608,777	190,651
Tax effect of:		
Group loss relief	(608,777)	(190,651)
Current tax on income for the period	-	-
Adjustment in respect of prior periods	-	26,623
Tax on profit on ordinary activities	-	26,623

4 Tax on Profit on Ordinary Activities (continued)

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 liability.

5 Dividends

	2002 £	2001 £
Dividend paid to ordinary shareholders	1,200,000	2,000,000

6 Debtors

	2002 £	2001 £
Amounts owed by other group companies	1,648,553	1,056,902
	1,648,553	1,056,902

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts owed to other group companies	-	49,948
Corporation tax	-	187,659
	-	237,607

8 Called up Share Capital

	2002 £	2001 £
Authorised ordinary shares of £1 each	400,000	400,000
Allotted and fully paid ordinary shares of £1 each	400,000	400,000

9 Reconciliation in Movement of Shareholders' Funds

	2002 £	2001 £
Opening shareholders' funds	819,295	2,210,415
Profit/(loss) for the financial year	829,258	(1,391,120)
Closing shareholders' funds	1,648,553	819,295

10 Cashflow Statement

A cash flow statement has not been prepared on the grounds that the company is a subsidiary with more than 90% of the voting rights kept within the group.

11 Ultimate Parent Company and Parent Undertaking of Larger Group of which the company is a member

The immediate UK registered parent company (incorporated in England and Wales), which produces consolidated accounts, is Talbot Underwriting Holdings Ltd, the accounts of which are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. The ultimate parent undertaking and controlling party is Talbot Holdings Ltd, a company based in Bermuda, the Registered Office of which is Clarendon House, 2 Church Street, Hamilton, HM11.

12 Related Parties

The company manages syndicates 1183 and 376 at Lloyd's. The amounts received from each of the syndicates included in turnover are as follows:

	Agency Fees		Profit Commission	
	2002	2001	2002	2001
	£	£	£	£
Syndicate 1183	2,745,000	-	-	-
Syndicate 376	-	1,773,233	-	-
Syndicate 1183 (1999 & prior years of account)	-	-	431,236	165,608
	2,745,000	1,773,233	431,236	165,608

The profit commission received from syndicate 1183 was from a previous syndicate also numbered 1183 which reinsured to close the 1999 underwriting year of account at the end of 2001 into syndicate 376. It did not underwrite for the 2000 or 2001 years of account.

The company's turnover includes amounts received from directors and key managers and their close family in respect of their underwriting participations on the managed syndicate as follows:

	2002	2001
	£	£
Profit commission	-	859

Of the above amounts none are deemed to be of material value.

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.