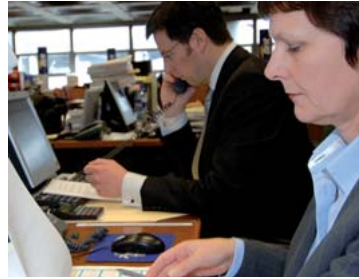


OMEGA UNDERWRITING HOLDINGS PLC

Proven performance



Annual Report and Accounts 2005



OMEGA

- Omega acts as a Lloyd’s managing agent of Syndicate 958 and in February 2006 established a new insurance and reinsurance business, Omega Specialty Insurance Company Limited, (“Omega Specialty”) based in Bermuda. Omega’s shares are listed on AIM.
- Syndicate 958 has a capacity for the 2006 year of £249 million. The Syndicate has made an underwriting profit in every closed year of account since its inception in the 1980 year of account. The Syndicate has focused predominantly on short-tail property insurance and reinsurance, insuring small to medium sized insureds and reinsuring the smaller insurance companies.

The Syndicate’s financial strength rating from A.M. Best Company, Inc. of “A” (Excellent) and an Issuer Credit Rating of “a+” (Excellent) were reaffirmed on 7 February 2006.

- Omega Specialty is authorised by the Bermuda Monetary Authority as a Class 3 insurer, underwriting its targeted classes of insurance and reinsurance, key in which are non-marine property insurance, professional indemnity insurance, property catastrophe treaty reinsurance, property per risk treaty reinsurance. Omega Specialty is capitalised at \$172 million. Omega Specialty was assigned a financial strength rating by A.M. Best of A- (Excellent) with a stable outlook on 3 April 2006.

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Highlights

Profit before tax

£6.7 million

Profit after tax

£6.8 million

Earnings per Share (fully diluted)

17.2p

Net tangible assets per share

95.1p

Operating Highlights

- Strong full year profit after tax of £6.8 million
- Earnings per share of 17.2 pence (fully diluted)
- Net tangible assets increased to £113.5 million (95.1 pence per share)
- Managed Syndicate 958 forecast to continue record of unbroken underwriting profits
- Negligible impact to Group results from Hurricanes Katrina, Rita and Wilma
- Successful flotation on AIM raising £20 million gross in April 2005
- Successful placing in December 2005 raising £90 million gross
- Special interim dividend paid in December 2005 of 3.5 pence per share in lieu of final dividend
- Formation of new Bermudian subsidiary, Omega Specialty Insurance Company Limited

Outlook

- Positive outlook for 2006
- Progressive market strengthening in Omega's key underwriting classes during 2006 and into 2007
- Operational establishment of Omega Specialty progressing to plan; Bermudian regulatory authorisation received in February 2006 (A.M.Best rating A- (Excellent))
- Increased participation in own managed Syndicate 958 for 2006
- Omega Specialty underwriting quota share reinsurance of Syndicate 958

Our Structure

Omega’s main operating units:

- Lloyd’s Syndicate 958
- Omega Underwriting Agents
- Omega Dedicated
- Omega Europe, Cologne
- Omega Specialty Insurance Company, Bermuda



Our Key Strengths

Disciplined focus on profitable underwriting

- Focus on bottom line profit
- Growth in hard markets and reductions as margins erode

Consistent emphasis on short-tail business

- Focus maintained on established, core, short-tail property orientated business

Prudent balance sheet management

- Underwriting for gross profit
- Conservative risk management

- Prudent reinsurance purchasing
- Conservative investment philosophy

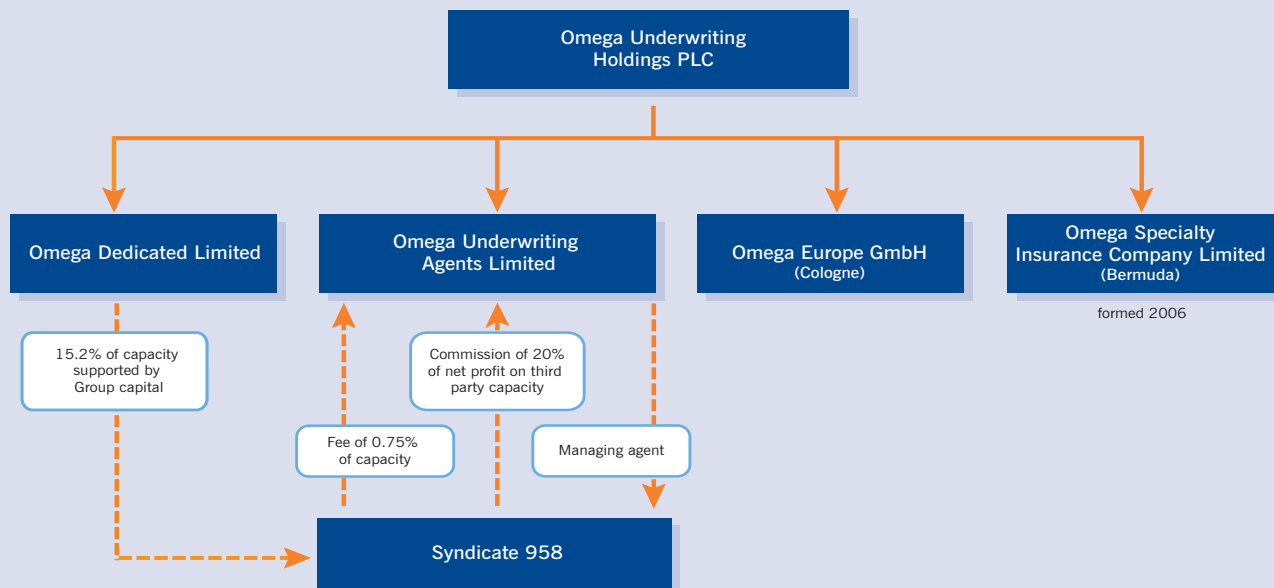
Maintenance of business relationships

- Great majority of premiums underwritten through relationships of 10 years or more
- Significant relationships with all business partners

Experienced team

- Highly experienced management and underwriting team
- Senior underwriters average 32 years of experience

Current Operating Structure



Chairman's Statement

It is a great pleasure to report to you for the first time since Omega Underwriting Holdings Limited became a publicly quoted company in April 2005. It is particularly pleasing to be reporting the strong financial performance during 2005 and the developments that leave the Group so well positioned for the future.



Walter Fiederowicz

Omega expects a progressive strengthening of the market in its key lines of business throughout 2006 and into 2007.

Our profit after tax for the year was £6.8 million, yielding earnings per share of 17.2 pence. This result has been derived from the management of Lloyd's Syndicate 958. Since its establishment for the 1980 year of account Syndicate 958 has produced an underwriting profit in every closed year of account. Furthermore, Omega is forecasting the open Lloyd's years of account of 2004 and 2005 also to be profitable. This is a record of consistent accomplishment over 26 years that is truly extraordinary.

Flotation and subsequent placing

On 6 April 2005 the Company was floated and admitted to trading on AIM, a market operated by the London Stock Exchange. £18.2 million was raised, net of expenses, from institutional investors. In December Omega completed a second placing and raised a further £85.8 million, net of expenses. Since the year end £100 million has been committed to the capitalisation of the Group's newly formed Bermudian company, Omega Specialty Insurance Company Limited. I am grateful for the strong levels of support that the Group received and continues to receive from investors.

Dividend

In advance of the issue of new ordinary shares in December 2005, the Board declared a special interim dividend payable to shareholders on the register on 18 November 2005. This was in lieu of what would otherwise have been the final dividend for 2005.

Board

We were delighted to welcome Christopher Clarke to the Board as a Non-executive director in March 2005 prior to the flotation. Christopher brings with him a significant depth of understanding and experience of the financial services sector and public company issues and has made an excellent contribution to the Board.

Outlook

2005 was an exceptional year for the insurance industry, bringing as it did Hurricane Katrina, the world's largest ever insured natural catastrophe. The impact of Katrina on the insurance market, which also sustained Hurricanes Rita and Wilma in 2005 and the Florida hurricanes of 2004, is still developing. As a result, Omega expects a progressive strengthening of the market in its key lines of business throughout 2006 and into 2007.

2005 was also an exceptional year for Omega. The flotation and the second placing to support the establishment of the Bermudian company are important strategic steps for the Group. Omega now has a multi-platform structure which positions it optimally to take full advantage of the opportunities which the Board believes lie ahead.

Whilst these developments are very significant, at Omega we believe we understand the key ingredients that have underpinned our record of success. First and foremost is the discipline to maintain the focus of our underwriting on bottom line profit and on those short-tail areas of business in

which we have knowledge, experience and a proven track record. We know only too well that these are tenets that many will claim as their own; few have the record to prove it.

Omega may be a relative newcomer to life as a public company but has many years of experience of the profitable management of the cycles of the insurance market. In all that we do to build and develop the Group, we will adhere to the disciplines and strategies that have been the foundation of Omega's success to date. Moving forward into 2006, Omega has developed from being primarily an insurance manager underwriting for third party capital to an insurance operation with a significant amount of its own capital at risk. Omega is, as it were, eating more of its own cooking but it is keeping the same recipe book. We therefore believe the outlook is positive and look forward to the future with confidence.

Omega's record of success and the achievements of 2005 are the product of the dedication, commitment and enthusiasm of everyone in the Omega team. I would like to express the Board's appreciation to them for their extraordinary efforts in 2005. We are eagerly looking forward to the challenges and opportunities that await us in 2006.

Walter Fiederowicz

Chairman
4 April 2006

Review of Operations and Financial Results

These are excellent results for 2005 and reflect the quality of Omega's underwriting, producing a continuation of its uninterrupted profit record in a year of exceptional insured catastrophes.

We anticipate that trading conditions in Omega's key lines of business will continue to strengthen during 2006. The establishment of Omega Specialty in Bermuda, combined with our existing operations in London and Cologne, puts the Group in an excellent position to build upon its success to date.



Richard Tolliday

For 2006, the Syndicate will manage the capacity to underwrite gross premiums of around £325 million. Omega Specialty for 2006 has been estimated to write \$185m of gross written premiums.

Omega is an underwriting group. The activities of the Group have centred on the management of Lloyd's Syndicate 958, and its exceptional record of unbroken underwriting profits since its establishment in 1980. To date, and including the period under review, the Group has not directly borne any material insurance risk. The majority of its income has been earned from the management of Syndicate 958. Omega's managing agency, Omega Underwriting Agents Limited, is paid a flat management fee and receives a profit commission on the result of the Syndicate. Thus, whilst not hitherto directly a carrier of material risk, the Group's fortunes have been tied closely to the performance of the Syndicate.

In the year under review the Group's profit after tax was £6.8 million. The profit after tax from Omega Underwriting Agents was £6.5 million. Hurricanes Katrina, Rita and Wilma, had no material impact upon the Group's result for 2005. Syndicate 958 has forecast a profit of between 2.5% and 12.5% on capacity for the 2005 year of account, subject to a normal claims development on the remaining exposures.

Going forward into 2006, the Group is now deploying its capital to support Omega's own underwriting. The Group is now supporting a material 15.2% share of the capacity of Syndicate 958 via its corporate member, Omega

Dedicated Limited. The Group has also established a wholly owned Bermudian insurance company, Omega Specialty Insurance Company Limited. Omega Specialty will reinsure Omega Dedicated and, for at least 2006, provide quota share reinsurance to Syndicate 958. In the future, the intention is that it will also develop an account of insurance and reinsurance business separately from the Syndicate but in Omega's existing core classes of business. Omega Specialty was assigned a financial strength rating by A.M. Best of A- (Excellent) with a stable outlook.

For 2006, the Syndicate will manage the capacity to underwrite gross premiums of around £325 million. Omega Specialty for 2006 has been estimated to write US\$185 million of gross written premiums.

The main operating units within the Omega Group are:

- Omega Underwriting Agents Limited ("Omega Underwriting Agents"), a Lloyd's managing agency, managing Lloyd's Syndicate 958;
- Omega Europe GmbH ("Omega Europe"), an office based in Cologne dedicated to servicing and developing our European and international reinsurance business;
- Omega Dedicated Limited ("Omega Dedicated"), a Lloyd's corporate

member supplying capital exclusively to Syndicate 958; and

- Omega Specialty Insurance Company Limited ("Omega Specialty"), received its licence to trade in February 2006.

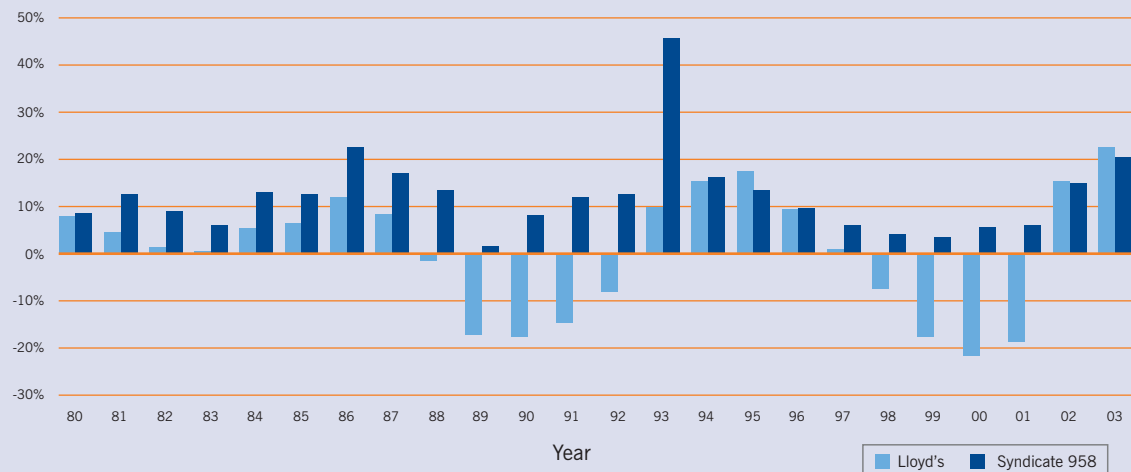
Omega believes its uninterrupted record of success to have been built upon some key fundamental strengths:

Disciplined focus on profitable underwriting – Omega underwrites for profit and not for market share. The focus is always on bottom line profit and not top line growth of premiums. There are occasions when this has been an unfashionable approach, as it no doubt will be at some future date, but we believe a comparison of Omega's record and that of the wider industry is testament to Omega's judgements having been correct. Historically, Omega has grown when there has been the prospect of higher levels of profitability in its key classes. When margins have begun to erode, Omega has reduced its premium volumes.

Consistent emphasis on short-tail business – Omega maintains its principal focus on its established core of short-tail, property orientated insurance and reinsurance lines of business. Omega underwrites only in areas where it believes it has the knowledge and experience to do so profitably.

Relative Outperformance

Syndicate 958's consistency and low volatility has generated market outperformance over the cycle with 24 closed years of underwriting profitability.



Source: Lloyd's and Syndicate 958 Annual Report & Accounts.

Basis: These figures are compiled on the basis of profit before Names' personal expenses and members' agents' charges.



Prudent balance sheet management

– Omega always seeks to protect its balance sheet. The Group underwrites for gross profit; adopts a conservative approach to risk management; buys reinsurance not to arbitrage but to protect from severity and frequency of loss; and has a conservative investment philosophy.

Maintenance of business relationships

– Omega places significant value upon the relationships it enjoys with its key business partners. By far the majority of the premiums underwritten by the Group are produced through relationships that have endured for ten years or more.

Experienced team

– Omega's team has a wealth of underwriting and management expertise. Its senior underwriters have on average 32 years of experience and have spent an average of 8 years with Omega.

These components combine to form the bedrock of the Group's foundations. As Omega grows its operations and deploys its own capital in support of its underwriting, it is building on these most solid of foundations. They guide every material decision. Successful strategy is as much about what one chooses not to do as it is about what one does.

The establishment of Omega Specialty is an important development for the Group but will involve no departure from Omega's established philosophy. It will underwrite only in Omega's established areas of expertise and with a focus on consistent performance.

Managing Agency Activities

The fees and profit commission earned by the Group's managing agency, Omega Underwriting Agents, for the management of Syndicate 958 are the main contribution to the Group's result for 2005. Omega Underwriting

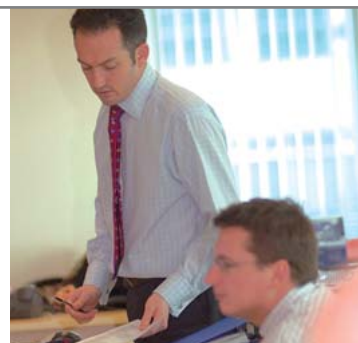
Agents declared a profit before tax of £6.6 million.

The largest driver behind the profitability of the managing agency is the profit commission payable to it from the Syndicate upon closure of a profitable underwriting year. At the time of our admission to AIM we stated our intention to review the Group's earning pattern on recognition of those profit commissions due. As detailed in note 5 to the accounts our revenue recognition has been amended, although we continue to regard it as conservative.

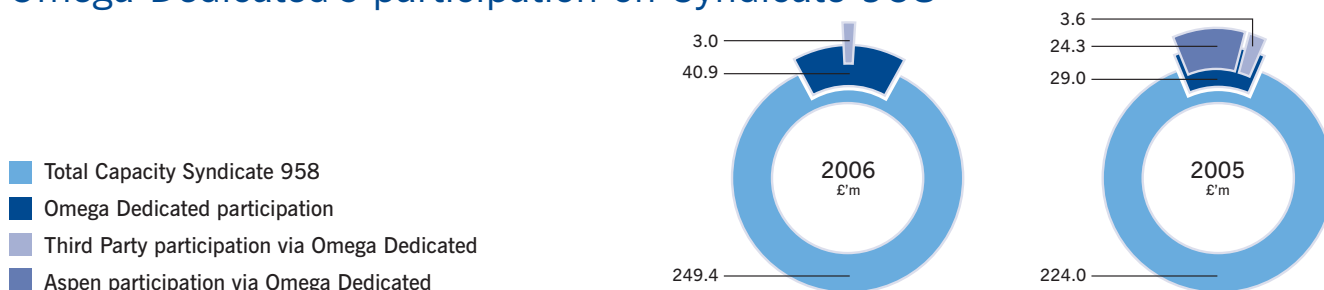
	Year to 31 December 2005 £'000	Year to 31 December 2004 £'000
Total Capacity		
Syndicate 958	223,975	224,068
Managing Agency		
Income:		
Fees	1,540	1,440
Profit commission	7,335	3,262

Review of Operations and Financial Results continued

For the 2006 year of account Omega Dedicated's share of Syndicate 958 has risen to **16.4%** of which **15.2%** is supported by the Group's own capital.



Omega Dedicated's participation on Syndicate 958



Profits from Group Underwriting

Going forward underwriting exposure directly borne by the Group will become the single largest determinant of the Group's results. However, for the period under review, it is only through Omega Dedicated, the Group's Lloyd's corporate member, that the Group's capital directly bore any insurance risk. Omega Dedicated underwrites solely on Syndicate 958. For the 2005 underwriting year of account Omega Dedicated supported 12.9% of the Syndicate's underwriting capacity but

with only 0.5% directly supported by the Group's own resources. For the 2006 year of account, Omega Dedicated's share of Syndicate 958 has risen to 16.4% of which 15.2% is supported by the Group's own capital. The increase in Omega Dedicated's share has been achieved through a combination of retaining the share previously reinsured by Aspen and capacity reverting to Omega Underwriting Agents for reallocation from members of the Syndicate who did not wish to

continue underwriting against that capacity after 2005 and did not sell it in the Lloyd's capacity auctions. Omega did not purchase any capacity in the auctions.

The interests of the remaining third party participants of Omega Dedicated, including for the 2005 year of account Aspen Insurance Limited ("Aspen"), have been recorded as a liability within the financial statements. Omega Dedicated's participation on Syndicate 958 can be summarised as follows:

Year of account	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Total Capacity Syndicate 958	249,432	223,975	224,068	153,756
Omega Dedicated participation	40,947	29,000	4,213	3,749
Third Party participation via Omega Dedicated	2,979	3,558	3,238	2,880
Aspen participation via Omega Dedicated	–	24,303	–	–

In accordance with the basis of preparation set out in our accounting policies, the Group's share of the technical result of the Syndicate is presented on an annual accounting

basis, whereby results are recognised on an earned basis rather than when a year of account closes. This is a change in our accounting policy from last year and as a result all

comparatives have been restated. We have, though, continued to adopt an approach consistent with our conservative philosophy with matters such as reserving.

Total Capacity Syndicate 958

£224 million (2004: £224 million)

Combined ratio

93.2% (2004: 84.9%)

John Robinson

Consistent performance in underwriting results is achieved firstly by making the right judgements at the right times about adjusting the scale and composition of the overall portfolio and secondly by the astute selection of individual risks, assessing rates, terms and conditions.

Syndicate 958 Underwriting performance

	2005 £'000	2004 £'000
Gross premiums written	240,883	230,585
Net premiums written	180,665	195,588
Net premiums earned	199,283	175,567
Technical result (before personal expenses)	20,735	26,390
Claims ratio	64.5%	50.2%
Expense ratio	28.7%	34.7%
Combined ratio	93.2%	84.9%

2005 will be remembered for Hurricane Katrina, the world's largest ever insured natural catastrophe, and the challenges that, together with Hurricanes Rita and Wilma, it presented to the insurance industry. The combined, insured cost of those events is estimated to be between US\$60 billion and US\$80 billion. For the period under review, the underlying

trading conditions in Omega's key areas of business were, however, strong and met or exceeded original expectations. Omega experienced a particularly low loss ratio for the year prior to Hurricane Katrina. Omega had already acted to reduce the Syndicate's exposures to business where rates were declining. This action resulted in the Syndicate having only small

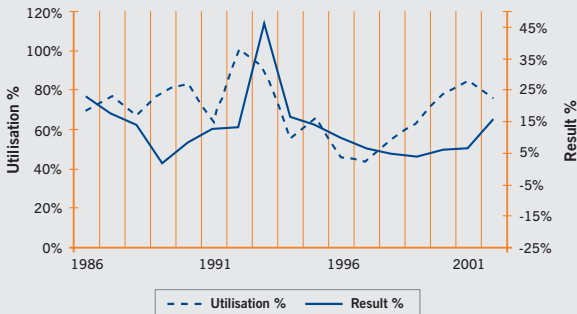
involvements in winter storm Erwin and the European floods of early 2005.

The Syndicate has increased its underwriting capacity (net of commissions) for the 2006 year of account to £249 million. The Syndicate results on a three year funded basis and can be summarised as follows:

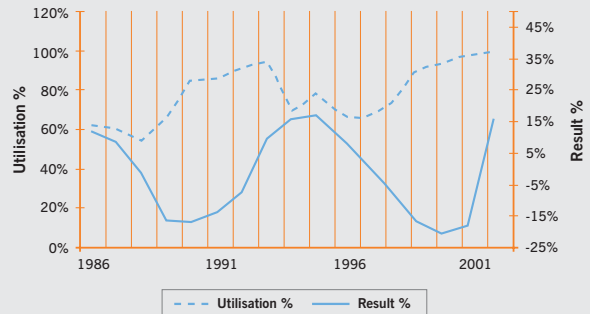
	2005 £'000	2004 £'000	2003 £'000
Capacity	223,975	224,068	153,756
Profit after standard personal expenses	2.5%–12.5% (forecast)	5–10% (forecast)	14.7%

Review of Operations and Financial Results continued

Syndicate 958: Results vs. Utilisation



Lloyd's: Results vs. Utilisation



Profit prioritised over growth

- Omega increased capacity and premium income when market profitable
- Omega reduced capacity and premium income when right to do so

The achievement and forecast of such relatively consistent results over the years 2003 to 2005 exemplifies Omega's approach to underwriting and risk management. Consistent performance in underwriting results is achieved firstly by making the right judgements at the right times about adjusting the scale and composition of the overall portfolio and secondly by the astute selection of individual risks, assessing rates, terms and conditions. Omega underwrites a portfolio seeking to achieve an inherent diversification and balance. The aggregation of catastrophic exposures is carefully monitored and a conservative approach adopted to the estimation of exposure to potential loss scenarios.

Despite the extraordinary nature of the impact of Hurricane Katrina on New Orleans and the scale of the subsequent damage, the Syndicate's gross and net loss was very close to Omega's conservatively estimated scenario of a windstorm in the Gulf of Mexico. The estimated net cost to the

Syndicate from Hurricane Katrina remains unchanged from the estimate of US\$24 million originally published on 12 September 2005. The respective net costs of Hurricanes Rita and Wilma are not material to the Syndicate.

Since its establishment in 1980 Syndicate 958 has focused on short-tail commercial property insurance and reinsurance risks for small and medium-sized insureds where its experience leads the Directors to believe that the profit margins are more consistent and the volatility lower than on larger risks. The Syndicate is today an established underwriter in its main lines of business.

The business mix of the Syndicate, based on estimated gross premiums written, for the 2005 year of account was as follows:

Non-Marine Property Insurance: (22 per cent of gross premiums written for the 2005 year of account)

Property Insurance is a core component of the Syndicate's business

and is comprised of predominantly low value commercial risks. Homeowners and related personal lines insurance is also a component of the class. Syndicate 958 seeks to avoid direct participation in any of the world's largest insured property portfolios.

Professional Indemnity Insurance: (8 per cent of gross premiums written for the 2005 year of account)

In late 2000, the Group decided to expand its presence in professional indemnity insurance having anticipated significantly improved terms and conditions. The account is comprised mainly of smaller insureds in the US with 100 per cent policy limits typically of no more than US\$1 million. Omega is an established leader within the Lloyd's market in this class of business. The Syndicate avoids participation in accounts such as larger professional services firms and financial institutions which it perceives as higher risk.



Property Catastrophe Treaty

Reinsurance: (29 per cent of gross premiums written for the 2005 year of account)

Omega is an established underwriter in this class of business which provides excess loss reinsurance of the property accounts of insurers worldwide, affording protection for catastrophic events. The core focus of Omega's Catastrophe Treaty Reinsurance business is the reinsurance of smaller to medium sized insurance companies.

Property Per-Risk Treaty

Reinsurance: (10 per cent of gross premiums written for the 2005 year of account)

Omega has an established position as an underwriter of this class of business which provides excess loss reinsurance to insurers on a per-risk basis. Consistent with the Catastrophe Treaty Reinsurance business underwritten, the companies reinsured by the Syndicate are typically smaller to medium sized insurers.

Marine Insurance and Reinsurance:

(13 per cent of gross premiums written for the 2005 year of account)

This class is comprised principally of reinsurances of the direct marine accounts of insurers, protecting their insurance of marine hulls, cargo, oil and energy risks. Reinsurances on an excess loss basis comprise more than half of this reinsurance business with the remainder being proportional reinsurances. This class also includes insurance of yachts and small craft.

Motor Insurance and Reinsurance:

(7 per cent of gross premiums written for the 2005 year of account)

The account is comprised of reinsurances of European and UK motor insurers, covering physical damage and liability, on both a proportional and excess loss basis together with vehicle physical damage insurance, predominantly in the US.

Liability Insurance and Reinsurance:

(5 per cent of gross premiums written for the 2005 year of account)

This account consists of reinsurances of European and UK general liability insurers on a risk excess basis. It also includes the restricted liability component of commercial property insurances in the US, mostly when the property itself is insured.

Other: (6 per cent of gross written premiums for the 2005 year of account)

The Syndicate underwrites other Insurance and Reinsurance including satellite (predominantly launch risks), aviation hull war insurance, fine art insurance, specific and aggregate health care insurance, personal accident insurance and kidnap and ransom insurance. These classes are written on an opportunistic basis as Omega judges the market conditions to be appropriate.

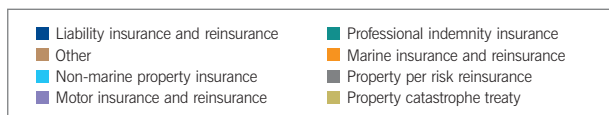
The majority of business in the Non-Marine Property insurance and Professional Indemnity insurance classes is underwritten through agents to whom the Syndicate provides restricted authority to accept risks on its behalf. Such delegation of authority is given only when Omega is entirely

satisfied as to the competence and suitability of the agent. This is assessed by using a selection or combination of questionnaires, personal visits by Omega staff and audits of the agents by independent third-party professionals. Until such time as an agent has established their relationship with Omega, their authority may often be further restricted such that certain risks have to be submitted to the Syndicate for approval and rating prior to acceptance. Omega's approach with agents is to achieve an alignment of interests through the use of profit related commission payments. The Group considers that Omega's relationships with these agents, the large majority of which go back many years, combined with Omega's management of the delegation of authority is a material contributor to the Group's success.

In line with the Group strategy, Omega intends to continue to increase or decrease the Syndicate's capacity and premium income according to its judgement of the insurance cycle and the margins of profitability afforded by market conditions.

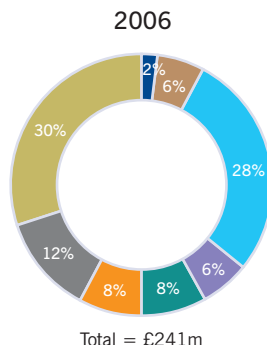
Omega has historically purchased reinsurance to provide protection against severity and frequency of loss and has based its assessment of the level of reinsurance protection to be purchased upon a conservative methodology of estimating potential gross exposures. Omega employs stringent criteria for the approval of reinsurers and, consequently, has had a low incidence and quantum of unrecoverable amounts due from reinsurers.

Syndicate 958's portfolio has been a consistently stable and diverse short-tail book and growth is in existing core classes:

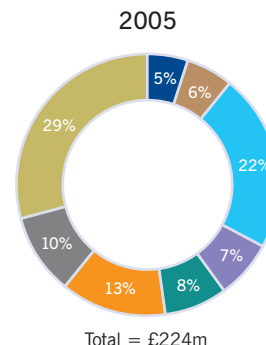


Note: some proportional reinsurance is included in insurance classification

2006 estimated gross premiums (net of commissions) by class of business



2005 estimated gross premiums (net of commissions) by class of business



Review of Operations and Financial Results continued

The successful philosophy employed by Omega in Cologne is to make it no more difficult for European clients to deal with Omega than it would be to do so with a reinsurer based on the Continent, including being able to communicate in their native language.



Omega Europe GmbH

The Group established its operations in Germany in late 2003 to complement the development of Omega's European reinsurance account. Based in Cologne, it offers clients access to all of the Omega group's services and is able to facilitate the placement and servicing of reinsurance business with Syndicate 958.

The team in the Omega offices in Cologne offers a single point of contact for all enquiries relating to reinsurance business of either a proportional or non-proportional basis. They are able to inform clients/brokers of the rates, terms and conditions offered by the Omega Group's underwriters and provide confirmation of the line that will be underwritten.

Following the placement of business with Syndicate 958, the team in Cologne again offer a single point of contact for delivering documentation, wordings and accounting information. Clients are able to contact the team in Cologne on all matters, including the processing of all premiums and claims.

The successful philosophy employed by Omega in Cologne is to make it no more difficult for European clients to deal with Omega than it would be to do so with a reinsurer based on the Continent, including being able to communicate in their native language. In addition to the premiums that are written through Omega Europe, the office also provides a development and support capability for European business that is ultimately produced directly to Omega in London.

The underwriting approach adopted in Omega Europe is entirely consistent with that of Omega in London. When margins are inadequate, business is declined.

Omega Specialty Insurance Company Limited

The Company received regulatory approval from the Bermuda Monetary Authority and commenced trading on 15 February 2006 capitalised at US\$172 million. No business was therefore underwritten during the period under review. It is intended that Omega Specialty establish a diversified

and balanced portfolio of business in those predominantly short-tail classes of business in which the Group has a proven track record of experience and expertise. Omega's view is that opportunities in these classes will be more attractive as the market conditions strengthen during 2006 and into 2007.

Stephen Edwards has been appointed Chief Underwriting Officer of Omega Specialty. Mr Edwards moves from Omega in London which he joined in 2003 as Syndicate Reinsurance Co-ordinator, having spent 35 years in the reinsurance industry, as an underwriter and as a broker in both the Lloyd's and London company markets.

Developing upon its experience with Omega Europe, the Group has been able to deploy proven systems and processes for the operational establishment of Omega Specialty.

Omega Specialty has been assigned a financial strength rating by A.M. Best of A- (Excellent) with a stable outlook.

Financial Review

Result for the Year:

The following table summarises Omega's result for the year.

	31 December 2005 £'000	31 December 2004 £'000
Technical result	249	363
Investment return	990	12
Other income & charges	5,451	3,240
Profit on ordinary activities before tax	6,690	3,615
Profit on ordinary activities after tax	6,794	2,467
Earnings per share (fully diluted)	17.2p	12.2p
Special interim dividend per share	3.5p	–
Net tangible assets per share	95.1p	15.6p

As referred to in the Review of Operations, 2005 has benefited from a revision in our underlying recognition policy on profit commission.

Profits from Investment Activities

Omega's directly held financial investments are managed under the guidance of the Investment Committee, which is responsible for setting the investment strategy, guidelines and the appointment of investment managers. Funds received by the Company from the flotation were invested in high quality short dated fixed interest investments. Funds from the second placing remained invested in short term deposits prior to conversion into US Dollars at the start of 2006 in order to capitalise Omega Specialty.

Our cautious investment strategy has resulted in an annualised investment return of 4.54% or £0.9 million on the funds raised from the two share placings during the year.

Currency Exposure

Omega Specialty will trade predominantly in US Dollars. Moving forward the majority of the Group's assets will be held in US Dollars within Omega Specialty. The Group's under-writing exposures will, going forward, be the greater part of the Group's trading activities and also reside within Omega Specialty. Omega will therefore be reviewing its presentational currency as these exposures become increasingly material.

Taxation

On introduction of Omega Dedicated (No. 2) Limited ("Omega Dedicated 2") – formerly Shelter Dedicated Limited, into the Group, £7.9 million of unrelieved UK tax losses became available. The available losses were offset against the Group's 2005 calendar year profits. Omega Dedicated 2 is a Lloyd's corporate member underwriting exclusively for the 2001 year of account of Syndicate 529. Since the 2001 year of account closed it has ceased underwriting.

As a consequence only a minimal UK current tax charge has been incurred on the Group's profit for the period. This has been offset against a deferred tax credit leading to an overall tax credit for the period.

In 2006 the Group would expect to attract the current standard rate of corporation tax (30%) as the normal effective tax rate.

Dividend policy

Following our strong interim results the Board was pleased to be able to announce in November a special interim dividend of £1.4 million or 3.5 pence per share, payable to those shareholders on the register in advance of the placing of the new ordinary shares on 6 December 2005. This was in lieu of what would otherwise have been the final dividend for the year ended 31 December 2005. The Board's intention continues to be to adopt a flexible policy towards dividends depending upon the level of distributable profits and the strategic opportunities available to the Group.

Balance Sheet

The Group includes in its consolidated balance sheet its share of the assets and liabilities of Lloyd's Syndicate 958 through Omega Dedicated. These assets and liabilities will remain within the syndicate at the year end in respect of open years of account. For the closing 2003 year of account a net settlement will be made to the Group during 2006.

Cash and investments have increased by over £100 million reflecting the additional net capital from flotation in April and second placing in December 2005.

Funds at Lloyd's, representing cash deposits at Lloyd's and cash and cash alternatives held at the bank to support a letter of credit deposited at Lloyd's, are included within cash as detailed in note 18.

Expenses

The Group closely manages its expenses base, keeping fixed and variable costs under scrutiny.

Expenses incurred in respect of our flotation and second placing have been written off to the share premium account.

Individual Capital Assessments

Lloyd's now uses syndicate individual capital assessments (ICA) to determine the level of Funds at Lloyd's required by each individual member. Previously Funds at Lloyd's were calculated using the Risk Based Capital (RBC) model. A transitional approach between the old RBC model and the new ICA regime introduced by the FSA has been adopted by Lloyd's. As had been anticipated, the transitional arrangements had little impact on the RBC ratio that would have been applied by Lloyd's to Omega underwriting plans for 2006. The calculation of the Syndicate's ICA takes account of the relative consistency and low volatility of Omega's profitable track record.

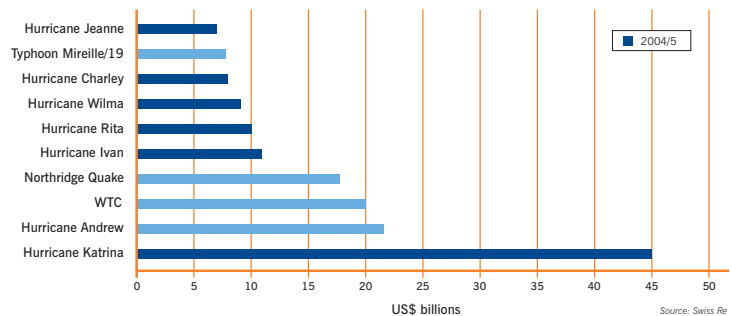
Omega, in conjunction with its external advisers, has continued to develop its modelled approach to assessing Syndicate 958's capital requirements. The Syndicate's 2006 year of account ICA and business plan have been approved by Lloyd's.

Outlook

2004 and 2005: \$100+ billion of losses

2004 and **2005** produced a severity and frequency of loss not previously experienced by the industry

Six of the largest ten insured losses occurred in those two years



The impact of Katrina on the insurance market, which also sustained Hurricanes Rita and Wilma in 2005 and the Florida hurricanes of 2004, is still developing. As a result, Omega expects a progressive strengthening of the market in its key lines of business throughout 2006 and into 2007.

The outlook for 2006 is positive. 2004 and 2005 have provided reminders that catastrophic events can occur with unpredictable frequency and severity of impact but underlying trading conditions are strong and Omega anticipates a progressive strengthening in its key classes throughout the year and into 2007.

Strengthening market conditions

Significant increases in rates were not experienced generally on business renewing at 1 January 2006. The exception was business which had experienced losses in 2005. Rates and terms on certain risks came under competitive pressure, particularly international reinsurance business

where some reinsurers appeared to put the quest for market share and diversification from US catastrophe exposures ahead of underwriting discipline. Nonetheless, the impact of Hurricanes Katrina, Rita and Wilma continues to be revealed in increasing estimates of losses from many insurers and reinsurers into 2006. Rating downgrades have ensued in many cases and more may be to follow. The cost and scarcity of retrocessional capacity (the reinsurance of reinsurers) will lead to pressure on reinsurers and ultimately insurers to increase premiums and reduce their aggregate exposures. The recalibration of the leading computer-based loss modelling applications is expected to increase further the

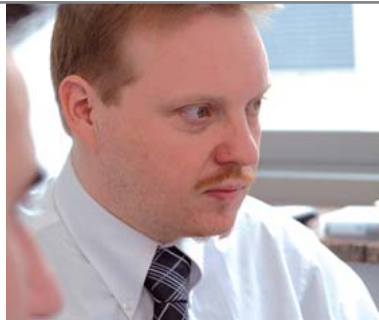
demand for scarce reinsurance capacity.

The expectation is therefore that rates for catastrophe reinsurance will continue to strengthen and the mid-year renewal season for risks with Florida and Gulf of Mexico exposures is anticipated to bring substantial increases. Furthermore, we expect the impact of the constraints on aggregate exposures will also be felt in the primary insurance classes.

With market conditions stronger at this time than would have been anticipated in the first half of 2005 and further strengthening expected, we believe this is an opportune juncture for the Group to increase materially its direct exposure to its own underwriting.



Omega will have three underwriting platforms, in London, Bermuda and Cologne.



The increased profile and operational footprint of the Group with the formation of Omega Specialty in Bermuda is expected to enhance the trading opportunities of all of the underwriting platforms.

Managing exposures

As observed above, reinsurance capacity from good quality security in 2006 is both expensive and in short supply. However, with robust margins and attractive terms and conditions on so much of Omega's portfolio of business classes, it is judged reasonable and appropriate for Omega's underwriting operations to bear an increased net exposure. The main risk before the US windstorm season later in 2006 is that of earthquake and Omega has purchased some specific reinsurance protections to reduce this exposure to the Syndicate and, consequently, Omega Specialty. The intention is that Omega's exposure to the US windstorms will be managed within the Group's risk appetite by purchasing additional reinsurance, if it proves to be available at cost effective prices and terms from acceptable security, or by reducing Omega's peak exposures.

Omega Specialty

The operational establishment of Omega Specialty has progressed to plan. The assignment of a high quality rating of A- (Excellent) by A.M. Best was a key step in its development. Going forward in 2006, Omega Specialty will be the vehicle through which the Group assumes its direct underwriting exposure. Omega Specialty has made a strong start to 2006. Omega Dedicated did not renew its quota share reinsurance with

Aspen. Omega Specialty is reinsuring Omega Dedicated's 15.2% share of Syndicate 958 for the 2006 account. Omega Specialty has also underwritten a 10% quota share of Syndicate 958's gross whole account for the 2006 year of account. In addition, Omega Specialty is also providing a surplus quota share facility to the Syndicate. This facility may be utilised either for risks where the Syndicate is able to secure the business on more advantageous terms and conditions by writing a line larger than its normal gross commitment and chooses to reinsure the surplus with Omega Specialty or, secondly, the facility may be used on business that is produced by Omega Specialty but cannot be underwritten directly by the Company in Bermuda until particular regulatory approvals are obtained in the country or state of domicile of the business.

Omega Specialty estimates that it will underwrite gross premiums in 2006 totalling approximately US\$185 million.

Omega Europe in Cologne has proved a useful precedent for Omega Specialty. Much of the infrastructure, systems and controls deployed in Cologne have been able to be deployed rapidly in Bermuda. These will enhance the Group's ability to ensure the application of best practice consistently across the Group's operating platforms and, crucially, ensure a consistency of underwriting approach.

Omega Specialty will be seeking to develop a diversified and balanced portfolio based upon those key short-tail classes in which the Group has a proven and profitable track record.

Enhanced profile

Omega Specialty therefore affords the Group the opportunity for growth in its underwriting activities and its direct exposure to its underwriting. This growth will, however, be incremental and, remaining with the fields of Omega's experience, is considered by the Board to be well within its management capabilities.

Omega will have three operating units, in London, Bermuda and Cologne. Omega's presence in those three important markets, combined with its extensive and longstanding business relationships with insureds, reassureds, agents and brokers, provides a strong basis for the Group's development. The increased profile and operational footprint of the Group with the formation of Omega Specialty in Bermuda is expected to enhance the trading opportunities of all of the underwriting platforms.

Richard Tolliday
Chief Executive Officer
4 April 2006

Board of Directors



Richard Tolliday
Chief Executive Officer



John Robinson
Chief Underwriting Officer

Richard Tolliday (aged 45)
Chief Executive Officer

Mr. Tolliday joined the Omega Group in 2002. His insurance career spans 26 years during which he has held a number of senior positions both in management and underwriting. Between 1982 and 2000, Mr. Tolliday held various positions with Amlin plc (formerly Murray Lawrence & Partners Limited). As group operations director, he was responsible for the strategic leadership of Amlin's operations. Prior to that, Mr. Tolliday held positions as group information systems director, and syndicate manager and deputy underwriter on Syndicate 40. Before joining the Omega Group, Mr. Tolliday served as chief operating officer of the commercial division of Cox Insurance Holdings plc. Mr. Tolliday was awarded an MBA with distinction from the London Business School in 1999.

John Robinson (aged 52)
Chief Underwriting Officer

Mr. Robinson has been an underwriter for Syndicate 958 since it commenced underwriting in 1980 and has spent 33 years of his career as an underwriter in the Lloyd's market. In 1979, Mr. Robinson and Graeme Christensen established the Syndicate. Mr. Robinson has been the Active Underwriter on the Syndicate since 1995, prior to which he was the Syndicate's deputy underwriter. Mr. Robinson joined the Lloyd's community in 1972 when he took a position of underwriting assistant with C.E. Heath, a London-based insurance broker and underwriter. He is a founder shareholder of the Omega Group. Mr. Robinson is also a director of Omega Underwriting Agents.



Walter Fiederowicz
Non-Executive Chairman



Christopher Clarke
Non-Executive Director



Clifford Palmer
Non-Executive Director

Walter Fiederowicz (aged 59)
Non-Executive Chairman

Mr. Fiederowicz has been underwriting as a Name at Lloyd's on various syndicates since 1996, and specifically as a Name on Syndicate 958 since 1996. He joined the Board of the Company in 2003.

He currently serves as chairman of the board of Meacock Capital plc, a Lloyd's-based underwriting entity. He also serves as a managing director of the Painter Hill Venture Fund I, L.P., and serves on the boards of directors of First Albany Companies Inc., Photonics, Inc., and CDT Corporation, and previously served as chairman of the board of Conning & Company, a firm specialising in the analysis of insurance companies, and Heritage Underwriting Agency plc (a Lloyd's managing agency).

Mr. Fiederowicz is a graduate of Yale University and the University of Virginia School of Law. His career as an attorney included service as a partner of Cummings & Lockwood, where he represented venture capital firms and other financial institutions and capital providers.

Christopher Clarke (aged 60)
Non-Executive Director

Mr. Clarke was appointed a Non-executive director of the Company in March 2005. He has been a Non-executive director of The Weir Group PLC since 1999 where he is also a member of the audit and remuneration committees. He has been a Deputy Chairman of the Competition Commission since 2004, having been a member since 2001. Formerly an investment banker, he was a director of Samuel Montagu & Co. Limited from 1982 to 1996 and of HSBC Investment Banking until 1998. Mr. Clarke is a graduate of Cambridge University and of the London Business School.

Clifford Palmer (aged 57)
Non-Executive Director

Mr. Palmer was appointed a Non-executive director of Omega Underwriting Agents in 1998 and he was appointed a Non-executive director of the Company in 2003. Mr. Palmer has been actively involved in the management of Lloyd's related companies for over 20 years, including service as a syndicate active underwriter and executive director of Ashley Palmer Holdings Limited and companies within the same group, as well as an independent director of Vesta Insurance Group, Inc. from immediately following their IPO until 2001. Until April 2004, Mr. Palmer also served on the board of directors of S.A. Meacock & Co. Limited, a Lloyd's underwriting agency. He is currently non-executive chairman of Bell & Clements (London) Limited, the parent company of Lloyd's broker Bell & Clements Limited.

Directors, Officers and Advisers

Directors

Walter Michael Fiederowicz (Non-executive Chairman)
Richard Vernon Tolliday (Chief Executive Officer)
John David Robinson (Chief Underwriting Officer)
Christopher Alan Clarke (Non-executive Director)
Clifford Frederick Palmer (Non-executive Director)

Secretary

Jeremy Philip Gorman

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Principal Banker

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Nominated Adviser

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Registrars

Capita Registrars
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Kent
BR3 4TU

Financial Advisers

Kinmont Limited
6 Arlington Street
London
SW1A 1RE

Directors' Report

The directors present their report on the affairs of the Company and the Group, together with the audited financial statements, for the year ended 31 December 2005.

Change of Name and Re-Registration as a Public Limited Company

On 22 March 2005 the Company changed its name from Omega Underwriting Holdings Limited to Omega Underwriting Holdings PLC and was re-registered as a public limited company.

Share Capital

On 6 April 2005, the authorised and issued share capital of the Company was reorganised so that each Ordinary Share of £1 was subdivided into 20 Ordinary Shares of 5p. Issues of share capital during the year are set out in Note 23 to the Financial Statements.

Admission to AIM and Placings with Institutional Shareholders

On 6 April 2005, 17,391,305 new Ordinary Shares of 5p each were placed with institutional shareholders at a price of 115p per share raising approximately £18.3 million, net of expenses.

On the same date, the Company's issued Ordinary Share capital was admitted to trading on the Alternative Investment Market, which is operated by the London Stock Exchange.

On 5 December 2005, 81,818,182 new Ordinary Shares of 5p each were placed with institutional shareholders at a price of 110p per share raising approximately £85.8 million, net of expenses. At the start of 2006 the majority of the net proceeds of these two placings were used in the initial capitalisation of Omega Specialty Insurance Company Limited.

Principal Activities and Business Review

The Company is the holding company for the following 100% equity owned subsidiaries:

Omega Specialty Insurance Company Limited ("Omega Specialty")

An insurance and reinsurance business based in Bermuda (incorporated in Bermuda 26 January 2006).

Omega Underwriting Agents Limited ("Omega Underwriting Agents")

The managing agent of Syndicate 958 and, for the 2001 account, of Syndicate 529. Syndicate 529 did not trade in 2002 or subsequently.

Omega Europe GmbH ("Omega Europe")

Based in Cologne and established during 2004 to act as a European underwriting agent operating a binding authority on behalf of Syndicate 958.

Omega Dedicated Limited ("Omega Dedicated")

A Lloyd's corporate member that underwrites on Syndicate 958.

Omega Dedicated (No.2) Limited ("Omega Dedicated 2")

A Lloyd's corporate member (ceased underwriting).

Omega Underwriting Investments Limited ("Omega Investments")

A dormant company.

The allocated capacity for Syndicate 958 and Omega Dedicated is as follows:

	Year of Account			
	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Total Capacity				
Syndicate 958	249,432	223,975	224,068	153,756
Omega Dedicated participation	40,947	29,000	4,213	3,749
Supported directly by Omega Group	37,968	1,139	975	869

Omega Dedicated's participation in Syndicate 958 has been partly funded by Funds at Lloyd's derived from the Company and partly by third parties. For the 2006 year of account, Omega Dedicated has increased significantly its participation in Syndicate 958 to £40.9 million representing some 16.4% of total syndicate capacity. Omega Dedicated has a participation agreement with the other third parties participating in Syndicate 958 through Omega Dedicated, which sets out the basis of profit distribution.

A review of the Company's and the Group's activities are more fully set out in the Chairman's Statement and the Review of Operations on pages 3 and 4 respectively.

Results and Dividends

The results of the Group for the year ended 31 December 2005 are set out on in the accounts and related notes on pages 28 to 49.

A Special Interim dividend of 3.5p per Ordinary Share was declared and paid on 6 December 2005. The directors do not recommend the payment of a further dividend in respect of the year ended 31 December 2005.

Directors

The directors of the Company, who served throughout the year except where otherwise shown, were as follows:

W M Fiederowicz

R V Tolliday

J D Robinson

C A Clarke (appointed 11 March 2005)

C F Palmer

D R Burchett (resigned 16 February 2005)

In accordance with the Articles of Association, Christopher Clarke retires and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Biographies of directors are set out on pages 14 and 15.

Resolutions to be proposed at the forthcoming Annual General Meeting are set out in the Notice of Annual General Meeting on pages 50 to 52. Explanatory notes in respect of these resolutions are set out on pages 53 and 54.

Corporate Governance

The Company's compliance with corporate governance is disclosed in the corporate governance statement on pages 23 to 25.

Directors' Report continued

International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with applicable UK accounting standards. As an AIM company, IFRS are required to be adopted in the preparation of the interim accounts for the six months ended 30 June 2007. The Group has started the process of identifying all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented, and quantifying the effects of the differences.

Directors' Interests

The interests of the directors and their immediate families in the issued Ordinary Share capital of the Company at the beginning and the end of the year are set out below. The interests as at 31 December 2004 represent Ordinary Shares of £1 each.

	4 April 2006 Ordinary Shares of 5p	31 December 2005 Ordinary Shares of 5p	31 December 2004 Ordinary Shares of £1
W M Fiederowicz	50,000	50,000	–
R V Tolliday	180,000	180,000	5,000
J D Robinson	16,740,000	16,740,000	465,000
C A Clarke	25,000	25,000	–
C F Palmer	–	–	–

In addition, for the purposes of the Companies Act 1985, each of the executive directors, Richard Tolliday and John Robinson, may also be deemed to have a technical interest in the 1,470,924 Ordinary Shares held by Abacus Corporate Trustee Limited, the trustees of the Employee Share Trust. Any such interest will cease when and to the extent that those Ordinary Shares are transferred to individuals who exercise their options over such shares.

The Company has a policy of making awards and granting options to executive directors and employees under Share Incentive Plans. The Remuneration Committee has sole discretion for making awards and granting share options.

Awards made and share options granted to directors under the Share Incentive Plans are as follows:

Director	Notes	1 Jan 2005	Granted during year	31 Dec 2005	Exercise Price	Exercisable From	To
R V Tolliday	(1)	–	648,936	648,936	Nil	6 April 2006	5 April 2015
R V Tolliday	(2)	–	754,693	754,693	115p	6 April 2007	5 April 2015
R V Tolliday	(2)	–	25,751	25,751	116.5p	7 April 2009	7 April 2015

On 21 January 2006, further awards were made under the Omega Underwriting Holdings PLC Long Term Incentive Plan over the Company's Ordinary Shares of 5p each as follows:

Director	Notes	Awarded 21 January 2006	Exercise Price	Exercisable From	To
R V Tolliday	(3)	1,500,000	Nil	21 January 2009	20 January 2016
J D Robinson	(3)	750,000	Nil	21 January 2009	20 January 2016

Notes:

- (1) The Employee Share Trust holds 1,470,924 Ordinary Shares out of which this award will, subject to vesting, be satisfied. The options will vest on a sliding scale basis over a period of between one and three years from the date of grant and may not be exercised later than the tenth anniversary of the date of grant.
- (2) Other options and awards will, subject to vesting and satisfaction of performance conditions, be satisfied out of unissued Ordinary Shares.
- (3) Subject to certain performance conditions being met, the options will vest on a sliding scale basis over a period of between three and five years from the date of grant and may not be exercised later than the tenth anniversary of the date of grant. Such options that do not vest due to the performance conditions not being met will lapse.

No awards of options to directors lapsed during the year. Save as stated above, none of the directors in situ as at 31 December 2005, nor any member of their immediate families, had any interest in the share capital of the Company at 31 December 2005 or 2004.

Substantial Shareholdings

At 20 March 2006, the directors had been notified or were otherwise aware of the following holdings of 3% or more of the Company's issued share capital:

	Number of Ordinary Shares	Percentage of Issued Ordinary Share Capital
INVESCO Perpetual UK Investment Series (UK ICVC)	26,587,635	22.00
J D Robinson	16,740,000	13.85
Lehman Brothers International (Europe)	9,600,000	7.94
The Goldman Sachs Group Inc	8,647,691	7.15
Aviva plc	5,050,000	4.18
Credit Suisse First Boston (Europe) Limited	4,722,727	3.91
UBS AG/UBS Global Asset Management (Life) Limited	4,614,077	3.82

Risk Management

The main risk factors to the Group's financial performance and the steps taken to mitigate them can be summarised as follows.

Underwriting risk

For the purpose of the year under review the Group's share of underwriting risk is relatively immaterial. However, the Syndicate underwriting risk is managed by a control framework which includes monthly review of underwriting performance, peer and independent review, formal submission and approval process of business plans including underwriting limits, monitoring of aggregate exposures, relevant experience and realistic disaster scenarios. Under Lloyd's and FSA supervision the Syndicate is also required to submit detailed Individual Capital Assessments (ICA) to determine the level of Funds at Lloyd's required to support the Syndicate underwriting. The assessment is supported by a detailed risk evaluation.

Credit risk

The risk of default of counterparty arises through the Group's investment portfolio and through the Group's share of Syndicate underwriting.

Credit risk in respect of reinsurance debtors is managed by the Syndicate's reinsurance security committee who monitor and approve reinsurers prior to acceptance onto the Syndicate reinsurance programme.

Credit risk arising from the investment portfolio is primarily managed by the independent investment managers as appointed by the Group's investment committee. The investment manager's mandate includes strict guidelines over the minimum investment rating acceptable to the group and over the maximum counterparties' risk. The funds which are managed in-house are also invested in accordance with the guidelines set out by the investment committee and are currently restricted to short term deposits or cash mutual funds with high quality financial institutions.

Investment risk

During the year the Group only invested in either investment grade fixed interest bonds or short term deposits with high quality financial institutions. Irrespective of the guidelines set out and adhered to all fixed interest investments are subject to fluctuations in market price as a result of interest rate expectations, economic conditions, risk factors and investors expectations.

The Group's policy is conservative and will remain so. The overriding principle of the policy is capital preservation. The Group's investment performance is monitored and reported formally on a quarterly basis by the investment committee.

Liquidity risk

The Group monitors working capital to ensure that it is sufficient to meet its ongoing commitments and in the case of the Lloyd's managing agency, funds are adequate to meet Lloyd's asset margins. Capital, deemed to be in excess of working capital, is invested in only highly liquid listed fixed interest securities or shorter term deposits with major financial institutions. The investment committee will review the current and projected strategic needs of the Group when setting the investment policy.

Cash flow risk

The major cash inflows to the Group at present are through the Group's managing agency activities. The Managing Agent's fee is paid in advance by the Syndicate under management at the commencement

of each underwriting year and therefore the risk is negligible. Profit commissions are received upon closure of a profitable underwriting year and hence dependent on the underwriting performance of the Syndicate under management. A profit commission payment, when due, is remitted directly from the Syndicate to the Managing Agency as part of the wider distribution process to the members of the Syndicate.

Exchange risk

Where appropriate the Group will enter into forward exchange contracts to manage significant currency exposures. Historically these have arisen principally from profit commission.

Creditor Payment Policy

Although the Company does not follow a specific code when settling its payment obligations with creditors, it is the policy of the Company to ensure that all suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations.

Going Concern

The directors are confident that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Charitable and Political Donations

The Group made no charitable or political donations in the financial year (2004: Nil).

Auditors

Mazars LLP resigned as auditors of the company on 24 January 2005. The directors appointed Ernst & Young LLP as auditors in their place. Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Jeremy Gorman
Company Secretary
4 April 2006

Report of the Remuneration Committee

As an AIM listed Company, the Directors' Remuneration Report Regulations 2002 do not apply to Omega. However, the Board is committed to complying with best practice corporate governance standards so far as practicable and appropriate having regard to the Group's size.

Remuneration Committee

The Remuneration Committee (the "Committee") is responsible for making recommendations to the Board on remuneration policy as applied to Omega's executive directors and senior executives. The Committee consists of Clifford Palmer who is Chairman of the Committee and Walter Fiederowicz. The Chief Executive Officer may, at the Committee's invitation, attend meetings except where his own remuneration is discussed. The Committee held seven meetings during the year.

During the year, the Committee appointed independent remuneration consultants, New Bridge Street Consultants LLP ("NBSC"), to advise on all aspects of executive remuneration. NBSC has no connection with Omega other than in the provision of advice on executive and employee remuneration. Previously the Committee was advised by Ernst & Young LLP.

Remuneration of Non-Executive Directors

The fees of the Non-executive directors are set by the Board following an annual review. Non-executive directors are not eligible to receive pension entitlements or bonuses and may not participate in share option schemes.

For 2005 the basic fee for the Company Chairman was £50,000. For the other Non-executive directors, the base fee was £30,000. An additional fee of £10,000 was paid for chairing the Audit Committee and additional fees of £5,000 were paid for chairing the Remuneration and Investment Committees. Clifford Palmer also received an additional fee of £40,000 for his role as Non-executive director of Omega Underwriting Agents Limited.

Policy on Executive Directors' Remuneration

The Committee's remuneration policy is based on the following broad principles:

- to provide a competitive remuneration package to attract and retain the highest quality executives;
- to provide incentives that are aligned with the interests of shareholders and reward long-term value creation;
- to provide a total remuneration offering at 'target' levels of performance that are competitive in the relevant market;
- for performance beyond 'target' levels, a significant proportion of remuneration should be delivered through incentive related pay; and
- to provide the foundation for overall reward and remuneration beyond the specific roles governed by the Committee.

The Committee, operating within the remit of this policy, aims to ensure that an appropriate balance exists between fixed and variable pay. The Committee operates a cap on short term incentive opportunities to ensure that inappropriate risk taking is neither encouraged nor rewarded.

The policy in relation to subsequent years will be kept under review to ensure that it reflects changing circumstances.

The individual elements of remuneration provided for executive directors comprise the following elements:

- Base Salary;
- Pension and Other Benefits;
- Annual Bonus Plan; and
- Long-Term Incentive Plan.

Details of each of the above elements are as follows:

Base Salaries

The salary levels of individual executive directors are reviewed annually by the Committee with account taken of individual performance, skill and pay levels for similar roles in comparable insurance entities.

Pension and Other Benefits

The executive directors participate in the Group Personal Pension Plan with Omega contributing at a rate of 15% of base salary. Other executives, and the wider employee base, may also participate in the plan with the Company contributing up to 15% of base salary.

No changes are being proposed to the pension arrangements in light of the changes to pension tax legislation in April 2006.

In addition to pension benefits, the executive directors also receive private medical insurance, permanent health insurance and life insurance cover.

Annual Bonus

For the position of Chief Executive Officer, annual bonus payments are based on a range of internal financial performance measures and personal objectives that relate to the most recent financial year. For the position of Chief Underwriting Officer, bonus payments principally reflect underwriting results. The maximum potential bonus opportunity is capped at 150% of base salary for both executive positions. For the 2005 calendar year, the Chief Underwriting Officer has waived his rights to a bonus.

Long-Term Incentives

Shareholders approved the Omega Long-Term Incentive Plan (the "LTIP") on 18 March 2005. The LTIP provides flexibility for the Committee to make awards of restricted shares, nil cost options and or market value options.

On admission to AIM, awards of restricted shares and market value options were made to key personnel, including the Chief Executive Officer. The awards of restricted shares do not require the satisfaction of performance conditions and were made with the intention of providing the Chief Executive Officer and other key personnel with an immediate interest in the Company's shares. There is no intention to make further awards of restricted shares to executive directors or employees.

Awards of market value options were made in April 2005 with the following performance condition attached:

Growth in average annual total shareholder return ("TSR") (calculated as the percentage return derived from share price growth with no re-investment of dividend payments) must be at least equal to the greater of:

- The percentage change in the Retail Prices Index ("RPI") over the relevant performance period plus 5 per cent; and
- 10 per cent.

The performance period applying to awards and the timing of vesting will be as follows:

Proportion of Award	Relevant Performance Period	Time of Vesting
1/3	Two years from date of grant	Second anniversary of the date of grant
1/3	Three years from date of grant	Third anniversary of the date of grant
1/3	Four years from date of grant	Fourth anniversary of the date of grant

Options may be exercised after all the awards have vested i.e. at the fourth anniversary of the date of grant subject to the satisfaction of the performance condition.

Performance Criteria – Proposed Amendment

At the Annual General Meeting to be held on 19 June 2006, an Ordinary Resolution will be proposed to amend the performance condition set out in the Appendix to the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan (the "Plan"). This applies to the awards in April 2005 referred to above.

It is proposed that the TSR performance condition applying to outstanding awards made under the Plan should be amended so that the TSR is calculated on a conventional basis (i.e. it is calculated so that it includes dividends paid and notionally reinvested into further shares, taking into account the ex-dividend date). As stated above, dividends are not currently included in the methodology for calculating TSR.

Specific shareholder authority is being sought for this amendment as the inclusion of dividends within the TSR methodology would technically result in an easing of the performance condition as it is currently drafted. However, the amended condition will be fully consistent with normal market practice and the Remuneration Committee considers that the impact of the original drafting was not intended.

Further awards have been made to the Chief Executive Officer and Chief Underwriting Officer as a result of the second placing that took place during the year. The Committee considered that these awards were appropriate given that the flotation increased the market capitalisation of Omega five-fold and was, in effect, equivalent to a second flotation rather than a standard fundraising issue. These awards have been made since the end of the financial year.

The number of shares awarded was as follows:

Executive	Number of Shares
Chief Executive Officer	1,500,000
Chief Underwriting Officer	750,000

Prior to making these awards a consultation exercise was undertaken with the Company's major shareholders who were supportive of these supplementary post placing awards. The performance conditions that apply to these awards are as follows:

Absolute total shareholder return

75% of these awards will vest based on Omega's absolute TSR (calculated as the percentage return derived from share price growth plus the re-investment of dividends). Threshold vesting will occur based on an absolute TSR of 10% per annum with full vesting for an absolute TSR of 15% per annum with straight line vesting in between these levels.

Relative total shareholder return

25% of these awards will vest based on Omega's relative TSR measured against 12 UK listed Lloyd's vehicles. Threshold vesting will occur for median performance with full vesting at upper quartile performance.

There is no re-testing of these performance conditions with the performance period applying to awards and timing of vesting as follows:

Proportion of Award	Performance Period	Relevant Time of Vesting
1/2	Three years from date of grant	Third anniversary of the date of grant
1/3	Four years from date of grant	Fourth anniversary of the date of grant
1/6	Five years from date of grant	Fifth anniversary of the date of grant

The proportion of each element that vests for threshold performance is 33% of the relevant part of an award with a straight line increase to 100% at the stretch level of performance.

The Committee considers TSR to be the most relevant measure of long-term performance as it provides the clearest alignment between executives and shareholders. It is the Committee's current intention to make future awards under the LTIP subject to TSR performance conditions similar to those set for the post placing awards.

The Company also operates a Company Share Option Plan (the "Executive Plan") which has been approved by HMRC under which tax approved options may be granted.

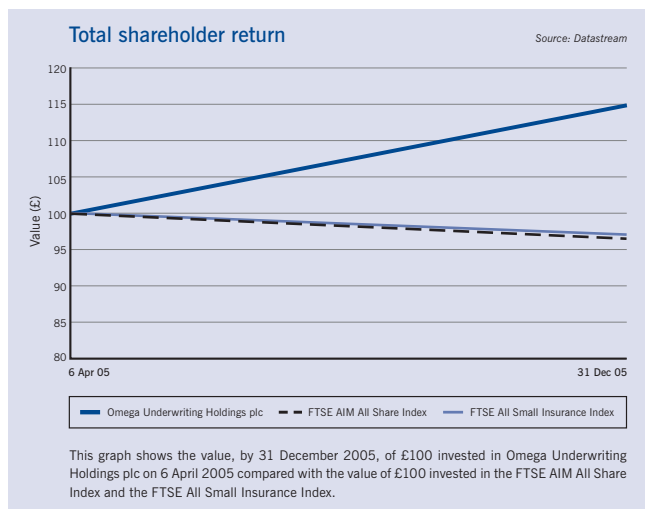
Dilution

All share based incentive awards are made within the ABI best practice dilution limits that permit the issue of new shares, for the purposes of satisfying share awards, of up to 10% for all employee schemes and, unless the Committee determines otherwise, up to 5% of the current issued share capital for executive schemes. Awards made at, or before, flotation do not count towards these limits.

Report of the Remuneration Committee continued

TSR Performance

The following chart illustrates Omega's TSR performance, which determines vesting under the LTIP as described above, since flotation. Included on the chart for comparison purposes is the TSR of the FTSE AIM All Share Index which is the FTSE Sector classification for Omega. In addition, we have also included the TSR of the FTSE All Small Insurance Index. The Committee considers the FTSE All Small Insurance Index to consist of companies broadly comparable to Omega.



Both the executive directors have contracts which are terminable by either party on providing twelve months notice. The contracts contain restrictive covenants preventing the executive directors from working for any competing business in the U.K. for a period of six months post termination.

The Non-executive directors do not have service agreements but have formal letters of appointment which require six months notice to be provided by either party.

Emoluments Table

Emoluments for the executive directors, Chairman and other Non-executive directors for the year are set out below:

Directors' emoluments*	Salary/fees 2005 £	Bonus 2005 £	Pension 2005 £	Total 2005 £	Salary/fees 2004 £	Total 2004 £
Executive Directors						
Richard Tolliday	242,308	135,000	32,335	409,643	210,000	210,000
John Robinson	295,192	–	36,690	331,882	275,000	275,000
Non Executive Directors						
Walter Fiederowicz	60,754	–	–	60,754	29,920	29,920
Christopher Clarke	28,269	–	–	28,269	–	–
Clifford Palmer	70,769	–	–	70,769	50,000	50,000

* Directors in situ as at 31 December 2005

Directors' Long Term Incentives

During the year ended 31 December 2005, the Company made the following awards to the Chief Executive Officer:

Plan	Grant Date	Granted	During year Exercised	Lapsed	At 31 Dec 2005	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
LTIP	6 April 2005 ¹	648,936	–	–	648,936	Nil	–	6 April 2006	5 April 2015
LTIP	6 April 2005 ²	754,693	–	–	754,693	115.0p	–	6 April 2007	5 April 2015
Executive Plan	7 April 2005 ²	25,751	–	–	25,751	116.5p	–	7 April 2009	7 April 2015

Notes:

1. Restricted share award.
2. The award of market value options under the Executive Plan is subject to the same TSR performance condition as the market value award of options made under the LTIP.

Clifford Palmer

Chairman of the Remuneration Committee

4 April 2006

Statement of Corporate Governance

Compliance with Combined Code

There is a commitment to high standards of corporate governance throughout the Group. While the Company is not required, as an AIM quoted company, to comply with the main provisions and principles set out in the Combined Code on Corporate Governance published in July 2003, it intends to do so in so far as practicable and appropriate having regard to the Group's size.

The Board is accountable to the Company's shareholders for good governance and the statements set out below describe how the principles identified in the Combined Code 2003 are applied by the Group.

Board of Directors

The Board consists of Walter Fiederowicz (Non-executive Chairman), Richard Tolliday (Chief Executive Officer), John Robinson (Chief Underwriting Officer), Christopher Clarke (Non-executive Director) and Clifford Palmer (Non-executive Director).

Any director appointed since the previous Annual General Meeting is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-election at the Annual General Meeting. The directors required to retire are those in office longest since their previous re-election. The Company's Articles of Association require directors to submit themselves for re-election at least once every three years.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Decisions concerning the direction and control of the business are made by the Board, which meets at least six times each year and more frequently where business needs require. The Board has a schedule of matters reserved for its decision including, inter alia, statutory matters; approval of financial statements and dividends; appointments and terminations of directors, officers and auditors; appointments of committees and setting of terms of reference; review and approval of group performance against budgets; approving risk management strategy and material contracts; and determining

the authority levels within which management is required to operate.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. This is in addition to the access which every director has to the Company Secretary, who is charged by the Board with ensuring that Board procedures are followed.

The Company has established properly constituted audit, remuneration, investment and nomination committees of the Board with formally delegated duties and responsibilities.

Individual attendance by directors at meetings of the Board and of other committees are set out in the table below.

Audit Committee

The Audit Committee was established in March 2005 and has formal terms of reference. Its primary responsibilities are to keep under review the scope and results of the audit and its effectiveness and the independence and objectivity of the auditors; to review the interim and annual financial statements and any formal announcements relating to the Company's financial performance and to review significant financial reporting judgements contained in them; and to monitor the quality of internal controls and ensure that the financial performance of the Company is properly measured and reported on.

The current members of the Audit Committee are Walter Fiederowicz (Committee Chairman), Clifford Palmer and Christopher Clarke. The Committee receives and review reports from the Company's management and auditors relating to the interim and annual financial statements and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least three times a year and has unrestricted access to the Company's auditors.

The terms of reference of the Audit Committee are available on request.

Individual attendance by directors at meetings of the Board and of other committees

Director	Board		Audit		Remuneration		Investment		Nomination	
	No. of Meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No of meetings	No. attended
W M Fiederowicz	17	15	5	5	7	7	3	3	1	1
R V Tolliday	17	17	–	–	–	–	–	–	1	1
J D Robinson	17	16	–	–	–	–	–	–	–	–
C A Clarke ¹	13	12	4	4	–	–	3	3	–	–
C F Palmer	17	14	5	5	7	7	–	–	1	1
D R Burchett ²	2	2	–	–	–	–	–	–	–	–

¹ Appointed 11 March 2005

² Resigned 16 February 2005

Statement of Corporate Governance continued

Remuneration Committee

The Remuneration Committee was established in March 2005 and has formal terms of reference. Its principal objectives are to make recommendations to the Board on the Company's framework of executive directors' remuneration and its cost; to determine the remuneration of the Chairman and specific executive directors and senior management of the Group; and to determine targets for, advise on, and monitor, any performance related bonus or other incentive schemes.

The Remuneration Committee is also responsible for the granting of long term incentive awards and share options pursuant to the share incentive plans in operation from time to time.

The current members of the Remuneration Committee, who served throughout the period are Clifford Palmer (Committee Chairman) and Walter Fiederowicz. Full details of directors' remuneration and a statement of the Company's remuneration policy are set out in the Report of the Remuneration Committee on pages 20 to 22.

Copies of executive directors' service contracts and the terms and conditions of appointment of the Non-executive directors are available for inspection at the Company's office during normal business hours.

The terms of reference of the Remuneration Committee are available on request.

Investment Committee

An Investment Committee was established in March 2005, comprising Christopher Clarke (Committee Chairman), Walter Fiederowicz and Nicola Davies (Chief Financial Officer). The principal terms of reference for the Committee are to recommend, for approval by the Board, investment strategies and policies, and the appointment of fund managers for all investments; to monitor the performance of investment strategies against set benchmarks; and to monitor the cash flow, liquidity and working capital of the Company and the other members of the Group.

The terms of reference of the Investment Committee are available on request.

Nomination Committee

The Nomination Committee was established in March 2005 and has formal terms of reference.

The Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes; making recommendations concerning the appointment of, and changes in, the members and chairman of each of the Audit, Remuneration, Investment, and Nomination Committees; identifying, and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and reviewing annually the time required from each Non-executive director.

The current members of the Nomination Committee, who have served throughout the period are, Walter Fiederowicz (Committee Chairman), Richard Tolliday and Clifford Palmer.

The terms of reference of the Nomination Committee are available on request.

During the year the Nomination Committee appointed a firm of external research consultants to advise on the appointment of an additional Non-executive director.

Communication

The Company recognises the importance of communication to stakeholders. The full annual report and accounts, as well as the interim report, will be mailed to all shareholders and on request to other parties who have an interest in the Group's performance. All reports are available to be downloaded from the corporate website, www.omegauw.com, which is updated regularly with news and information about the Group.

The Board holds a regular dialogue with institutions and the analyst community, as well as general presentations after the announcement of preliminary and interim results. The Board is advised of any specific comments from institutional investors to enable them to develop an understanding of the views of major shareholders. All shareholders have the opportunity to put forward questions at the Company's Annual General Meeting.

Audit, internal control and risk management

The respective responsibilities of the directors and the auditors in connection with the annual report and accounts are explained on pages 26 and 27 and the statement of the directors on going concern appears on page 19.

Following the publication of guidance for directors, *Internal Control: Guidance for Directors on the Combined Code*, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group. The process has been in place up to the date of approval of the annual report and accounts. This process will be regularly reviewed by the Board in the light of the Turnbull Guidance and the subsequent Flint Report. The process, including procedures and controls, are being kept under constant review and recommendations for change are being made as appropriate.

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The directors consider proper risk management to be crucial to the Group's ongoing success and give a high priority to ensuring that adequate systems and structures are in place to measure, analyse and limit exposure to risk. The directors have reviewed both the formal and informal control procedures and introduced enhancements where necessary. These remain under review for adequacy and suitability commensurate with the size and complexity of the Group. A key control procedure is the day to day supervision of the business by the executive directors. Other internal control procedures and reviews for effectiveness by the Board include the review of financial, operational and compliance reports from management; and the review of any significant issues arising from the external audits.

Internal Audit

The Audit Committee, on behalf of the Board, has considered the need for an internal audit function in light of the nature of its business and the size of the Group. As a result the Audit Committee has concluded that currently internal audit functions are sufficiently covered by the Group's approach to risk management. This area will be kept under review as the Group continues its development.

External Audit

The Audit Committee keeps the scope and cost effectiveness of the external audit under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees.

Provision of Non-audit Services

The Audit Committee is responsible to the Board for keeping under review the nature and extent of non-audit services provided by the external auditors, seeking to balance the maintenance of objectivity and value for money and taking into consideration the relevant ethical guidance regarding the provision of non-audit services by the external auditors. The Audit Committee's responsibilities include inter alia, assessing all relationships with the audit firm, including their partners and staff; assessing the nature and level of fees for non-audit services in relation to the audit fee; obtaining confirmation of independence from the auditors; and ensuring the appropriateness of the firm as providers for non-audit services. The split between audit and non-audit fees for the year under review appears in Note 11 to the financial statements. Such fees are considered by the Audit Committee not to affect the auditors' independence or objectivity.

Statement of Directors' Responsibilities

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. 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.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the Shareholders of Omega Underwriting Holdings PLC

We have audited the group and parent company financial statements of Omega Underwriting Holdings PLC for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Cash Flows and related notes 1 to 36. 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the

Review of Operations and Financial Results, the Directors' Report, Report of the Remuneration Committee and Statement of Corporate Governance and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the consolidated and the parent company's affairs as at 31 December 2005 and of the consolidated profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
London
4 April 2006

Consolidated Profit and Loss Account

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
TECHNICAL ACCOUNT			
Gross premiums written		32,089	4,272
Outward reinsurance premiums		(28,330)	(620)
Net premiums written		3,759	3,652
Gross provision for unearned premiums		(6,534)	151
Reinsurers' share		6,811	(248)
Net earned premiums		4,036	3,555
Allocated investment return transferred from the non-technical account		152	37
Reinsurers' share of investment return		(79)	–
Total technical income		4,109	3,592
Gross claims paid		(7,059)	(1,533)
Reinsurers' share		5,733	530
Net claims paid		(1,326)	(1,003)
Change in provision for claims			
Gross amount		(27,151)	(762)
Reinsurers' share		25,868	36
Net change in provision for claims		(1,283)	(726)
Claims incurred net of reinsurance		(2,609)	(1,729)
Net operating expenses	7	(5,899)	(1,498)
Reinsurers' share of net operating expenses		4,650	–
Investment expenses and charges		(4)	(2)
Reinsurers' share of investment expenses and charges		2	–
Total charges		(3,860)	(3,229)
Balance on technical account – general business		249	363

Consolidated Profit and Loss Account

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
NON-TECHNICAL ACCOUNT			
Balance on the technical account – general business		249	363
Investment return	6	1,142	49
Allocated investment return transferred to the general business technical account		(152)	(37)
Other income	8	9,636	4,940
Other charges, including amortisation		(4,185)	(1,700)
Profit on ordinary activities before tax	9	6,690	3,615
Tax credit/(charge) on profit on ordinary activities	12	104	(1,148)
Profit on ordinary activities after tax (wholly attributable to equity holders of parent)		6,794	2,467
Earnings per share – basic	14	17.4p	12.2p
Earning per share – diluted	14	17.2p	12.2p

The profit and loss account relates entirely to continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the retained profit for the period apart from the prior year adjustment which increased brought forward reserves as at 31 December 2004 by £103,000 (note 2).

Consolidated Balance Sheet

	Notes	31 December 2005 £'000	31 December 2004 £'000 Restated
ASSETS			
Intangible assets			
Syndicate participations	16	17	34
		17	34
Investments			
Other financial investments	19	27,996	1,824
Deposits with ceding undertakings		61	11
Funds held in overseas deposits		551	241
		28,608	2,076
Reinsurers' share of technical provisions			
Provision for unearned premiums		1,089	40
Claims outstanding		18,248	780
		19,337	820
Debtors			
Debtors arising out of direct insurance operations		8,666	1,420
Debtors arising out of reinsurance operations		5,210	465
Other	20	7,446	3,928
		21,322	5,813
Other Assets			
Tangible assets	17	48	59
Cash at bank and in hand	18	91,238	1,609
		91,286	1,668
Prepayments and accrued income			
Deferred acquisition costs		2,711	348
Other prepayments and accrued income	21	2,884	1,036
		5,595	1,384
Total assets		166,165	11,795

Consolidated Balance Sheet

	Notes	31 December 2005 £'000	31 December 2004 £'000 Restated
LIABILITIES			
Capital and reserves			
Called up share capital	23	6,042	560
Share premium account		99,111	–
Own shares	31	(74)	–
Share option reserve		832	–
Profit and loss account		7,599	2,619
Shareholders' funds	24	113,510	3,179
Technical Provisions			
Provision for unearned premiums		8,505	1,536
Claims outstanding		31,858	3,695
		40,363	5,231
Creditors			
Creditors arising out of direct insurance operations		1,797	6
Creditors arising out of reinsurance operations		4,435	408
Other creditors including taxation and social security	26	4,302	2,024
		10,534	2,438
Accruals and deferred income	22	1,758	947
Total liabilities and shareholders' funds		166,165	11,795
Net asset per share		95.1p	15.8p
Net tangible asset per share		95.1p	15.6p

Approved by the board of directors on 4 April 2006.

Richard Tolliday
Director

Parent Company Balance Sheet

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Fixed Assets			
Investment in Group undertakings	15	419	419
Financial Investments	19	18,092	–
		18,511	419
Current Assets			
Other debtors	20	2,933	2,454
Other prepayments and accrued income	21	211	–
Cash at bank and in hand	18	87,327	211
		90,471	2,665
Creditors: amounts falling due within one year:	26	633	287
Net current assets		89,838	2,378
Total assets less current liabilities		108,349	2,797
Accruals and deferred income	22	343	40
		108,006	2,757
Capital and reserves			
Called up share capital	23	6,042	560
Share premium		99,111	–
Own shares	31	(74)	–
Share option reserve		832	–
Profit and loss account		2,095	2,197
Shareholders' funds	25	108,006	2,757

Approved by the board of directors on 4 April 2006.

Richard Tolliday
Director

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
Net cash inflow from operating activities	28	14,236	1,477
Taxation		(657)	(651)
Equity dividends paid	30	(1,366)	–
Return on Investments and Servicing of Finance		(81)	–
Capital expenditure and financial investments	30	(26,574)	(568)
Financing	30	104,071	–
Net cash inflows		89,629	258
Cash flows were invested as follows:			
Increase in cash holdings	29	89,629	258

Notes to the Accounts

1 ACCOUNTING POLICIES

Basis of Preparation

The consolidated accounts are prepared in accordance with the special provisions relating to insurance companies and groups in section 255A of, and Schedule 9A to, the Companies Act 1985, and include statements of the transactions, assets and liabilities of the Syndicate in which the subsidiary undertaking participates as a corporate member of Lloyd's. The accounts comply with applicable accounting standards. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (the "ABI SORP") have been adopted.

The Annual Report for the year ended 31 December 2004 was prepared using the fund basis of accounting. Under the fund basis of accounting, premiums, claims and expenses are carried forward as a fund within the technical provision for outstanding claims and profit recognition is deferred until the end of the second year following the underwriting year. Any underwriting losses, however, would be recognised immediately. For the year ending 31 December 2005, the Group has adopted the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance cover during the accounting period.

This change in the basis of accounting results in changes to a number of the accounting policies set out in the Annual Report for the year ended 31 December 2004.

The parent company balance sheet is prepared in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985. No profit and loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985. The parent company profit for the year was £1,712,000 (2004: £2,175,000).

Basis of Consolidation

The consolidated accounts incorporate the accounts of Omega Underwriting Holdings PLC and all its subsidiary undertakings drawn up to 31 December 2005.

Premiums

Written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Unearned Premiums Provision

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk.

Claims

Claims incurred comprise the estimated cost of all claims occurring during the period, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous periods.

The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. The estimation process includes the use of statistical projections based on previous claims history, case by case reviews of notified losses, and the use of security ratings to help assess the financial ability of reinsurers to pay the reinsurance recoveries anticipated of them.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later periods.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was to be unable to meet its obligations and other elements of the Lloyd's chain of security were to fail, then the members of the closed underwriting year would have to settle outstanding claims. The directors consider that the likelihood of such failure of the reinsurance to close is extremely remote and, therefore, the reinsurance to close has been deemed to settle liabilities outstanding at the closure of the underwriting account and no further provision is made for any potential variation in the ultimate liability of that year of account.

Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Unexpired Risks

Provision is made where the cost of claims and expenses arising after the end of the financial period from contracts concluded before that date is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return comprising investment income, realised and unrealised gains and losses, and investment expenses, is included initially within the non-technical account. Investment return is allocated from the non-technical account to the technical account – general business so as to reflect the investment return on the Group's share of Syndicate investments.

Investments

Investments are stated at their current values at the end of the year. Listed investments are included in the balance sheet at mid-market value. Deposits with credit institutions are included at cost.

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Syndicate Participation

Syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 5 years. Amortisation is charged from the first accounting period following acquisition. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be appropriate.

Depreciation

Depreciation is calculated to write off the cost of all tangible fixed assets, in equal annual instalments over their estimated useful lives at the following rates:

Office furniture	20%	per annum
Computer equipment	33⅓%	per annum

Leases

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Foreign Currencies

Transactions in foreign currencies during the year are translated into sterling at average rates of exchange ruling during the year. Monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet date. Translation differences are dealt with in the technical account. Non-monetary items are translated at the rates ruling at the balance sheet date.

The financial statements of foreign group companies have been translated at the rates of exchange ruling at the balance sheet date.

Own Shares

Own shares are stated at cost and shown as a deduction from shareholders' funds. No gain or loss is recognised in the profit and loss account, or statement of total recognised gains and losses, on the purchase, sale, issue or cancellation of the company's shares.

Notes to the Accounts continued

1 ACCOUNTING POLICIES continued

Share Based Payments

During the year the Company has adopted FRS 20 Accounting for share based payments. Since no share options had been granted before the year under review no comparatives have been restated. In accordance with FRS 20 the fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a binomial model the material inputs of which are set out in note 32.

Forward Exchange Contracts

When deemed appropriate by management the Group may enter into forward exchange contracts to guarantee the rate of exchange receivable on income denominated in currencies other than the Group's reporting currency. These contracts are entered into to limit the downside of any currency fluctuation and are not speculative in nature. For reporting purposes any income protected is reported at the guaranteed rate of the relevant contract.

Financial Instruments

FRS 25 requires amounts due under non-equity shares to be classified as a creditor and any dividends to be shown as other charges. The comparative figures at 31 December 2004 have been restated accordingly.

New Reporting Standards

The accounting standards FRS 21 "Events after the Balance Sheet date", FRS 22 "Earnings Per Share", FRS 24 "Reporting in Hyperinflationary Economies" and FRS 28 "Corresponding Amounts" are effective from 1 January 2005.

The principal impact on the Company of FRS 21 is that dividends proposed but not approved before the Balance Sheet date are not accrued in the Balance Sheet at the year end.

The Accounting Standards FRS 22, FRS 24 and FRS 28 do not have a significant impact on the Company.

2 CHANGE OF ACCOUNTING POLICY

Annual Accounting

The company has changed its basis of accounting from the funded basis to the annual basis. The annual basis of accounting is deemed to be more appropriate as this is aligned with the regulatory reporting basis of accounting of the Group's Lloyd's corporate member, ODL. The principal differences between the two bases of accounting concern the timing of the recognition of underwriting results of a particular year of account. Under the funded basis, no profit was recognised until the 36th month of development of the underlying underwriting year. Under the annual basis, underwriting results are recognised as they are earned in the calendar.

The change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 1 January 2004 have been increased by £75,000.

The Group's retained share of profit for the current year has been reduced by £74,000 as a result of the change in accounting policy.

3 ACCOUNTING FOR QUOTA SHARE REINSURANCES

Omega Dedicated Limited underwrites a 12.9% share of Syndicate 958 for the 2005 year of account. For the 2005 year of account 10.8% is reinsured through a quota share reinsurance contract with Aspen Insurance Limited. The technical account includes the full 12.9% share of the 2005 year of account for each line item. The amount due to Aspen has been included on the reinsurers share line of premiums, claims, provisions and expenses.

The Omega Dedicated's share of each asset and liability of the syndicate has been included in the consolidated balance sheet. The net share due to Aspen, under the quota share contract has been included under creditors arising out of reinsurance operations.

4 SEGMENTAL INFORMATION

Non-Technical Account

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
Profit:		
Underwriting activities	249	363
Investment activities	990	12
Managing agency activities	6,604	3,171
Other group expenses less sundry income	(1,153)	69
Profit on ordinary activities before tax	6,690	3,615

Underwriting activities represents the Group's share (before minority interest) of the underwriting of Syndicate 958.

Investment return is disclosed in note 6 and is primarily derived from funds raised during the year under review. The return is stated after any associated expenses relating to the management of the funds.

Managing agency activities related specifically to the profit, net of expenses and group management fees, of the management of Syndicate 958.

Other group expenses primarily represent the additional expenses of the Omega Group net of any sundry income.

5 REVENUE RECOGNITION

During the year under review the Group has taken the opportunity to review the earning profile of profit commission receivable from the managed Syndicate in line with the earning profile of the corresponding business underwritten by the Syndicate. This review has led to a revision of the amount of profit commission included in the current results as stated below:

	Year ended 31 December 2005 £'000
Profit commission recognised under previous earning profile	5,273
Additional recognition of profit commission over and above the previous earning profile	2,062

6 INVESTMENT RETURN

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Investment income:		
Income from Group's own cash and investment holdings	990	12
Income from Syndicate participations	152	37
	1,142	49
The Group's investment income can be further analysed as follows:		
Investment income	1,059	12
Realised investment gains and losses	(45)	–
Unrealised investment gains and losses	(6)	–
Investment expenses and charges	(18)	–
	990	12

Notes to the Accounts continued

7 NET OPERATING EXPENSES – TECHNICAL ACCOUNT

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
Syndicate operating expenses	463	254
Corporate member's personal expenses	597	200
Brokerage and other business acquisition expenses	4,872	1,006
Syndicate differences on foreign exchange	(33)	38
Net operating expenses	5,899	1,498

8 OTHER INCOME – NON-TECHNICAL ACCOUNT

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit commission	7,335	3,262
Fees	1,540	1,440
Management charges	484	238
Foreign exchange gain	255	–
Miscellaneous	22	–
Total other income	9,636	4,940

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration (Note 11)	234	65
Operating lease rentals:		
Land and buildings	103	78
Depreciation of fixed assets	53	31
Amortisation of syndicate capacity	17	18

10 STAFF COSTS

Staff costs including directors' emoluments

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Wages, salaries and profit related pay	3,614	2,533
Social security costs	432	289
Other pension costs	297	200
Total staff costs	4,343	3,022
Staff costs reimbursed by syndicate	(2,989)	(2,297)
Staff costs retained in other charges	1,354	725

10 STAFF COSTS continued**Average number of employees employed by the Group during the year**

	Year ended 31 December 2005 Number	Year ended 31 December 2004 Number
Staff employed by Omega Underwriting Holdings PLC		
Underwriting activities	16	16
Management and administration	10	10
Staff employed by Omega Europe GmbH	5	3
Total staff employed	31	29

Total directors' remuneration in the year

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Emoluments	857	736
Company contributions paid to defined contribution pension scheme	72	25
Total directors' remuneration	929	761

In respect of the executive directors two (2004: one) were members of the Group's defined contribution pension scheme. Of the highest paid director, the following emoluments were paid:

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Emoluments	377	275
Company contributions to defined contribution pension scheme	32	–

11 AUDITORS' REMUNERATION

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Audit fees	148	55
Other assurance services	86	10
Fees paid in respect of share issues in the year	382	–
	616	65
To share premium account	(382)	–
Total auditors' remuneration charged to profit and loss account	234	65

Notes to the Accounts continued

12 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000 Restated
(a) Analysis of (credit)/charge in period		
Current tax:		
UK corporation tax on profits of the period	103	1,056
Profits taxed under foreign jurisdiction	18	–
Adjustment in respect of prior periods	19	(4)
Total current tax (see (b) below)	140	1,052
Deferred tax credit		
Origination and reversal of timing differences	(244)	97
Prior year adjustment	–	(1)
	(244)	96
Tax (credit)/charge for the period	(104)	1,148
(b) Factors affecting tax charge for the period		
Profit on ordinary activities before tax	6,690	3,615
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	2,007	1,085
Utilisation of tax losses	(2,329)	–
Expenses not deductible for tax purposes	199	68
Short term timing differences	244	(97)
Adjustments to tax charge in respect of prior period	19	(4)
Current tax charge for the period	140	1,052

On introduction of Omega Dedicated (2) to the Group, £7.9 million of unrelieved UK tax losses became available. The available losses were offset against the Group's 2005 calendar year profits and were used fully in the year under review.

Moving forward the Group would expect to attract the current standard rate of corporation tax (30%) as the normal effective tax rate.

13 DIVIDENDS

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Special interim dividend of 3.5 pence per ordinary share (2004: nil)	1,366	–
Total dividends paid	1,366	–

14 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit after taxation for the year of £6.8 million and on 39,029,457 ordinary shares, being the weighted average number of ordinary shares in issue during the year. The number of shares in issue throughout the year and all comparatives have been restated to reflect an issue of fully paid bonus shares and a share subdivision from £1 per ordinary share into 5p ordinary shares, both of which took place during the current year.

The number of shares for the purposes of calculating diluted earnings per share amounted to 39,531,593 to reflect the dilutive effect of the future exercise of share options as detailed in note 32.

15 INVESTMENT IN GROUP UNDERTAKINGS

Subsidiary undertakings	Holding	Country of Incorporation	Proportion of voting rights and shares held	Nature of Business
Omega Underwriting Agents Limited	Ordinary shares	UK	100%	Lloyd's managing agent
Omega Dedicated Limited	Ordinary shares	UK	100%	Lloyd's corporate member
Omega Underwriting Investments Limited	Ordinary shares	UK	100%	Dormant company
Omega Europe GmbH	Ordinary Shares	Germany	100%	European underwriting agent
Omega Dedicated (No. 2) Limited	Ordinary Shares	UK	100%	Lloyd's corporate member – ceased underwriting

16 INTANGIBLE ASSETS

Syndicate Participation Rights

	31 December 2005 £'000	Group 31 December 2004 £'000
Cost		
At 1 January	87	87
Additions	–	–
At 31 December	87	87
Amortisation		
At 1 January	53	35
Charge for the period	17	18
At 31 December	70	53
Net Book Value		
At 31 December	17	34
At 1 January	34	52

17 TANGIBLE ASSETS

	Computer equipment £'000	Group Office furniture £'000	Total £'000
Cost			
At 1 January	86	24	110
Additions	42	–	42
At 31 December	128	24	152
Depreciation			
At 1 January	40	11	51
Charge for the period	49	4	53
At 31 December	89	15	104
Net Book Value			
At 1 January	46	13	59
At 31 December	39	9	48

Notes to the Accounts continued

18 CASH AT BANK AND IN HAND

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Share of syndicate cash	2,615	1,398	–	–
Group funds held	88,623	211	87,327	211
	91,238	1,609	87,327	211

Of the Group funds held above £328,959 (2004: £512,952) were deposited as cash with Lloyd's in support of underwriting through Omega Dedicated. In addition, in support of the additional underwriting through Omega Dedicated for the 2006 year of account, Omega Group deposited approximately £6.8 million of the funds above in a restricted account with Barclays to support a letter of credit deposited with Lloyd's.

19 INVESTMENTS

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Syndicate investments	9,904	1,824	–	–
Group investments	18,092	–	18,092	–
	27,996	1,824	18,092	–

Analysis of investments

	Group				Company			
	31 December 2005 Historical Cost	31 December 2005 Market Value	31 December 2004 Historical Cost	31 December 2004 Market Value	31 December 2005 Historical Cost	31 December 2005 Market Value	31 December 2004 Historical Cost	31 December 2004 Market Value
Debt securities and other fixed income securities	28,030	27,996	1,847	1,824	18,098	18,092	–	–

Geographical analysis of investments

	Group		Company	
	31 December 2005 £'000 Market Value	31 December 2004 £'000 Market Value	31 December 2005 £'000 Market Value	31 December 2004 £'000 Market Value
Situated in United Kingdom	18,092	–	18,092	–
Situated in United States	9,904	1,824	–	–
	27,996	1,824	18,092	–

All of the above investments are listed on recognised exchanges.

20 OTHER DEBTORS

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Trade debtors	124	160	20	161
Inter-company debtors	–	–	2,379	2,210
Due from syndicate members	382	50	–	–
Other syndicate debtors	990	22	–	–
VAT recoverable	198	18	189	18
Deferred tax	10	–	251	–
Profit commission closed years	5,575	3,000	–	–
Other debtors	167	678	94	65
	7,446	3,928	2,933	2,454

21 OTHER PREPAYMENTS AND ACCRUED INCOME

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Syndicate prepayments	17	198	–	–
Other prepayments	67	23	11	–
Accrued investment income	200	–	200	–
Profit commission open years	2,600	815	–	–
	2,884	1,036	211	–

Of this amount £2,600,000 (2004: £815,000) of Group prepayments and accrued income is due after more than one year.

22 ACCRUALS AND DEFERRED INCOME

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Syndicate accruals	120	7	–	–
Other accruals	680	121	343	40
Deferred income – underwriting fees	958	819	–	–
	1,758	947	343	40

Of the Group deferred income shown above, £506,000 (2004: £452,000) is due to be recognised after one year.

Notes to the Accounts continued

23 SHARE CAPITAL

	31 December 2005 Number	31 December 2005 £	31 December 2004 Number	31 December 2004 £
Authorised:				
Ordinary shares of £0.05 each (2004: £1)	177,000,000	8,850,000	1,000,000	1,000,000
Allotted and fully paid:				
Opening balance par value £1	560,000	560,000	560,000	560,000
Additional shares on share split par value £0.05	10,640,000	–	–	–
Issue of fully paid bonus shares of £0.05	8,960,000	448,000	–	–
Issue of new ordinary shares £0.05	1,470,924	73,546	–	–
New shares on flotation				
April 2005 £0.05	17,391,305	869,565	–	–
New shares issued on second placing				
December 2005 £0.05	81,818,182	4,090,909	–	–
Total	120,840,411	6,042,020	560,000	560,000

During the year the Company converted from a private to public company and was admitted to AIM, a market operated by the London Stock Exchange. Immediately prior to admission the Company reorganised its share capital by a share division in nominal value, an issue of bonus shares and the issue of new shares. Original shares of £1 nominal value were sub-divided to nominal value of 5p per share. The issue of new shares of 1,470,924 of 5p each was purchased on behalf of the Employee Share Trust, as detailed in note 31.

The flotation consisted of the issue of 17.4 million ordinary shares at a premium of £1.10 per share.

A second placing took place in December with an issue of 81.8 million ordinary shares at a premium of £1.05 per share.

24 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Group Own shares £'000	Share option reserve £'000	Profit and loss £'000	Total £'000
Balance as previously stated at 1 January 2004	560	–	–	–	77	637
Prior year adjustment due to change in accounting policies	–	–	–	–	75	75
Profit for the year	–	–	–	–	2,467	2,467
Balance as at 1 January 2005 as restated	560	–	–	–	2,619	3,179
Profit for the year	–	–	–	–	6,794	6,794
Dividends paid	–	–	–	–	(1,366)	(1,366)
Issue of fully paid bonus shares	448	–	–	–	(448)	–
Issue of new share capital at a premium	4,960	105,040	–	–	–	110,000
Issuance costs	–	(5,929)	–	–	–	(5,929)
Share based payments	–	–	–	832	–	832
Issue and purchase of own shares	74	–	(74)	–	–	–
Balance at 31 December 2005	6,042	99,111	(74)	832	7,599	113,510

25 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Own shares £'000	Company Share option reserve £'000	Profit and loss £'000	Total £'000
Balance as at 1 January 2004	560	–	–	–	22	582
Profit for the year	–	–	–	–	2,175	2,175
Balance as at 31 December 2004	560	–	–	–	2,197	2,757
Profit for the year	–	–	–	–	1,712	1,712
Dividends paid	–	–	–	–	(1,366)	(1,366)
Issue of fully paid bonus shares	448	–	–	–	(448)	–
Issue of new share capital at a premium	4,960	105,040	–	–	–	110,000
Issuance costs	–	(5,929)	–	–	–	(5,929)
Share based payments	–	–	–	832	–	832
Issue and purchase of own shares	74	–	(74)	–	–	–
Balance at 31 December 2005	6,042	99,111	(74)	832	2,095	108,006

26 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	Group		Company	
	31 December 2005 £'000	31 December 2004 £'000	31 December 2005 £'000	31 December 2004 £'000
Trade creditors	569	30	347	–
Due to syndicate members	252	–	–	–
Amounts owed to credit institutions	–	2	–	–
Other syndicate creditors	2,452	–	–	–
Corporation tax	215	731	103	85
Other tax and social security costs	99	201	99	201
Deferred tax	–	234	–	–
Other creditors	715	826	84	1
	4,302	2,024	633	287

Of the amounts shown as other Group creditors £271,000 (2004: £474,000) is due after one year.

27 LEASE COMMITMENTS

At 31 December 2005, annual commitments under non-cancellable operating leases are set out below:

	31 December 2005 £'000	31 December 2004 £'000
Land and Buildings – operating leases which expire:		
Between two to five years	103	82

Of the commitments due under operating leases approximately 62% (2004: 50%) will be reimbursed by the syndicate under the Group's management.

Notes to the Accounts continued

28 RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 December 2005 £'000	31 December 2004 £'000 Restated
Operating profit before taxation	6,690	3,615
Depreciation of tangible assets	53	31
Amortisation of intangible assets	17	18
Charge in relation to share option awards	832	–
(Increase) in debtors	(15,500)	(757)
(Increase)/decrease in reinsurers' share of technical provisions	(18,517)	15
(Increase) in prepayments and accrued income	(4,211)	(3,192)
Increase in creditors	8,928	745
Increase in technical provisions	35,132	729
Increase in accruals and deferred income	812	273
Net cash inflow from operating activities	14,236	1,477

29 ANALYSIS OF NET FUNDS

	31 December 2004 £'000	Cash flow £'000	31 December 2005 £'000
Cash at bank and in hand	1,096	89,813	90,909
Funds at Lloyd's	513	(184)	329
	1,609	89,629	91,238

30 ANALYSIS OF CASH FLOW

	31 December 2005 £'000	31 December 2004 £'000
Equity dividends paid		
Special interim 3.5p per share	(1,366)	–
Capital expenditure and financial investments:		
Purchase of tangible fixed assets	(42)	(70)
Proceeds from sale of investments	23,095	–
Purchase of investments	(41,187)	–
Increase in share of Syndicate assets	(8,440)	(498)
	(26,574)	(568)
Financing		
Issue of new share capital April 2005:		
New Ordinary shares par value 5p	870	–
Issued at premium of 110p per share	19,130	–
Issue costs	(1,721)	–
Issue of new share capital December 2005:		
New Ordinary shares par value 5p	4,090	–
Issued at premium of 105p per share	85,910	–
Issue costs	(4,208)	–
	104,071	–

31 OWN SHARES

During the year under review an Employee Share Trust was set up with 1,470,924 ordinary shares of 5p. The shares held in the trust will, subject to vesting, be issued to meet the long term incentive plan options granted at nil cost as set out in note 32. These options will vest on a sliding scale basis over a period of between one and three years from the date of grant and may not be exercised later than the tenth anniversary of the date of grant.

At the year end no options have vested or lapsed and the full value £73,564 has been included as a reduction in shareholders' funds as disclosed in notes 24 and 25. All shares are subject to allocation by the Trustee of the Employee Share Trust under the direction of the Remuneration Committee.

32 SHARE OPTIONS

Share Incentive Plans

During the year ended 31 December 2005, the Company operated two share incentive plans, under which share options have been granted to employees as described below:

		Number granted	Exercise	Lapsed	Options at 31 December 2005	Exercisable from	Exercise Price	Additional vesting conditions
Long term incentive plan	Date granted							
'Nil cost' Options	6 Apr 2005	490,308			490,308	6 April 2006–5 Apr 2015	0p	
		490,308			490,308	6 Apr 2007–5 Apr 2015	0p	
		490,308			490,308	6 Apr 2008–5 Apr 2015	0p	
'Market value' Options	6 Apr 2005	494,545			494,545	6 Apr 2007–5 Apr 2015	115p	
		494,545			494,545	6 Apr 2008–5 Apr 2015	115p	TSR Performance condition*
		494,545			494,545	6 Apr 2009–5 Apr 2015	115p	
'Market value' Options	8 Apr 2005	4,917			4,917	6 Apr 2007–6 Apr 2015	115.5p	
		4,917			4,917	6 Apr 2008–6 Apr 2015	115.5p	TSR Performance condition*
		4,916			4,916	6 Apr 2009–6 Apr 2015	115.5p	
Executive plan	Date granted							
'Market value' Options	7 Apr 2005	77,253			77,253	7 Apr 2009–7 Apr 2015	116.5p	TSR Performance condition*
'Market value' Options	8 Apr 2005	374,214			374,214	8 Apr 2009–8 Apr 2015	115.5p	TSR Performance condition*

* These options are subject to the following performance condition for the options to vest, average annual total shareholders returns (TSR) over the relevant performance period must be at least equal to the greater of:

- The percentage change in the Retail Prices Index (RPI) over the relevant performance period plus 5 per cent; and
- 10 per cent.

In addition, under all plans, the employee must be in the Group's employment at the time of vesting.

Notes to the Accounts continued

32 SHARE OPTIONS continued

Fair Value of Options

The relevant performance period for the Long Term Incentive Plan 'market value' options and the Executive Plan 'market value' options is the time between the date at which the options were granted and the date from which they are first exercisable as shown previously.

There were no options outstanding at 1 January 2005.

Inputs to the Valuation model

The Fair values of awards granted under the Long Term Incentive Plan and Executive Plan have been calculated using a variation of the Binomial option pricing model that takes into account the specific features of the two Share Incentive Plans. The following principal assumptions were used in the valuation:

Share Price at date of grant	115p – 116.5p
Dividend Yield	0.5% – 2.5%
Volatility	10% – 25%
Risk-free investment rate	4.2% – 4.25%
Employee Turnover	0% – 5%

Volatility has been based on the following:

1. the annualised volatility of the company's shares since its flotation on the AIM market, which was calculated at 5.3%.
2. the volatility of comparable listed companies in the insurance sector, based on historical share price information from the London Business School for a ten year period dating back to 1995. These average volatility figures ranged from 25% to 50% over a 3,5,7 and 10 year period.
3. The company's current shareholder base which, being made up of institutional investors, has resulted in a low level of transactions in the company's shares and the likelihood of the investor base changing over time resulting in an increased volume of transactions in the company's shares and a consequent increase in volatility.

Based on the above information, figures of between 10% and 25% have been used for volatility over the course of the lives of the options, reflecting the increase in the volatility of the Company's share prices from its current low level.

Based on the above assumptions, and after allowing for the effects of the TSR performance criteria, the fair values of the options granted are estimated to be:

Weighted average fair value	
Long Term Incentive Plan 'Nil cost' options	113.387p
Long Term Incentive Plan 'Market value' options	13.909p
Executive plan	14.318p

The weighted average exercise price of all options as at 31 December 2005 was 65.64p. The weighted average remaining contracted life of all options as at 31 December 2005 was 9.25 years.

Expense arising from share based payments

Based on the above fair values and the company's expectations of employee turnover, the expense arising from share options granted to employees was £831,642 for the year. There were no other share-based payment transactions.

33 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into two foreign exchange contracts in order to manage the Group's exposure to income arising in a currency other than the reporting currency. As at 31 December 2005 the maturity dates and quantum of the contracts were as follows:

	31 December 2005 Amount Protected \$'000	31 December 2004 Amount Protected \$'000
Expiring within one year	6,750	–
Expiring between one and five years	2,250	–

34 RELATED PARTY TRANSACTIONS

W M Fiederowicz, the non-executive Chairman, has participated as a Name on Syndicate 958 since 1996. He has underwritten capacity of approximately £175,000 for the 2005 year of account. This was increased for the 2006 year of account to £195,000 in line with the pre-emption of the Syndicate.

On 6 April 2005, the Company placed 17,391,305 new Ordinary Shares of 5p at 115p per share. As previously announced, W M Fiederowicz and C A Clarke subscribed for 50,000 and 25,000 of these share respectively.

35 POST BALANCE SHEET EVENT

On 15 February 2006, the Company received approval from the Bermuda Monetary Authority for Omega Specialty to commence trade as a Class 3 Insurer. Omega Specialty was fully capitalised by the Company at US\$172 million.

36 ANNUAL REPORT

Copies of this annual report are available from the Company's registered office at 4th Floor, New London House, 6 London Street, London EC3R 7LP.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2006 Annual General Meeting of the Company will be held at the offices of LeBoeuf, Lamb, Greene & MacRae, No 1 Minster Court, Mincing Lane, London EC3R 7YL at 10.00 a.m. on 19 June, 2006 for the purpose of considering and, if thought fit, passing the following Resolutions:

ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31 December 2005.
2. To re-elect Christopher Clarke (Non-Executive Director and member of the Audit and Investment Committees) as a Director of the Company.
3. To re-appoint Ernst & Young LLP as Auditors of the Company.
4. To authorise the Directors to determine the Auditors' remuneration.

SPECIAL BUSINESS

Amendment to the Rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

5. That the performance condition set out in the Appendix to the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan (the "Plan"), be amended as summarised in the explanatory note on page 53 of this document, the amended rules of which are produced to the meeting and signed by the Chairman for the purposes of identification.

Authority to allot relevant securities

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

6. That the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £2,000,000 provided that:
 - a) this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2007 or, if earlier, the date fifteen months from the passing of this resolution, unless previously revoked, varied or renewed by the Company in general meeting;
 - b) the Company shall be entitled to make, prior to the expiry of such authority, any offer or arrangement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - c) all prior authorities to allot relevant securities pursuant to section 80 of the Act be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Disapplication of statutory pre-emption rights

To consider and, if thought fit, pass the following resolution as a special resolution:

7. That subject to and conditional upon the passing of resolution 6 set out in the notice convening this Meeting ("the Notice"):
 - 7.1 the Directors be granted power pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with any invitation made to holders of ordinary shares and holders of other securities to the extent expressly required and (if considered appropriate by the Directors) permitted by the rights attached thereto and made to any other persons entitled to participate in such allotment from time to time to subscribe by way of rights, open offer or otherwise where the equity securities attributable to the interests of the holders of such ordinary shares and (if applicable) other securities and such other persons are respectively proportionate (as nearly as may be) to the respective number of ordinary shares and (if applicable) other securities held or deemed held by them on the record date of such allotment subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory; and

- (b) the allotment for cash (otherwise than pursuant to sub-paragraphs 7.1(a) above) of equity securities up to an aggregate nominal amount of £302,100,

and shall expire at the conclusion of the Annual General Meeting of the Company in 2007 or, if earlier, the date fifteen months from the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power hereby conferred had not expired; and

7.2 all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

Repurchase of Ordinary Shares

8. To consider and, if thought fit, pass the following resolution as a special resolution:

That the Company be generally and unconditionally authorised, pursuant to section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5 pence each ("Ordinary Shares") in the share capital of the Company in such manner and on such terms as the Directors may from time to time determine and the Company shall be entitled to hold such Ordinary Shares in treasury and to dispose of, or cancel, such shares in treasury in accordance with the Act provided that:

- a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 12,084,000;
- b) the minimum price (exclusive of expenses payable by the Company) which may be paid for an Ordinary Share shall be 5 pence;
- c) the maximum price (exclusive of expenses payable by the Company) which may be paid for an Ordinary Share shall be 5 per cent above the average of the closing middle market quotations for an Ordinary Share of the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;
- d) the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the Annual General Meeting of the Company in 2007 or, if earlier, the date fifteen months from the passing of this resolution; and
- e) the Company shall be entitled under such authority to make at any time before its expiry or termination any contract to purchase its own shares which will or might be executed wholly or partly after the expiry or termination of such authority and may purchase its own shares pursuant to such contract.

Registered Office
4th Floor
New London House,
6 London Street
London EC3R 7LP

By Order of the Board
Omega Underwriting Holdings PLC

Jeremy Philip Gorman FCA
Secretary

4 April 2006

Notice of Annual General Meeting continued

Notes

- (i) A member of the Company entitled to attend and vote at the meeting convened by this Notice or any adjournment thereof is entitled to appoint one or more proxies to attend and, on a poll, to vote in his or her stead. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from being present at the meeting or adjourned meeting and voting in person if he or she should subsequently decide to do so, in which case any votes cast by the proxy will be excluded.
- (ii) To be valid, the enclosed form of proxy and any power of attorney under which it is signed, or a notarially certified copy of such power must be lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the meeting or adjourned meeting.
- (iii) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 5.30 p.m. on 17 June 2006 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 5.30 p.m. on 17 June 2006 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (iv) The Executive Directors have service contracts with the Company. Copies of these contracts, together with copies of the letters of appointment of the chairman and the other Non-executive Directors and the Register of Directors' Interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
- (v) A copy of the performance condition set out in the Appendix to the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan marked to show the proposed amendments will be available for inspection at the Company's registered office, 4th Floor, New London House, 6 London Street, London EC3R 7LP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Annual General Meeting – Explanatory Notes

ORDINARY BUSINESS

At this second Annual General Meeting of the Company as a public limited company, resolutions will be proposed, as set out in the formal Notice on pages 50 to 52, to receive the financial statements, to re-elect a director, to reappoint the auditors and to authorise the directors to determine the auditors' remuneration.

Resolution 1 – Annual financial statements

The directors are obliged to lay the annual financial statements before the Company in general meeting.

Resolution 2 – Re-election of a director

Under the provisions of the Company's Articles of Association, one third of the directors shall retire from office but may seek re-election. (If the directors' number is not three or a multiple of three, the Articles of Association provide that the number nearest to but not greater than one-third, shall retire from office by rotation, but so that, if there are fewer than three directors who are subject to retirement by rotation, one shall retire from office. Although the Articles specify that no director holding office as managing or joint managing director or chief executive shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire, the Company's intention is that the Chief Executive Officer will be subject to retirement by rotation in the usual way.)

Christopher Clarke retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Resolution 3 – Reappointment of auditors

The Company is required to appoint auditors at each Annual General Meeting at which accounts are laid. This resolution proposes the reappointment of Ernst & Young LLP as auditors.

Resolution 4 – Auditors' remuneration

This resolution authorises the Directors to determine the auditors' remuneration.

SPECIAL BUSINESS

The following resolutions, constituting Special Business, will be proposed to authorise the directors to amend the performance condition set out in the Appendix to the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan, to allot unissued ordinary shares in the capital of the Company, to allot shares for cash otherwise than to existing shareholders pro rata to their holdings, and to repurchase ordinary shares:

Resolution 5 – Ordinary Resolution to amend the performance condition set out in the Appendix to the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan (the "Plan")

It is proposed that the total shareholder return ("TSR") performance condition applying to outstanding awards made under the Plan should be amended so that TSR is calculated on a conventional basis (ie it is calculated so that it includes dividends paid and notionally reinvested into further shares, taking into account the ex-dividend date). Dividends are not currently included in the methodology for calculating TSR.

Specific shareholder authority is being sought for this amendment as the inclusion of dividends within the TSR methodology would result in an easing of the performance condition as it is currently drafted. However, the amended condition will be fully consistent with normal market practice and the Remuneration Committee considers that the impact of the original drafting was not intended.

A copy of the performance condition set out in the Appendix to the rules of the Plan marked to show the proposed amendments will be available for inspection at the Company's registered office, 4th Floor, New London House, 6 London Street, London EC3R 7LP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Resolution 6 – Renewal of section 80 authority

Resolution 6 is proposed as an Ordinary Resolution to provide the Directors with authority to issue new ordinary shares up to an aggregate nominal value of £2,000,000, representing 33.10 per cent of the Company's present issued share capital, such authority renewing the resolution passed on 2 December 2005 and to expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2007 or the date falling fifteen months from the date of passing of this Resolution. Other than any issues of Ordinary Shares which may be required to be made pursuant to the Executive Share Option Plan and the Long Term Incentive Plan, the Directors have no present intention of issuing any of the authorised but unissued Ordinary Share capital of the Company, but believe it to be in the best interests of the Company for the Board to be granted this authority to take advantage of appropriate opportunities.

Annual General Meeting – Explanatory Notes continued

Resolution 7 – Renewal of authority for allotment for cash

Resolution number 7 is proposed as a Special Resolution to seek authority for the Directors to allot equity securities (a) in respect of rights issues and similar issues and (b) for cash (other than pursuant to (a)) up to a nominal value of £302,100 representing five per cent of the Company's present issued share capital. The Companies Act 1985 ("the Act") requires that, unless shareholders resolve otherwise, any equity securities allotted for cash must be offered to existing equity shareholders pro-rata to their existing shareholdings. The Act permits this requirement to be disapplied and the purpose of the Resolution is to renew the resolution passed on 2 December 2005 and provide the Directors with the authority to issue Ordinary Shares of 5p for cash, as if such provisions did not apply in certain circumstances, when the Board considers it to be in the best interests of shareholders, such authority to terminate on the date falling fifteen months after the passing of this resolution or the date of the Annual General Meeting to be held in 2007, whichever is the earlier. The Directors consider this power desirable due to the flexibility which it will afford. The Directors have no present intention of issuing any Ordinary Shares pursuant to this disapplication.

Resolution 8 – Authority to purchase own shares

Resolution number 8 is proposed as a Special Resolution to authorise the directors to make purchases of the Company's ordinary shares in the market, up to a maximum of 12,084,000 ordinary shares, representing ten per cent of the Company's present issued share capital at a price of not less than the nominal value of the ordinary shares and not more than 5 per cent above the average of the closing middle market quotations of the Company's ordinary shares derived from the London Stock Exchange Daily Official list for the five business days before the purchase is made (in both cases exclusive of expenses payable by the Company). Such authority will expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2007 or the date falling fifteen months from the date of passing of this Resolution. Purchases would only be made if the effect would be expected to improve earnings per share and the Directors consider that it would be in the best interests of the Company to do so. The Company cannot by law exercise the power other than out of distributable profits or the proceeds of a fresh issue of shares made for the purposes of the purchase. The Directors have no present intention to exercise this power.

As at 4 April 2006 (the latest practicable date prior to this document), there are outstanding awards and options in respect of 7,020,776 Ordinary Shares of 5p pursuant to the Company's employees' share schemes, which represent 5.81 per cent of the issued share capital as at that date. If the authority referred to in Resolution 8 to purchase ordinary shares were used in full, the options would represent 6.46 per cent of the issued share capital.

As at 4 April 2006, 1,470,924 Ordinary Shares of 5p were held by the Omega Underwriting Holdings PLC Employee Share Trust ("the Trust") which will be used, subject to vesting, to satisfy certain of the options referred to above which were granted by the Trustee of the Trust. The consideration paid for these shares was £73,546, and these shares represent 1.22 per cent of the issued share capital.

Resolution number 8 will also permit the Company to purchase its own shares to hold as treasury shares. Since 1 December 2003, when the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 ("the Regulations") came into force, companies have been able to hold shares acquired by them as treasury shares rather than cancelling them. Pursuant to the Regulations, the treasury shares can subsequently be cancelled, sold for cash or transferred for the purposes of the Company's employee share option schemes and would therefore provide the Company with additional flexibility in the management of its capital base. As at 4 April 2006 the Company did not hold any of its ordinary shares as treasury shares. The Directors would consider holding as treasury shares any shares which the Company purchases pursuant to the authority proposed by Resolution number 8. In relation to any repurchased shares held in treasury however, unless such shares are subsequently cancelled, earnings per share will only be increased on a temporary basis until such time as the shares are subsequently sold out of treasury. The Resolution complies with the current guidelines issued by the investor protection committees and the Directors will have regard to any guidelines issued by the investor protection committees which may be published at the time of any such purchase, holding or resale of treasury shares.

ACTION TO BE TAKEN

Shareholders will find enclosed at the back of this document a Form of Proxy for use in connection with the Annual General Meeting ("AGM"). Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any case before 10.00 a.m. on 17 June 2006. The return of a completed Form of Proxy will not preclude you from attending the AGM and voting in person, should you so wish.

Form of Proxy

To be used by holders of ordinary shares of Omega Underwriting Holdings PLC ("the Company") in connection with the Annual General Meeting of the Company to be held at the offices of LeBoeuf, Lamb, Greene & MacRae at No 1 Minster Court, Mincing Lane, London EC3R 7YL at 10.00 a.m. on 19 June 2006 and at any adjournment thereof.

I/We _____

(Please use block letters)

of _____

being (a) holder(s) of ordinary shares of the Company hereby appoint the Chairman of the Meeting or (see Note 1)

of _____

as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 a.m. on 19 June 2006 and at any adjournment thereof.

I/We hereby authorise and instruct my/our Proxy to vote on the resolutions to be proposed at such meeting as indicated by the marking of an "X" in the boxes below. Unless otherwise directed, the Proxy will vote or abstain from voting as he or she thinks fit. Should any resolutions, other than those specified, be proposed at the meeting, the Proxy may vote thereon as the Proxy thinks fit.

ORDINARY BUSINESS

Ordinary Resolutions	For	Against	Abstain
1 To receive and consider the Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-elect Christopher Clarke as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-appoint Ernst & Young LLP as Auditors of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To authorise the Directors to determine the Auditors' remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

Ordinary Resolutions	For	Against	Abstain
5 To amend the rules of the Omega Underwriting Holdings PLC Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To authorise the Directors to allot shares for the purposes of Section 80 of the Companies Act 1985 (the "Act")	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolutions	For	Against	Abstain
7 To disapply pre-emption rights in accordance with Section 95 of the Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To authorise the directors to repurchase ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed _____ Dated _____

Notes:

- If you wish to appoint another person or persons as proxy or proxies the words "the Chairman of the Meeting or" should be deleted and the name or names of the proxy or proxies (who need not be a member of the Company but must attend the meeting to represent you) inserted into the appropriate space. If such words are not deleted and a proxy or proxies is/are named on this form, the Chairman shall not be entitled to vote as a proxy. Any alteration must be initialled. If more than one person is appointed to act as a proxy the number of shares in respect of which each such proxy is to vote must be specified. In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.
- To be valid, this form of proxy and any power of attorney under which it is signed, or a notarially certified copy of such power, must be lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.
- A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an attorney or duly authorised officer in writing.
- In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares.
- Deposit of a completed form of proxy will not preclude a member from attending the meeting or adjourned meeting and voting in person if he or she should subsequently decide to do so, in which case any votes cast by the proxy will be excluded.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

THIRD FOLD AND TUCK IN

FIRST FOLD



