CATHEDRAL

SYNDICATE 2010

MMX

Annual Report

31 December 2005

Contents

Chairman's Statement

Now into our sixth year of underwriting, this is the first time we have produced the accounts for Syndicate 2010 on an annual accounting basis and accordingly the layout is considerably different from previous years. However, as well as including the annual accounting result, these accounts also include the result of the 2003 year of account, presented on the traditional Lloyd's basis.

On an annual accounting basis, Syndicate 2010's combined ratio for calendar year 2005 is 93%, a profit of circa £13.7 million. This is an outstandingly good result for a syndicate which underwrites substantial property treaty and direct and facultative property accounts when you take into account the 2005 calendar year wind season with a record 27 "named" Atlantic storms including Hurricanes Katrina, Rita and Wilma.

Turning to a more traditional way of expressing our results, I am delighted to report that Syndicate 2010's 2003 year of account has closed with an excellent profit (including exchange gains) of 24.5% of capacity.

The 2004 year of account which already has had to absorb losses from Hurricanes Charley, Frances, Ivan and Jeanne continues to perform well and therefore in spite of some losses from the 2005 calendar year hurricanes falling back to this year, we have raised our banded profit forecast from 7.5% and 12.5% to between 9% and 14% of syndicate capacity. The ultimate result may of course be affected by fluctuations in the Sterling/Dollar rate.

The 2005 year of account remains heavily on risk, having borne the brunt of the 2005 calendar year hurricanes. The fact that this year of account remains capable of producing a profitable result, provided there is a reasonable run-off, once again speaks volumes about our underwriting teams' expertise.

Six months ago the industry generally had every reason to be upbeat about the prospects for 2006 and beyond, but at this juncture all one can say is the outlook is not universally as good as some might have hoped. Hurricanes Katrina, Rita and Wilma have not proved to be the so called "market changing events" and although rates in loss affected areas have risen dramatically, elsewhere the effects have been more modest. One of the principal reasons for this is the amount of additional and replacement capital which has entered the market (primarily from hedge funds and private equity groups) a significant part of which has been directed to Bermuda both for a number of "start-ups" and also "top-ups" for a number of ventures that had badly damaged their existing capital. Many are now endeavouring to "diversify their accounts" away from the more obvious catastrophe exposed areas within the USA, thus subduing conditions for business elsewhere and for business which is perceived to be non-catastrophic. This applies to both property away from the US coastlines and fault-lines and much liability business. Even the casual observer of recent insurance industry experience might question the wisdom of any strategy which now involves aggressively writing more US casualty on the premise that it is not "catastrophic" and conclude that those embarked on this course have not really been paying attention!

For our part, Syndicate 2010 will continue to focus on its specialist accounts, seeking to effectively manage its exposures in a volatile trading environment. Fortunately, we have an underwriting team led by John Hamblin that has not only proved its worth in terms of results since the Syndicate was launched in 2001 but has the ability to cope with the vagaries of an insurance market which never ceases to produce nasty surprises. I don't think we could be in better hands and I would like to pay tribute to the underwriting team along with the management team for making Cathedral a name which is respected in the insurance arena.

A. I. G. C. South
Chairman

22 March 2006

Underwriter's Report

Introduction

On an annual accounting basis the result of the syndicate for calendar year 2005 is a profit of £13.7 million (combined ratio 93%). On the traditional Lloyd's basis of reporting, the 2003 year of account has closed with a profit of £41.7 million before non-standard personal expenses, being 24.5% on capacity after the deduction of standard personal expenses.

Year of Account Commentary

2003 Account

I am pleased to report that the year has closed with a profit of £41.7 million before non-standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 24.5% of capacity before members' agency fees. The 2001 and 2002 accounts continue to run-off satisfactorily and combined made a modest positive contribution to the final result.

The capacity for the 2003 underwriting year was £160 million. The gross signed premium income net of brokerage was some 72% of capacity at year-end rates of exchange.

To recap on last year's report, 2003's result owes much to the continued strong conditions which existed post World Trade Center losses. The subsequent demise of much of the US domestic reinsurance market due to legacy issues helped terms and pricing to remain strong.

The 2003 calendar year was reasonably claims active with the largest hail and tornado system in many years hitting the US Midwestern states in May. We also saw a large hail storm in Texas and Hurricane Isabel in September. Given what has happened since then, it seems like a golden age.

The aviation reinsurance market continued to be very strong through 2003 with the collapse of some very significant competition and a general shortage of expertise in the class available in the world market. The year was remarkable for the low loss incidence, comparable with 1986, although we continued to see fewer players in the airline insurance market as more peripheral participants focussed on their core businesses.

The satellite market saw fewer launches in 2003 than in 2002 and as in other areas of our business we saw a number of competitors leave the market. This created a very strong pricing environment. Through our involvement in SATEC we have benefited from what turned out to be a genuinely hard market and a year of very low incidence of loss and consequently the results were exceptional .

As you will remember, we were joined during the latter part of 2003 by Simon King and Rob Anglaret. Simon was formerly director of property underwriting at Faraday and Rob worked alongside him there. For 2003 they wrote a broad based, commercial, direct and facultative property account, albeit for the relatively short period of the last six months of the year. They also introduced a book of FTC (fire, theft and collision) business into the syndicate's account. They have built a formidable franchise for us in the commercial property market and the results of their efforts are reflected in the 2003 return to names.

2004 account

We increased our capacity to approximately £200 million. We expect the gross premium income net of brokerage to reach £176 million at year end rates of exchange, which is 88% of capacity. This is in part driven by additional premiums developed from the 2004 autumn hurricanes. To date we have booked £167 million net of brokerage which is 84% of capacity at year end rates.

The first half of the year in general was very good with a low frequency of losses in most areas of our business. The property reinsurance account saw almost no losses of note. Despite a near record breaking number of tornadoes, our US property treaty regional book performed extremely well, recording one of its best ever years. Our international property treaty account also proved to be a strong performer. The property reinsurance market had remained relatively robust throughout, despite some signs of softening in some of the more peripheral areas. However, with an abundance of capacity in all areas, the stage was set for a more broad softening. This was prevented by a quite extraordinary hurricane season in the United States, the Caribbean and the Pacific which at the time made 2004 the worst year for insured catastrophes in history.

Underwriter's Report

continued

2004 account continued

There were four well publicised hurricanes which made landfall in the US in the 2004 season, being Hurricane Charley which hit Florida and the Carolinas, Hurricane Frances which hit the Bahamas, Florida and to a lesser extent Georgia, Hurricane Ivan which hit Grenada, Jamaica, the Cayman Islands, Florida and Alabama, as well as other states and finally Hurricane Jeanne which hit the Bahamas and Florida. All these losses made landfall in a six week period at a cost to insurers in excess of $30 billion. With the bulk of loss having been advised to us by year end we have settled these losses very quickly. The total cost to this year of account for the property reinsurance and direct and facultative property accounts combined is around 40% of capacity gross and about 12% of capacity net after reinsurance and reinstatement premiums.

In Japan some 13 typhoons made it the most active season in living memory. Ten of these made landfall, exceeding the previous record in a year by some five times. Only Songda was of any significance in reinsurance terms.

The year rounded off with the tragedy of the Tsunami in Asia on Boxing Day. Despite the enormous loss of life the loss to insurers was relatively modest.

The aviation market went through another calendar year without a major catastrophe. Aviation reinsurance rates held up remarkably well despite the over abundance of capacity, with the relatively few leaders of the business, of which we are one, remaining disciplined throughout the year.

The satellite account had more loss activity than in 2003 but is still expected to return a good profit when the account closes.

The new direct property account entered its first full year of trading in 2004 and developed along the lines projected in our business plan. Whilst it was affected by the hurricanes it was also well protected by reinsurance and I have included the impact of the losses in my earlier figures. Rates in many lines fell throughout the year but still remained well above pre 9/11 levels. Crucially, however, terms and conditions generally held.

Some losses from the 2005 calendar year hurricanes fall back to this year, but despite the further attentions of Mother Nature, we can now revise our forecast for the 2004 account upwards to a profit range of 9% to 14% of stamp capacity.

2005 Account

For 2005 we maintained our capacity at approximately £200 million. In general, going into the 2005 year the market had more capacity in most areas than was really needed. The hurricanes of 2004 had done little to dampen the enthusiasm of the Bermudian companies who had set up in 2002. In truth, the hurricanes in 2004 were never likely to be market changing, in that most insurers and reinsurers had done well outside Florida and although the storms took the gloss off their results, in most cases they still made money and believed they had their business assumptions confirmed. Furthermore, the blind reliance on the new generation of catastrophe models meant that many of them had unrealistic expectations of what the impact of a very large catastrophe on their books could really be.

Having had one of the most benign hail/tornado seasons since records began the year started on a very positive note. However, as you will know, the 2005 hurricane season was the busiest since records began. Although the market as a whole was involved to some degree with all those that made landfall, only three are of special concern.

In August Hurricane Katrina hit New Orleans as well as Alabama, Mississippi and inland Louisiana. I do not intend to go into a lengthy description of the loss because the damage done was well publicised, but suffice to say that it was by a very long way the most expensive insured natural catastrophe loss in history. Estimates vary, but the damage was between $40 billion and $60 billion in insured loss, making it by some threefold the largest insured natural disaster in history. The difficulty of adjusting what was already a very complex loss was exacerbated by the closing down of large parts of the city by the authorities. This created great uncertainty in estimating the size of the loss, when many locations could only be viewed from a helicopter.

2005 account continued

We were involved in the loss, largely through our treaty and direct property accounts. Assessing the treaty book is relatively straightforward for a loss of this size given that much of the exposed aggregate in the affected areas was simply exhausted. The direct side is more complicated by issues such as business interruption and loss adjustment expenses. Nonetheless, our initial estimation of the impact on this area of the account has also proved robust. We are also encouraged by the fact that our actual net loss remains consistent with the realistic disaster scenario we had assumed for a loss of this magnitude hitting the Gulf region (albeit in a different geographical area). This will not make us less conservative in our assumptions in future.

Hurricane Rita which hit Texas and Louisiana in September was by comparison a "conventional" catastrophe. Towards the end of its long journey across the Gulf of Mexico it looked very much like it would strike Galveston and Houston as a category 4 hurricane. This would have caused losses on a par with Katrina and could well have caused widespread insolvency in the reinsurance industry. As it happened it hit Eastern Texas and Western Louisiana causing insured losses of around $5 billion. The adjusting issues are more straightforward and the loss is settling more quickly than Katrina. This is despite the fact that many of the loss adjusters from the Houston area had been deployed to New Orleans.

Finally in October Hurricane Wilma struck Mexico and then ricocheted across the Gulf hitting the west coast of Florida. Most of the damage was caused in the urban areas of Eastern Florida as the storm system made its way out into the Atlantic. Estimates of insured damage are around the $10 billion mark for Mexico and the United States combined.

2005, for a writer of wind exposed property business is about as bad a year as you could reasonably think of. Severity is one thing but frequency and severity is the stuff nightmares are made of. Overall, we have assessed the combined net impact of Hurricanes Katrina, Rita and Wilma on our 2005 year of account as being approximately 17% of capacity and we are as confident as we can be that our reserve estimates are sound. In a year such as 2005, we owe a great deal to our reinsurers and we appreciate their support going forward.

Our aviation book saw a slight decline in rates at the start of the year, but given the lack of any large losses in the last three years, this was hardly surprising. During 2005 there was a run of losses to some smaller airlines, but nothing that would impact the market as a whole. Towards the end of the year rates began to drift up again as the "Katrina effect" began to take hold. The satellite market continued to perform very well with a remarkably low incidence of loss giving us one of our best years to date.

The direct property book saw increasing competition on large accounts during the early part of 2005. This was primarily driven by new Bermudian markets who had arrived in 2002 following 9/11. Post Katrina this decline was halted and towards the end of the year rates began to climb again across most areas of the book, but most particularly in catastrophe exposed areas in the USA.

Extension to TRIA, the US government backstop for terrorism was finally approved by Congress after a long and unnecessary process. For reasons best known to themselves the politicians seem to regard it as a point scoring exercise rather than an essential mechanism which allows both the insurance industry and their customers to go forward with some degree of confidence that the industry will be able to honour its promise to pay.

During 2005 we were joined on the direct and facultative account by Richard Wood who was head of direct and facultative property at the Catlin syndicate. Richard has attracted additional new sources of business and is a valuable addition to the team. Furthermore, in the final quarter of the year, we commenced underwriting a contingency account focussed on non-appearance insurance.

Our result for the 2005 account will be marginal, although I hope still in the black, given reasonable loss experience as the account comes fully off-risk. There is still a large amount of business which is still very much on risk and the final outcome for the year will depend on how the runoff actually performs.

Underwriter's Report

continued

2005 Calendar Year Commentary

The 2005 calendar year result includes a contribution from all open years of account (2003, 2004 and 2005) together with any movement on the closed years of account (2001 and 2002) that occurred during the year.

The performance of the 2003 and prior years of account contributed a profit of approximately £5.3 million to the overall 2005 calendar year result of the Syndicate. Of this, approximately £1.3 million related to investment income. Income in respect of this year had been substantially earned at 31 December 2004, but that which remained to be earned during calendar year 2005 proved profitable. The general run-off of the account also proved satisfactory, enabling some releases from IBNR provisions placed on the account last year end, mostly from the direct property account.

The performance of the 2004 account contributed a profit of approximately £24.4 million to the overall 2005 calendar year result of the Syndicate. Of this, approximately £1.2 million related to investment income. There were three major aspects to the calendar year result worth highlighting. Firstly, much of the balance of income attributable to the 2004 account which was unearned at 31 December 2004 earned through profitably during calendar year 2005. Secondly, barring some impact from the 2005 calendar year hurricanes and some loss activity related to the aviation account where there were a number of losses related to non major airlines, the overall 2005 calendar year loss experience as it related to 2004 year of account business was very good. Finally, the reserves established for 2004 calendar year losses at 31 December 2004, in the round, have proved to be robust and overall enabled a modest release to be made twelve months on.

The performance of the 2005 account contributed a loss of approximately £16 million to the overall 2005 calendar year result of the Syndicate. Investment income was approximately £0.4 million.

The year of account commentary above describes the loss activity which occurred during the calendar year, most particularly Hurricanes Katrina, Rita and Wilma. The assessed ultimate costs of these losses are reflected in the Syndicate's calendar year result. As at the balance sheet date only approximately 55% of net premiums written (excluding reinstatements) attributable to the 2005 account have been earned. It follows that circa 45% of premiums attributable to the 2005 account will be earned subsequently, mostly during calendar year 2006. Further details of the Syndicate calendar year results are set out in the Managing Agent's Report.

Future prospects

We entered 2006 with an increased capacity of approximately £250 million in a market that was still digesting the impact of the hurricanes both in terms of financial cost and the consequences of the assumptions that had been made for what a major catastrophe could really cost. Much of our competition had been pursuing premium while paying lip service to their exposure management by impressing both rating agencies and shareholders with their spectacular premium growth and apparent exposure control using the new generation of catastrophe models. The companies which created the models, which simulate losses across an insurance portfolio, sold them as an underwriting tool which is exactly what they are - only part of a toolkit. They have been abused by some parts of the industry (London included) in an effort to write more premium with no apparent increase in exposure.

The main impact of Katrina has been to give the industry nowhere to hide. Some have been found out and have gone, or have effectively gone, to the wall. Many are cutting back hard to reduce exposure before the next wind season. The net result of this is that premiums for hurricane exposed property business in the US are rocketing, particularly in the Gulf coast area. Our industry is, and probably always will be, one that is reactive rather than proactive so it typically repositions itself around what has just happened, rather than what might happen. This cycle is no different.

We expect wind capacity in the Gulf states to be very hard to come by come the middle of this year, in Florida in particular. The increasing cost and limited availability of catastrophe reinsurance has meant that rates will continue to rise all along the American coastline. Whether the regulators will allow domestic primary insurers to adjust their rates accordingly remains to be seen, but many local companies are voting with their feet by not renewing exposed coastal risks. For our part, we will continue to write these risks in a measured manner as we have always done. There are tremendous opportunities for profit provided one is cautious about the concentration of risk one is assuming in any given area, something to which we have always paid great attention.

Future prospects *continued*

Our aviation account saw small rate increases on its 2006 renewals as the reinsurance market in general began to tighten. Despite the softening market for airline business, clients are placing more emphasis on security following the failure or downgrading of a number of Bermudian reinsurers and this is being reflected in pricing.

The satellite market is reasonably stable but we are concerned about the arrival of a new competitor whose potentially aggressive stance could be damaging in the short term.

We started a contingency account at the end of 2005 covering mostly non-appearance risk in the rock and pop industry. This account will be written by Justin Burns and Katie Spicer who both have long experience of this market. This fits our long term philosophy of adding producing underwriters who lead business in short tail classes. Although this book will be relatively small in 2006 we expect it to grow over time.

As 2006 progresses, we would expect to see capacity for catastrophe exposed property business (both facultative and treaty) to be in short supply as competitors cut their exposures. We know how quickly capital can deploy and how quickly it can establish new businesses. We have seen a number of new companies set up in Bermuda including some from Lloyd's. Those associated with Lloyd's companies aside, most of the new class of 2005 have, frankly, little to offer the market in either expertise or capacity. Given the obvious distress seen in some Bermudian companies in particular over the last six months these new entrants have seen less support than they might have hoped. We have already seen some of the same capital providers getting their fingers burnt by rushing to recapitalise existing companies before they had assessed their losses and finding their money has gone before it was even put to use.

All of this bodes well for 2006 provided there is a "normal" loss year. We have now been operating for five full years and in this period three of those years have been described at the time as being the worst for catastrophes in insurance history. I am, therefore, not entirely sure what a "normal" year is any more!

I'll finish this section of the report with this quotation from the actuary Roger Boulton.

"The well managed insurer recognises that it is risk not returns that can be managed and so focusses on that. It focusses on understanding and limiting its total exposure to catastrophe events"

The focus should not be solely on how much you can make in our business, but on how much you can lose. This may be a message that is finally hitting home, but I wouldn't count on it.

Concluding comments

A successful syndicate is a team effort. My thanks therefore go to my underwriting colleagues, Mark Wilson, Nick Destro and Simon Dean (our non-marine treaty underwriters), Richard Williams and Dan Warburg (our aviation underwriters), Simon King, Richard Wood and Robert Anglaret (our direct and facultative property underwriters), and Justin Burns and Katie Spicer (our contingency underwriters), together with the syndicate's entire support team.

J C Hamblin
Active Underwriter
22 March 2006

Managing Agent's Report
At 31 December 2005

Introduction

The directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2005, together with the Chairman's Statement and the Underwriter's Report. The Syndicate commenced trading for the 2001 year of account.

This is the first year that the Syndicate's Annual Report includes results presented on an annual accounting basis. The 2005 annual accounting calendar year result includes a contribution from all open years of account (2003, 2004 and 2005) together with any movement on the closed years of account (2001 and 2002) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The Annual Report also includes the result of the 2003 closing year of account.

The auditors, Mazars LLP, have included two separate "True and Fair" audit opinions within the Annual Report one covering the annual accounting result for 2005 and the other the closing year of account result for 2003.

The Managing Agent

Cathedral Underwriting Limited is the managing agent for Syndicate 2010 and is authorised and regulated by the United Kingdom's Financial Services Authority ("FSA") and Lloyd's.

Syndicate	Principal class of business	Active underwriter	2006 Capacity £'000
2010	Non marine and aviation reinsurance and direct and facultative property	J C Hamblin	250,067

The ultimate parent company of Cathedral Underwriting Limited is Cathedral Capital PLC. Century Capital Partners III, L.P., has a 11.5% interest in Cathedral Capital PLC and is therefore deemed to be a controller of the managing agency and has been approved as such by Lloyd's and the FSA.

Directors' shareholdings

The directors who served during the reporting period and their interests and that of their families in the share capital of Cathedral Capital PLC as at 31 December 2005, were as follows:

		31 December 2005		31 December 2004	
		"A" Convertible Ordinary Shares	**"C" Convertible Ordinary Shares**	"A" Convertible Ordinary Shares	"C" Convertible Ordinary Shares
J M G Andrews	Non-Executive Director	**350,000**	**-**	350,000	-
D C Grainger	Compliance Director	**25,000**	**613,625**	-	613,625
J C Hamblin	Director	**200,000**	**818,168**	200,000	818,168
L A Holder	Managing Director	**200,000**	**818,168**	200,000	818,168
J A Lynch	Finance Director	**250,000**	**818,168**	250,000	818,168
E E Patrick	Director	**2,253,492**	**818,168**	2,253,492	818,168
P D Scales	Director	**250,000**	**818,168**	250,000	818,168
A I G C South	Chairman	**275,000**	**-**	275,000	-
J P Tilling	Independent Review Director	**17,500**	**-**	17,500	-

Mr Hamblin's wife is the beneficial holder of 27,397 A Convertible ordinary 25p Shares of Cathedral Capital PLC. None of the directors have been granted any options under the Cathedral Capital Approved Share Option Scheme.

Directors and their participations in Syndicate 2010

None of the directors of Cathedral Underwriting Limited participate directly as Names on the Syndicate. They do, however, own shares in the parent company, Cathedral Capital PLC, which owns 100% of the interest in the corporate member Cathedral Capital (1998) Limited which has a £97 million, £107.7 million and £135.2 million participation in the 2004, 2005 and 2006 years of account respectively. In addition, one of the directors is a director of a number of corporate names which have, in aggregate, £2.7 million, £2 million and £1.5 million participations on the 2004, 2005 and 2006 years of account respectively.

Active Underwriter

John Hamblin was appointed active underwriter on 30 November 2001 having joined the Syndicate on 1 January 2001 as deputy underwriter. He had previously been active underwriter for syndicate 566.

Registered Office/accounting records

The registered office and principal place of business of Cathedral Underwriting Limited are at 9th Floor, Lloyd's, One Lime Street, London EC3M 7HA. Telephone 020 7170 9000; Fax 020 7170 9001; Email info@cathedralcapital.com; Website www.cathedralcapital.com. The accounting records are kept at the registered office.

Management of Syndicate 2010

The Board of Cathedral Underwriting Limited is ultimately responsible for the management of the Syndicate and has delegated responsibilities for its day-to-day management to the active underwriter and a syndicate management board consisting of senior management and underwriting representatives of Syndicate 2010 together with representatives of the Managing Agent's Board.

2005 Calendar year

This Annual Report includes for the first time the results, for the calendar year, on an annual accounting basis, and are prepared in accordance with Schedule 9A to the Companies Act 1985 and applicable accounting standards. In the past separate underwriting accounts were presented for each reporting year of account and a result was only determined for the years of account that had reached the 36 month stage of development. The accounting policies adopted in producing annual accounting numbers vary significantly from those that were previously adopted in producing accounts on the traditional Lloyd's basis. The accounting policies that have been adopted to produce the annual accounting results are set out in full on pages 29 to 31.

Managing Agent's Report
At 31 December 2005

continued

2005 Calendar year *continued*

Results

The overall calendar year result is the aggregate of the calendar year results of all years of account. The results are all from continuing operations. The annual accounting result is a profit of £13.7 million in the year and this can be analysed as follows:

	2003 * account £'000	2004 account £'000	2005 account £'000	31 December 2005 £'000	31 December 2004 *(restated)* £'000
Gross earned premium	**2,708**	**72,434**	**136,163**	**211,305**	158,768
Reinsurers' share	**(476)**	**(9,101)**	**(49,783)**	**(59,360)**	(42,107)
Net earned premium	**2,232**	**63,333**	**86,380**	**151,945**	116,661
Gross claims incurred	**7,352**	**(39,297)**	**(212,650)**	**(244,595)**	(93,684)
Reinsurers' share	**(3,905)**	**16,415**	**136,970**	**149,480**	42,179
Net claims incurred	**3,447**	**(22 ,882)**	**(75,680)**	**(95,115)**	(51,505)
Net Operating Expenses	**(1,659)**	**(17,335)**	**(27,179)**	**(46,173)**	(37,456)
Balance on Technical Account	**4,020**	**23,116**	**(16,479)**	**10,657**	27,700
Net Investment Income	**1,327**	**1,234**	**437**	**2,998**	1,491
Profit for the financial year	**5,347**	**24,350**	**(16,042)**	**13,655**	29,191

* The 2003 account includes any movement in the 2001 and 2002 accounts which have closed into the 2003 account.

Written premiums are used for annual accounting purposes rather than signed premiums. Unlike the traditional Lloyd's accounting basis, annual accounting premiums include brokerage.

The insurance and reinsurance contracts underwritten by the Syndicate are earned over the life of the policy, normally commencing at the inception of the policy. An earnings pattern is established for each class of business written by the Syndicate and these earnings patterns are applied at an individual policy level. The earning patterns reflect the underlying exposure of the business written. Thus net earned premiums during 2005 includes premiums on policies incepting during the year together with estimates for premiums and adjustments to premiums on policies incepting in previous periods. The gross and net earned premiums can be analysed as follows:

	31 December 2005		31 December 2004 (restated)	
	Gross £'000	**Net £'000**	Gross £'000	Net £'000
Non-marine reinsurance	**88,908**	**55,940**	75,573	50,911
Aviation	**40,124**	**30,971**	35,232	26,294
Satellite	**7,099**	**5,762**	6,193	5,269
Direct & facultative property	**58,483**	**42,551**	31,613	24,869
Contingency	**692**	**645**	-	-
Other	**15,999**	**16,076**	10,157	9,318
Total	**211,305**	**151,945**	158,768	116,661

Accordingly, at the year end the Syndicate had net unearned premiums of £81.5 million (2004 restated : £67.6 million) on the balance sheet.

The impact of major losses on the account are individually assessed. In addition an attritional loss ratio has been determined for each class of business written by the Syndicate. Attritional losses on an annual accounting basis are derived by applying the estimated attritional ultimate loss ratios to the earned premium. This presumes that the attritional loss ratios remain the same over the year of account.

The annual account includes the impact of any losses identified with a date of loss in 2005 regardless of the year of account when the cover incepted. When a loss occurs the full impact of that loss (gross and net) is recognised at that time. The Underwriter's Report contains further detail of loss activity during calendar year 2005.

2005 Calendar year *continued*

The 2005 annual accounting result is equivalent to a net combined ratio of 93.0% compared with 76.3% for 2004. This combined ratio is based on a function of net earned premiums and excludes investment return and any other gains and losses that have been accounted for through the Statement of Total Recognised Gains and Losses. The combined ratio is analysed as follows:

	31 December 2005		31 December 2004 *(restated)*	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**165.8**	**82.4**	71.0	39.0
Aviation	**7.8**	**22.4**	17.0	23.7
Satellite	**14.7**	**23.6**	77.1	72.5
Direct & facultative property	**138.8**	**68.1**	76.9	69.2
Contingency	**52.8**	**56.7**	-	-
Other	**72.1**	**70.8**	48.6	47.4
Total Claims Ratio	**115.8**	**62.6**	59.0	44.2
Expense Ratio	**21.9**	**30.4**	23.6	32.1
Combined Ratio	**137.7**	**93.0**	82.6	76.3

Brokerage on inwards business accounts for a significant proportion of the expense ratio. Acquisition costs, including brokerage account for approximately 75% of net operating expenses. The operating expenses are set out in more detail in Note 6 on page 35.

The Annual Report includes a Statement of Total Recognised Gains and Losses. This purpose of this statement is to show the extent to which members' funds have increased or decreased following the recognition of all gains and losses in the period, and also reflects the change in basis of accounting from last year.

Statement of Managing Agent's Responsibilities with respect to annual accounting

Cathedral Underwriting Limited as managing agent is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the Regulations") require the managing agent to prepare syndicate annual accounts for Syndicate 2010 at 31 December each year which give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period.

In preparing these Syndicate annual accounts, the managing agent is required to:

(i) select suitable accounting policies which are applied consistently, with the exception of changes arising on the adoption of new accounting standards in the year;

(ii) make judgements and estimates that are reasonable and prudent;

(iii) state whether applicable accounting standards have been followed, subject to any material differences disclosed and explained; and

(iv) prepare the financial statements on a going concern basis unless it is inappropriate to presume that there will be future years of account of the syndicate.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the Regulations and the relevant provisions of the Companies Act 1985. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Managing Agent's Report
At 31 December 2005

continued

Change in Reporting Basis

The Regulations came into force on 31 December 2004 and essentially require the managing agent to prepare accounts for the syndicate in accordance with Schedule 9A to the Companies Act 1985 and applicable accounting standards. This requirement represents a fundamental change in the basis of preparation previously adopted for the syndicate's accounts. In the past, separate underwriting accounts were presented for each reporting year of account and a result was only determined for years of account that had reached the 36 months stage of development. A single profit and loss account is prepared and shows the Syndicate's aggregate result for the 2005 calendar year on the annual basis of accounting.

Further details regarding the effect of this change are set out in note 4 on page 32 of the Annual Report.

Year of Account

Members' Agents

The following members' agent has provided more than 20% of the Syndicate's allocated capacity for the 2004, 2005 and 2006 years of account.

	2006 account		2005 account		2004 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**171,672**	**68.7**	134,572	67.4	125,926	63.1

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group company, provided £97 million, £107.7 million and £135.2 million respectively of the capacity to Syndicate 2010 for the 2004, 2005 and 2006 years of account through Hampden Agencies Limited and is included in the number above.

Capacity by member type and by year of account

	2006 account		2005 account		2004 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**182,520**	**73.0**	144,252	72.2	138,350	69.3
External members	**64,600**	**25.8**	53,008	26.5	58,560	29.3
Working members *(none of whom are employed by the managing agency)*	**2,947**	**1.2**	2,441	1.3	2,751	1.4
	250,067	**100.0**	199,701	100.0	199,661	100.0

Result

The analysis of the 2003 closed year result, before personal expenses, by member type is as set out below:

	£'000	2003 account %
Syndicate allocated capacity attributable to:		
Corporate members	32,681	64.7
External members	17,022	33.7
Working members *(none of whom are employed by the managing agency)*	808	1.6
	50,511	**100.0**

An analysis of the written premium by category as at 31 December 2005 for the closing 2003 year of account (with comparison to the closed 2002 year of account at the same stage) is as follows:

	2003 account @ 36 months		2002 account @ 36 months	
	Gross %	**Net %**	Gross	%Net %
Non-marine reinsurance	**51**	**48**	53	54
Aviation	**32**	**31**	36	34
Satellite	**4**	**4**	6	6
Direct & facultative property	**7**	**8**	-	-
Fire theft & collision (FTC)	**5**	**7**	-	-
Motor (Ensign co-insurance)	**-**	**-**	3	3
Syndicate 318 quota share	**1**	**2**	2	3
Total	**100**	**100**	100	100

2004 account forecast

The forecast 2004 year of account result, on the traditional three year Lloyd's basis after charging managing agent's fees and profit commission but before charging members' agents fees, is a profit of between 9 and 14% of Syndicate capacity at 31 December 2005.

This forecast has been based on the following assumptions:

- Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential reinsurance recoveries will not materially diverge from expectations based on developments to date;
- No material changes occur in estimates as to ultimate income levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close the 2003 year of account;
- There will be no significant changes in the regulatory or legislative policies which will affect the activities of the Syndicate; and
- Interest, inflation and exchange rates as at 31 December 2006 will not differ significantly from those taken into account in the forecast.

This forecast result assumes that standard personal expenses before members' agency fees, including managing agency fees of 0.65% and profit commission of 17.5% is charged to all Names on the Syndicate for the 2004 year of account. Cathedral Underwriting Limited does not charge profit commission to Cathedral Capital (1998) Limited, a wholly owned fellow subsidiary within the Cathedral Group.

Managing Agent's Report At 31 December 2005

continued

Syndicate's description of business and methods of acceptance

The Syndicate commenced underwriting for the 2001 account. For the 2001 and 2002 underwriting years, the Syndicate's account was made up of two main pillars, those of aviation and non-marine reinsurance. In 2003, a direct and facultative property account was introduced which was developed during 2004 to constitute a full third pillar of the Syndicate's business. In the final quarter of 2005 the Syndicate started a contingency account focussed on non-appearance insurance.

Since its inception for the 2001 underwriting year, Syndicate 2010 has not been regarded as a new venture by customers and brokers but as a new home for established underwriting teams. This has enabled the Syndicate to build its books of business based on long standing relationships with clients and their brokers and not on pricing considerations alone.

The non-marine reinsurance account is built around a core book comprising catastrophe reinsurances of regional North American companies. These companies generally write in a tightly defined geographical area. Their underlying accounts are largely made up of domestic properties, cars and small commercial risks. Where the Syndicate write accounts with more nationwide exposures, these tend to protect more specialist companies writing the likes of churches, agricultural risks, farms or similar risks which are spread by their nature. These companies have proved very loyal and continue to value their relationships with London underwriters.

The Syndicate also writes an international property treaty book which is largely focussed on companies in the developed nations - Europe, Australia and Japan. Business is written in other areas of the world, but these exposures are more modest.

Often, hand in hand with the catastrophe programme, comes the property risk excess programme. This protects companies from exposure to large individual risk losses. The Syndicate has built a more modest portfolio of this business which includes US national as well as regional and international cedents.

The Syndicate also write a small book of property retrocessional business, which is reinsurance of other reinsurers. There are no spiral exposures in this account as these were eliminated from this business in the early 1990's.

The aviation account is built around a core book which protects insurers of airlines or major aviation manufacturers against catastrophic loss. The Syndicate has been very successful in establishing itself as a major leader of this type of business in a very short space of time. In general this account requires a market loss of $400-$500 million or more to involve the Syndicate to any material degree, but business is accepted at lower levels if the price is attractive. Again, there is a small amount of retrocessional business which, as with non-marine, contains no spiral exposure.

The Syndicate is also involved in the aviation war market and the general aviation (light aircraft) market.

The Syndicate has continued its long involvement with SATEC, a specialist Venice based satellite underwriting agency to which it delegates underwriting authority. The Syndicate also writes satellite excess of loss.

Syndicate's description of business and methods of acceptance *continued*

For 2003 (as for 2002) the Syndicate wrote a quota share treaty of Syndicate 318 which writes direct and facultative property and direct aviation (concentrating on non major airlines). This will be commuted as at 31st of December 2005 with the run off returning to Syndicate 318.

From 2003, the Syndicate began writing a direct and facultative property account. The account written covers a broad spectrum of commercial property business with a global spread of business, but with a leaning towards the United States. It falls into three main areas:

(i) Open market business which encompasses the whole range of risk sizes from large complex property schedules down to small single locations;

(ii) Delegated binding authority business which targets smaller property risks principally in the US, Canada, Australia and Europe; and

(iii) Commercial motor truck business for physical damage. Much of this business arises under a consortium arrangement where Syndicate 2010 is joint leader and again has a significant binding authority content.

From the final quarter of 2005, the Syndicate has written a contingency account focussed on non-appearance insurance.

For the 2006 account, Syndicate 2010 intends to retain a focus on its existing core areas of operation, although it will continue to seek opportunities in areas viewed as complementary. This may lead to a broadening of underwriting activities in 2006 and beyond.

Syndicate Reinsurance protection

The non-marine reinsurance portfolio is protected by separate catastrophe and risk excess programmes. Original loss warranty ("OLW") and proportional treaties are also employed.

On the aviation account, separate excess of loss protections are purchased by the main reinsurance account, the general aviation account and the war accounts. As with the non-marine account, OLW and proportional treaties are also employed.

The direct and facultative account has separate catastrophe and risk excess programmes.

Every effort is made to ensure that the security from which cover is purchased is of a good quality, but it must be emphasised that even the most scrupulous approach in this area does not obviate the potential for reinsurance failure to occur.

Syndicate investments

Investment policy

The Syndicate funds were managed on a day-to-day basis by investment managers who in turn are monitored by an investment committee in accordance with the policy and terms of reference agreed by the Board of Cathedral Underwriting Limited. The investment committee has formal procedures for monitoring investments in line with guidance from Lloyd's.

Credit Agricole Asset Management (UK) Limited ("CAAM") was the investment manager of the US Dollar Trust Funds and also a proportion of both the Syndicate's Euro and Canadian Dollar Trust Funds.

The investment policy adopted with respect to the Syndicate funds is designed to balance liquidity, security and investment risk so as to enable the Syndicate to meet its commitments as and when they fall due.

Syndicate investments *continued*

The investment objective for CAAM is to invest the premiums trust funds in a manner designed to maximise return within agreed parameters and in line with policies approved by the Board of Cathedral Underwriting Limited. In consideration of this policy, portfolios are predominantly invested in short-term, high quality fixed income securities. CAAM have been instructed to invest for the highest total return consistent with maintaining a high level of liquidity and security and CAAM have discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to volatility. Their performance is currently measured against the Merrill Lynch 1-3 year Government Index of the domestic Government bond market for each Trust Fund.

Investment performance

2005 has been a year of mixed strategies for the major monetary authorities. The FOMC has raised rates at every meeting in 2005; a total of 2% from 2.25% to 4.25%. The UK's MPC made one cut of 0.25%, the ECB made one hike of 0.25% and the Bank of Canada raised rates a total of 0.50% in two moves. Bond markets have reacted to each country's individual monetary policy, with domestic economic issues taking the back seat when confronted with hurricanes, terrorist attacks and high oil prices. One common theme has been inflation, with headline inflation rising significantly above core levels driven by higher energy and other commodity prices. With the exception of the UK, short dated bond yields rose significantly in 2005, with all markets exhibiting flatter yield curves. These higher bond yields generated capital losses and lower returns on longer dated portfolios. The investment manager's strategy of maintaining short duration portfolios protected the syndicate from any significant negative price action; returns were above those estimated at the beginning of 2005 and comfortably above benchmark returns in US and Canadian Dollars whilst matching Euro benchmarks.

Cash-flow conditions were impacted by the hurricane season in the second half of 2005. However, despite some significant flows during the year, net cash-flows were negligible over the calendar year, with invested assets only marginally higher than at the end of 2004. A higher yield environment however produced significantly higher total investment income for 2005 than in 2004. The overall calendar year investment yield was 2.4% compared to 1.5% in 2004.

Investment strategy

CAAM, our investment manager, writes:

> "2006 will start with higher expectations for investment returns than have been seen for some years, particularly in US and Canadian Dollars. Portfolio durations are likely to be at or above those seen during 2005, although flat yield curves mean little or no additional return for potentially higher risk levels. Short-term volatility may provide tactical opportunities to enhance returns through more active duration management. Credit fundamentals remain good, whilst credit spreads have widened somewhat. Whilst the potential for further widening remains, selective increases in exposure to high-grade, non-Government, issuers is likely as credit spread levels return to more attractive levels."

Stock lending

The managing agency has not entered into any stock lending arrangements on behalf of the Syndicate.

Foreign exchange hedging

The managing agency, in so far as possible, matches assets and liabilities, by currency, within the Syndicate. To date, the managing agency has not entered into any transaction to "hedge" the foreign exchange exposure to the non-sterling (US Dollars, Canadian Dollars or Euro) currencies held within the Syndicate's premium trust funds. The managing agency will continue to keep this possibility under review and may at some future date enter into such transactions.

Syndicate bank facilities

The Syndicate has a number of banking facilities with Barclays Bank plc the main two being an overdraft facility, to assist in paying expenses and reinsurance purchases, and a Catastrophe facility, to assist in paying claims and gross funding of exceptional catastrophes.

The Catastrophe facility was renewed in December 2005 and at the same time it was increased from United States $50 million to United States $80 million. United States $50 million can be utilised by way of Letter of Credit ("LOC") to assist the Syndicate's gross funding requirements as required under certain overseas regulatory requirements. In February 2006 a United States $45 million LOC was deposited in the Syndicate's Credit for Reinsurance Trust Fund against the 2005 year of account.

Syndicate capital requirement

The capital framework at Lloyd's has changed such that each managing agent in the market calculates the capital requirement for each syndicate they manage, a process called individual Capital Assessment ("ICA"). The ICA is calibrated at a confidence level of 99.5% over a twelve month time horizon, though the confidence level could be lower if the ICA covers a period longer than twelve months.

The ICA of each syndicate is regarded as the minimum Regulatory Capital Requirement for that business. Lloyd's has the discretion to take into account other factors (including the need to maintain the market's overall security rating) when setting a member's capital level, i.e. Lloyd's financial strength rating. This is the Economic Capital Requirement ("ECA") of the market.

The ICA system has replaced the Risk Based Capital ("RBC") model previously employed by Lloyd's to determine the capitalisation of the market. The RBC model assessed capital requirements at member level after assessing each syndicate using market-average data and applying some discount for members that have a portfolio of participations. The ICA on the other hand is based on more syndicate specific data to make the syndicate level assessment, whilst an upgraded RBC type model makes member level assessment.

The managing agent submitted its ICA for the Syndicate in 2005 for the 2006 underwriting year of account. An ICA of 51.9% of capacity (£129.6 million) was agreed with Lloyd's for the Syndicate. Lloyd's then applied its market wide loading of 35% to the agreed Syndicate ICA. This resulted in an ECA of 70% of capacity (£175 million) for the Syndicate for the 2006 year of account. It should be emphasised that members' funds at Lloyd's are not hypothecated to any particular syndicate, rather are available to support the totality of the members' underwriting at Lloyd's (see also Note 25 on page 41).

Sub contracted functions:

The managing agent has sub contracted the following functions:

Investment management:	Credit Agricole Asset Management (UK) Limited
Software support:	Insurance Technology Solutions Limited

Actuaries

Lane Clark and Peacock LLP acted as reporting actuaries to the Syndicate for the period under review.

Errors and omissions insurance

In light of the uncommercial terms available, no errors and omissions insurance has been purchased for the period under review. The matter continues to be kept under review by the Board.

Advanced consents procedure notifications

Names Annual General Meeting Notice:

In line with the conditions and requirements prescribed under paragraph 2(3) of the Syndicate Meetings Byelaw, notice is hereby given that the managing agent does not propose to hold an annual general meeting of the members of the Syndicate.

Agency and Syndicate Auditor:

Mazars LLP are the independent auditors to Cathedral Underwriting Limited and the Syndicate. Mazars LLP has signified its willingness to continue in office as the independent auditor to both the managing agent and the Syndicate and it is the intention of the managing agent to reappoint, in accordance with Lloyd's regulations, Mazars LLP for a further year with effect from 1 May 2006.

The safeguards against conflicts of interests arising from the same audit firm being auditors to both the managing agent and the Syndicate remain the same as stated in our memorandum dated 22 June 2004 addressed to Members' Agents and Direct Corporate Capital Providers, copies of which are available on request to all Syndicate members.

Names have until 18 April 2006 to advise the compliance director of Cathedral Underwriting Limited at the address below of any objections in relation to any of the above matters.

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited
9th Floor
Lloyd's
One Lime Street
London EC3M 7HA

22 March 2006

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SYNDICATE ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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Report of the Independent Auditors to the Members of Syndicate 2010

We have audited the syndicate annual accounts of Syndicate 2010 for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes as set out on pages 24 to 41. The syndicate annual accounts have been prepared under the accounting policies set out therein.

This report is made solely to the members of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the managing agent and auditors

The managing agent's responsibilities for preparing the syndicate annual accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Managing Agent's Responsibilities.

Our responsibility, as independent auditors, is to audit the syndicate annual accounts 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 syndicate annual accounts give a true and fair view and are properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you if, in our opinion, the Managing Agent's Report is not consistent with the syndicate annual accounts, if the managing agent has not kept proper accounting records in respect of the syndicate, if the syndicate annual accounts are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read other information attached to the syndicate annual accounts and consider whether it is consistent with the audited syndicate annual accounts. This other information comprises the Managing Agent's Report, the Chairman's Statement and the Underwriter's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the syndicate annual accounts. 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 syndicate annual accounts. It also includes an assessment of the significant estimates and judgements made by the managing agent in the preparation of the syndicate annual accounts, and of whether the accounting policies are appropriate to the syndicate'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 syndicate annual accounts 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 syndicate annual accounts.

Opinion

In our opinion, the syndicate annual accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of Syndicate 2010 as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004.

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors

24 Bevis Marks
London EC3A 7NR
22 March 2006

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 (Restated) £'000
Earned premiums, net of reinsurance:			
Gross premiums written	5	**216,809**	191,325
Outward reinsurance premiums		**(57,587)**	(43,895)
Net premiums written		**159,222**	147,430
Change in the provision for unearned premiums:			
Gross amount		**(5,504)**	(32,557)
Reinsurers' share		**(1,773)**	1,788
Earned premiums, net of reinsurance		**151,945**	116,661
Allocated investment return transferred from the non-technical account		**2,998**	1,491
Claims paid:			
Gross amount		**(138,962)**	(55,916)
Reinsurers' share		**84,877**	18,841
		(54,085)	(37,075)
Change in the provision for claims:			
Gross amount		**(105,633)**	(37,768)
Reinsurers' share		**64,603**	23,338
		(41,030)	(14,430)
Claims incurred, net of reinsurance		**(95,115)**	(51,505)
Net operating expenses	6	**(46,173)**	(37,456)
Balance on the technical account for general business*		**13,655**	29,191

* All items relate to continuing operations only.

The notes on pages 29 to 41 form part of these accounts.

Profit and Loss Account
Non-Technical Account
For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 (Restated) £'000
Balance on the general business technical account		**13,655**	29,191
Investment income	10	**4,508**	1,893
Unrealised gains on investments		**67**	8
Investment expenses and charges	11	**(787)**	(172)
Unrealised losses on investments		**(790)**	(238)
Allocated investment return transferred to the general business technical account		**(2,998)**	(1,491)
Profit for the financial year	17	**13,655**	29,191

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 (Restated) £'000
Profit for the financial year		**13,655**	29,191
Currency translation differences		**4,497**	(2,198)
Prior year adjustment	4	**(85,038)**	-
Total recognised gains and losses since last annual report		**(66,886)**	26,993

The notes on pages 29 to 41 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

Balance Sheet
As at 31 December 2005

	Notes	2005 £'000	2004 (Restated) £'000
Investments:			
Financial investments	12	**110,774**	71,117
		110,774	71,117
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**5,486**	6,633
Claims outstanding		**155,532**	78,609
		161,018	85,242
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**21,613**	19,088
Debtors arising out of reinsurance operations	14	**106,265**	58,086
Other debtors	15	**2,945**	3,127
		130,823	80,301
Other assets:			
Cash at bank and in hand		**16,953**	43,105
Other	16	**7,185**	3,143
		24,138	46,248
Prepayments and accrued income:			
Deferred acquisition costs		**16,828**	14,100
Other prepayments and accrued income		**766**	714
		17,594	14,814
Total assets		**444,347**	297,722

The notes on pages 29 to 41 form part of these accounts.

	Notes	2005 £'000	2004 (Restated) £'000
Capital and reserves:			
Members' balances	17	**35,878**	42,442
		35,878	42,442
Technical provisions:			
Provision for unearned premiums		**87,001**	74,207
Claims outstanding		**277,774**	151,130
		364,775	225,337
Creditors:			
Creditors arising out of direct insurance operations	18	**769**	23
Creditors arising out of reinsurance operations	19	**35,185**	22,775
Other creditors including taxation and social security	20	**7,385**	6,919
		43,339	29,717
Accruals and deferred income		**355**	226
Total liabilities		**444,347**	297,722

The Syndicate annual accounts on pages 24 to 41 were approved by the Board of Cathedral Underwriting Limited on 22 March 2006 and were signed on its behalf by

L A Holder
Managing Director

J C Hamblin
Active Underwriter

22 March 2006

The notes on pages 29 to 41 form part of these accounts.

Statement of Cash Flows
For the year ended 31 December 2005

	Notes	2005 £'000	2004 (Restated) £'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**13,655**	29,191
Realised and unrealised investments (gains)/losses on cash and investments, including currency movements		**(10,125)**	4,190
Income from investments		**(4,632)**	(1,809)
Interest payable		**17**	5
Increase in debtors, prepayments and accrued income		**(53,726)**	(26,054)
Increase in gross technical provisions		**139,438**	58,430
(Increase) in technical provisions - reinsurers' share		**(75,776)**	(19,735)
Increase in creditors, accruals and deferred income		**13,751**	10,472
Exchange gains/(losses)		**3,956**	(2,197)
Net cash inflow from operating activities		**26,558**	52,493
Returns on investment and servicing of finance:			
Interest paid		**(17)**	(5)
Interest received		**4,632**	1,809
Transfer to members in respect of underwriting participations		**(23,754)**	(9,480)
Financing:			
Cash calls received		**3**	77
Increase in cash and portfolio investments in the year	21	**7,422**	44,894
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	21	**(29,222)**	16,304
Net portfolio investments	22	**36,644**	28,590
Net investment of cash flows		**7,422**	44,894

The notes on pages 29 to 41 form part of these accounts.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2005

1 Basis of Preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 ("the ABI SORP").

2 Change in Reporting Basis

The underwriting results are determined on an annual basis of accounting (see note 4 on page 32). This represents a fundamental change in reporting basis rather than a series of changes in accounting policies. Previously results were determined on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result only ascertained at the end of the third year when the year of account was usually closed by reinsurance. Under this three year funded basis, separate underwriting accounts were prepared for each year of account and no provision was made on open years of account for underwriting losses, if any, which may have arisen.

In June 2003 the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer required to prepare accounts on this three year funded basis. Instead, the Directive now provides a framework that allows Lloyd's to move to annual accounting for all aspects of reporting and the amendments to the Directive have been implemented in the UK by the Regulations.

The prior year figures have been restated and the impact of the change in reporting basis is given in note 4.

3 Accounting Policies

(a) *Basis of accounting*

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(b) *Underwriting*

(i) *Premiums written*

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the syndicate not yet notified.

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

(ii) *Unearned premiums*

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(iii) *Reinsurance premium ceded*

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

(iv) *Claims incurred*

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

(v) *Claims provisions and related recoveries*

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by management and further reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

The syndicate uses a number of statistical techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(vi) *Unexpired risks provision*

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together. No account is taken of any future investment return.

(vii) *Acquisition costs*

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

(c) *Foreign currencies*

Transactions in US dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date of the transaction or at an appropriate average rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used. Differences arising on the re-translation of foreign currency amounts are included in the Statement of Total Recognised Gains and Losses.

(d) *Investments*

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

(e) *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. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, 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 is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

(f) *Taxation*

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 22%) deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

(g) *Pension costs*

Cathedral Underwriting Limited operates a defined contribution pension scheme and its recharges to the syndicate in respect of staff costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

(h) *Operating lease rentals*

Amounts recharged by Cathedral Underwriting Limited include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

4 Annual Accounting and Prior Year Adjustments

Prior to 1 January 2005, the Syndicate had reported on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result ascertained at the end of the third year when the year of account was usually closed by reinsurance into the syndicate's following year of account. No provision was made on open years of account for underwriting losses, if any, which may have arisen.

The move to the annual basis of accounting represents a fundamental change in the reporting basis rather than a series of changes of accounting policies. Comparative amounts for 2004 have been restated. The net effect of the change is reflected in a prior year adjustment to members' balances shown in note 17 on page 38. A reconciliation of members' balances as published under the previous reporting basis is as follows:

	£'000
Members' balances under previous reporting basis	127,480
Annual accounting adjustment arising from:	
- Premiums	28,771
- Claims	(1,682)
- Technical provisions	(73,022)
- Average exchange movement	(2,128)
- Expenses	(37,013)
- Investment return	36
	(85,038)
Members' balances restated under new reporting basis	42,442

The annual basis of accounting is fundamentally different from the three year funded basis and it is not considered practicable to identify the impact of the change of basis on the current year.

Under the annual basis of accounting premiums are recognised on an earned basis and are stated gross of brokerage and commissions (see note 3 (b)). Previously premiums represented transactions (net of brokerage and commissions) that were processed by Xchanging Insure Services up to the balance sheet date.

Under the annual basis of accounting claims are provided for on the basis of premiums earned up to the balance sheet date with an additional provision for unexpired risks (see note 3 (b)). Previously no provision for claims was made on open years and claims were provided on the basis of ultimate premium written on closing and run off years.

Under the annual basis of accounting expenses are accounted for on an accruals basis. In addition, acquisition costs are deferred to the extent that they relate to unearned premiums (see note 3 (b)). Previously expenses relating to open years were included on a provisional basis and were not finalised until the year of account closed. Acquisition costs were written off as incurred.

Furthermore, under annual accounting, items in the profit and loss account are recorded using an average exchange rate, with any difference between average rates and closing rates recognised as an exchange adjustment. Previously, items in the profit and loss account were recognised at closing rates of exchange.

A full breakdown of the accounting policies used under the previous basis of accounting can be found in the 2004 Syndicate annual report.

5 Particulars of business written

An analysis of the technical account balance before investment return is set out below:

						Year ended 31 December 2005
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Motor (third party liability)	**110**	**54**	**(50)**	**(92)**	**-**	**(88)**
Motor (other classes)	**9,915**	**12,657**	**(9,048)**	**(3,599)**	**211**	**221**
Marine aviation and transport	**6,093**	**6,302**	**(2,196)**	**(1,091)**	**(974)**	**2,041**
Fire and other damage to property	**52,146**	**44,000**	**(64,396)**	**(12,803)**	**33,806**	**607**
Third party liability	**1,105**	**1,336**	**(70)**	**(328)**	**(124)**	**814**
Assistance	**15**	**14**	**(6)**	**(2)**	**1**	**7**
Miscellaneous	**1,409**	**735**	**(390)**	**(200)**	**(46)**	**99**
	70,793	**65,098**	**(76,156)**	**(18,115)**	**32,874**	**3,701**
Reinsurance acceptances	**146,016**	**146,207**	**(168,439)**	**(28,058)**	**57,246**	**6,956**
Total	**216,809**	**211,305**	**(244,595)**	**(46,173)**	**90,120**	**10,657**

						Year ended 31 December 2004 (restated)
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Motor (third party liability)	48	220	(106)	(71)	-	43
Motor (other classes)	12,756	8,822	(4,503)	(2,946)	(167)	1,206
Marine aviation and transport	6,412	4,873	(3,745)	(1,097)	365	396
Fire and other damage to property	36,301	24,163	(20,130)	(7,116)	4,581	1,498
Third party liability	1,585	874	(575)	(304)	116	111
Assistance	-	-	-	-	-	-
Miscellaneous	16	5	(2)	(3)	-	-
	57,118	38,957	(29,061)	(11,537)	4,895	3,254
Reinsurance acceptances	134,207	119,811	(64,623)	(25,919)	(4,823)	24,446
Total	191,325	158,768	(93,684)	(37,456)	72	27,700

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2005

continued

5 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit		Net assets	
	2005	2004 (Restated)	**2005**	2004 (Restated)	**2005**	2004 (Restated)
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Direct	**70,793**	57,118	**4,247**	3,339	**6,534**	2,446
Reinsurance	**146,016**	134,207	**9,408**	25,852	**29,344**	39,996
	216,809	191,325	**13,655**	29,191	**35,878**	42,442

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2005 £'000	Gross written premiums 2004 (Restated) £'000
UK	**26,529**	26,894
US	**104,910**	87,454
Other	**85,370**	76,977
	216,809	191,325

6 Net operating expenses

	2005 £'000	2004 (Restated) £'000
Acquisition costs	**34,379**	31,897
Change in deferred acquisition costs	**(1,351)**	(6,941)
Administrative expenses	**6,771**	4,662
Reinsurance commissions and profit participation	**(467)**	(114)
Profit and loss on exchange	**(21)**	(23)
Personal expenses	**6,862**	7,975
	46,173	37,456

Administrative expenses include:

	2005 £'000	2004 (Restated) £'000
Auditors' remuneration:		
Audit services	**75**	59
Other services	**3**	60

Total commissions for direct insurance accounted for in the year amounted to £15,574,717 (2004 restated: £13,337,874).

7 Staff numbers and costs

All staff are employed by the managing agency. The following amounts were recharged to the Syndicate in respect of salary costs:

	2005 £'000	2004 (Restated) £'000
Wages and salaries	**4,172**	2,678
Social security costs	**342**	286
Other pension costs	**466**	384
	4,980	3,348

The average number of employees employed by the managing agency but working for the Syndicate during the year was as follows:

	2005 £'000	2004 (Restated) £'000
Operations, administration and finance	**14**	13
Underwriting and claims	**19**	17
	33	30

Notes to the Syndicate Annual Accounts For the year ended 31 December 2005

continued

8 Emoluments of the directors of Cathedral Underwriting Limited

Cathedral Underwriting Limited charged the Syndicate the following amounts in respect of emoluments paid to its directors, including the active underwriter, of the Syndicate:

	2005 £'000	2004 (Restated) £'000
Emoluments	**635**	590

9 Active underwriter's emoluments

The active underwriter received the following aggregate remuneration charged to the Syndicate:

	2005 £'000	2004 (Restated) £'000
Emoluments	**216**	215

10 Investment income

	2005 £'000	2004 (Restated) £'000
Income from investments	**4,407**	1,856
Gains on the realisation of investments	**101**	37
	4,508	1,893

11 Investment expenses and charges

	2005 £'000	2004 (Restated) £'000
Investment management expenses, including interest	**86**	71
Losses on realisation of investments	**701**	101
	787	172

12 Financial investments

	Market value		Cost	
	2005 £'000	2004 (Restated) £'000	**2005 £'000**	2004 (Restated) £'000
Debt securities and other fixed Income securities	**109,273**	70,531	**109,621**	70,579
Other loans	**1,501**	586	**1,501**	586
	110,774	71,117	**111,122**	71,165

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

Other loans include £1,500,502 (2004: £nil) in respect of loans to the Lloyd's New Central Fund.

13 Debtors arising out of direct insurance operations

	2005 £'000	2004 (Restated) £'000
Due within one year - intermediaries	**21,613**	19,088

14 Debtors arising out of reinsurance operations

	2005 £'000	2004 (Restated) £'000
Due within one year	**106,265**	58,086

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2005

continued

15 Other debtors

	2005 £'000	2004 (Restated) £'000
Due within one year:		
Amounts due from members	**686**	491
Other	**162**	619
Due after one year:		
Amounts due from members	**2,097**	2,017
	2,945	3,127

16 Other assets - overseas deposits

	2005 £'000	2004 (Restated) £'000
Amounts advanced in other countries as a condition of carrying on business there	**7,185**	3,143

17 Reconciliation of members' balances

	2005 £'000	2004 (Restated) £'000
Members' balances brought forward at 1 January	**127,480**	85,867
Prior year adjustment (see note 4)	**(85,038)**	(60,646)
Members' balances restated at 1 January	**42,442**	25,221
Profit for the financial year	**13,655**	29,191
Exchange gains/(losses) for the financial year	**4,497**	(2,198)
Exchange gains/(losses) in respect of continuous solvency transfers	**(476)**	-
Transfers to members' personal reserve funds	**(24,240)**	(9,772)
Members' balances carried forward at 31 December	**35,878**	42,442

Members' balances do not include members' agency fees or non-standard personal expenses.

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of that particular year.

Transfers to members' personal funds comprise the 2002 closed year of account profit and a continuous solvency transfer of £11,162,791 (7% of capacity) in respect of the 2003 year of account.

18 Creditors arising out of direct insurance operations

	2005 £'000	2004 (Restated) £'000
Due within one year	**769**	23

19 Creditors arising out of direct reinsurance operations

	2005 £'000	2004 (Restated) £'000
Due within one year	**35,185**	22,775

20 Other creditors including taxation and social security

	2005 £'000	2004 (Restated) £'000
Due within one year:		
Profit commission owed to managing agent	**4,779**	3,134
Expenses owed to managing agent	**61**	38
Other	**13**	3
	4,853	3,175
Due after one year:		
Profit commission owed to managing agent	**2,532**	3,744
	7,385	6,919

21 Movement in opening and closing portfolio investments, net of financing

	2005 £'000	2004 (Restated) £'000
Net cash outflow for the year	**(24,505)**	(315)
Cash flow – portfolio investments	**31,927**	45,209
Movement arising from cash flows	**7,422**	44,894
Changes in market value and exchange rates	**10,125**	(4,190)
Total movement in portfolio investments net of financing	**17,547**	40,704
Balance brought forward at 1 January	**117,365**	76,661
Balance carried forward at 31 December	**134,912**	117,365

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2005

continued

21 Movement in opening and closing portfolio investments, net of financing *continued*

	At 1 January 2005 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2005 £'000
Cash at bank and in hand	**43,105**	**(29,222)**	**3,070**	**16,953**
Overseas deposits	**3,143**	**3,871**	**171**	**7,185**
Debt securities and other fixed income securities	**70,531**	**31,927**	**6,815**	**109,273**
Loans and deposits with credit institutions	**586**	**846**	**69**	**1,501**
Total portfolio investments	**74,260**	**36,644**	**7,055**	**117,959**
Total cash at bank and in hand and portfolio investments	**117,365**	**7,422**	**10,125**	**134,912**

22 Net cash (outflow)/inflow on portfolio investments

	2005 £'000	2004 (Restated) £'000
Purchase of debt securities and other fixed income securities	**(168,489)**	(74,364)
Purchase of loans and deposits with credit institutions	**(1,501)**	(112,585)
Sale of debt securities and other fixed income securities	**136,562**	29,155
Sale of loans and deposits with credit institutions	**655**	129,997
Movement of overseas deposits	**(3,871)**	(793)
Net cash (outflow)/inflow on portfolio investments	**(36,644)**	(28,590)

23 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings Limited.

The ultimate parent company of Cathedral Underwriting Limited is Cathedral Capital PLC.

Group accounts for Cathedral Capital Holdings Limited and Cathedral Capital PLC are available from the Company Secretary of Cathedral Underwriting Limited, 9th Floor, Lloyd's, One Lime Street, London EC3M 7HA.

Total fees paid during calendar year 2005 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £1,298,057 (2004: £1,297,798).

Profit commission of £4,778,586 (2004: £3,134,449) is also due to the managing agent in respect of the profit on the 2003 (2002) closed year.

Profit commission of £2,532,311 (2004: £3,735,279) has also been accrued in respect of the 2004 (2003) year of account, with £nil (2004: £8,444) accrued in respect of the 2005 (2004) year of account. Profit commission is only due on closure of the year of account: the 2004 underwriting year will normally close at 31 December 2006 and the 2005 year of account at 31 December 2007.

23 Related parties *continued*

Expenses totalling £6,568,300 (2004 £5,150,161) were recharged to the Syndicate by Cathedral Underwriting Limited. Where expenses were incurred jointly by the managing agent and the Syndicate, they were apportioned as follows:

Salaries and related costs	- according to the estimated time of each individual spent on syndicate matters
Accommodation costs	- according to number of personnel
Other costs	- as appropriate in each case

Amounts owed to Cathedral Underwriting Limited at 31 December 2005 totalled £7,372,283 (2004: £6,915,955) and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided capacity to the 2003, 2004 and 2005 underwriting years. Cathedral Capital (1998) Limited's share of the profit for the 2005 calendar year was £7,119,057 (2004 restated: £12,750,822).

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 13 April 2006:

2003 Year of account	£270,672
	US$44,730,093

25 Funds at Lloyd's

In case syndicate assets prove insufficient to meet members' underwriting liabilities, every member is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL).

The level of FAL Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. FAL is not hypothecated to any specific syndicate participation by a member. Therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

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SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2003 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2005

Report of the Independent Auditors
To the Members on the 2003 Year of Account of Syndicate 2010

We have audited the syndicate underwriting year accounts of the 2003 year of account of Syndicate 2010 as closed at 31 December 2005. These accounts comprise the Statement of Managing Agent's Responsibilities, the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes as set out on pages 45 to 60, and they have been prepared under the accounting policies set out in therein.

This report is made solely to the members on the 2003 year of account of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations and the Lloyds Syndicate Accounting Byelaw. Our audit work has been undertaken so that we might state to the 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and auditors

The managing agent's responsibilities for preparing the syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and the Lloyd's Syndicate Accounting Byelaw are set out in the Statement of Managing Agent's Responsibilities.

Our responsibility, as independent auditors, is to audit the syndicate underwriting year accounts in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the syndicate underwriting year accounts give a true and fair view of the result of the closed year of account. We also report to you if, in our opinion, the managing agent has not kept proper accounting records in respect of the syndicate and if the syndicate underwriting year accounts are not in agreement with the accounting records.

We read the Managing Agent's Report, the Chairman's Statement and the Underwriter's Report and consider the implications for our report if we become aware of any apparent misstatements within them.

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 syndicate underwriting year accounts. It also includes an assessment of the significant estimates and judgements made by the managing agent in the preparation of the syndicate underwriting year accounts, and of whether the accounting policies are appropriate to the syndicate'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 syndicate underwriting year accounts 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 syndicate underwriting year accounts.

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 2010 give a true and fair view of the profit of its 2003 closed year of account.

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors

24 Bevis Marks
London EC3A 7NR

22 March 2006

Statement of Managing Agent's Responsibilities

Cathedral Underwriting Limited as managing agent is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2004 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing these syndicate underwriting year accounts, the managing agent is required to:

(i) Select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;

(ii) take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

(iii) make judgements and estimates that are reasonable and prudent; and

(iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year of accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited

22 March 2006

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the 36 months ended 31 December 2005

		Notes	36 months ended 31 December 2005 £'000
Earned premiums, net of reinsurance			
Gross premiums written		3	**137,107**
Outward reinsurance premiums			**(33,470)**
Net premiums written			**103,637**
Change in the provision for unearned premiums			
Gross amount			**(3,957)**
Reinsurers' share			**553**
Earned premiums, net of reinsurance			**100,233**
Reinsurance to close premiums received, net of reinsurance		3	**14,264**
Allocated investment return transferred from the non-technical account			**2,149**
Claims incurred, net of reinsurance			
Claims paid	Gross amount		**(30,098)**
	Reinsurers' share		**8,334**
			(21,764)
Reinsurance to close premium payable, net of reinsurance		8	**(20,787)**
Claims incurred net of reinsurance			**(42,551)**
Net operating expenses		5	**(32,358)**
Balance on the technical account for general business			**41,737**

The underwriting year has closed; all items therefore relate to discontinued operations

The notes on pages 50 to 60 form part of these accounts.

Profit and Loss Account
Non-Technical Account
For the 36 months ended 31 December 2005

	Notes	36 months ended 31 December 2005 £'000
Balance on the general business technical account		**41,737**
Investment income	6	**2,939**
Unrealised gains on investments		**25**
Investment expenses and charges	7	**(420)**
Unrealised losses on investments		**(395)**
Allocated investment return transferred to the general business technical account		**(2,149)**
Profit for the closed year of account	14	**41,737**

Statement of Total Recognised Gains and Losses
For the 36 months ended 31 December 2005

	Notes	36 months ended 31 December 2005 £'000
Profit for the financial year		**41,737**
Currency translation differences		**956**
Total recognised gains and losses	14	**42,693**

The notes on pages 50 to 60 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

Balance Sheet
As at 31 December 2005

	Notes	31 December 2005 £'000
Assets		
Investments	9	**38,646**
Debtors:		
Debtors arising out of direct insurance operations		
Intermediaries	10	**403**
Debtors arising out of reinsurance operations	11	**9,481**
Other debtors	12	**6,564**
		16,448
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**44,715**
Other assets:		
Cash at bank and in hand		**6,831**
Other	13	**1,091**
		7,922
Prepayments and accrued income		**58**
Total assets		**107,789**
Liabilities		
Amounts due to members	14	**26,960**
Reinsurance to close premiums payable to close the account – gross amount	8	**70,093**
Creditors:		
Creditors arising out of direct insurance operations	15	**8**
Creditors arising out of reinsurance operations	16	**5,850**
Other creditors including taxation and social security	17	**4,821**
		10,679
Accruals and deferred income		**57**
Total liabilities		**107,789**

The Syndicate underwriting year accounts on pages 46 to 60 were approved by the Board of Cathedral Underwriting Limited on 22 March 2006 and were signed on its behalf by:

L A Holder
Managing Director

J C Hamblin
Active Underwriter

22 March 2006

The notes on pages 50 to 60 form part of these accounts.

Statement of Cash Flows
For the 36 months ended 31 December 2005

	Notes	36 months ended 31 December 2005 £'000
Profit for the closed year of account		**41,737**
Realised and unrealised investments losses		**694**
Income from investments		**(2,718)**
Net reinsurance to close premium payable		**20,787**
(Increase) in debtors		**(6,507)**
(Increase) in prepayments and accrued income		**(52)**
Increase in creditors		**5,329**
Increase in accruals and deferred income		**57**
Exchange gains		**956**
Net cash inflow from operating activities		**60,283**
Returns on investment and servicing of finance:		
Interest received		**2,712**
Transfer to members in respect of underwriting participations		**(15,733)**
Increase in cash and portfolio investments in the period		**47,262**
Cash flows were invested as follows:		
Increase in cash holdings	18	**6,831**
Net portfolio investments	19	**40,431**
Net investment of cash flows		**47,262**

The notes on pages 50 to 60 form part of these accounts.

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

1 Basis of Preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2004 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw and applicable accounting standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 ("the ABI SORP").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2003 year of account which has been closed by reinsurance to close at 31 December 2005; consequently the balance sheet represents the assets and liabilities of the 2003 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the 36 months period until closure.

As each syndicate year of account is a separate annual venture, there are no comparative figures.

2 Accounting Policies

Underwriting transactions

(a) The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

(b) The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums, net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

(c) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the syndicate year of account.

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the balance of premiums written in the period to the balance sheet date that relate to unexpired terms of policies in force at that date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

(d) Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

(e) Outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by management and further reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

(f) A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

(g) Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

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Investments and investment return

(h) Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Syndicate operating expenses

(i) Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned as follows:

Salaries and related costs - according to the estimated time of each individual spent on syndicate matters
Accommodation costs - according to number of personnel
Other costs - as appropriate in each case

The managing agent operates a defined contribution pension scheme and its recharges to the syndicate in respect of salaries and related costs include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the managing agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Taxation

(j) Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Basis of currency translation

(k) Transactions in US dollars, Canadian dollars and Euros are translated at the rate of exchange at the date of the transaction or at an approximate average rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used.

Although transactions are translated as described above, the final result for the year of account is calculated with US dollars, Canadian dollars and Euros translated at the balance sheet rates of exchange.

Differences arising on the re-translation of foreign currency amounts are included in the Statement of Total Recognised Gains and Losses.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

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3 Particulars of business written

An analysis of the technical account balance before investment return is set out below:

				36 months ended 31 December 2005		
Type of business	**Gross premiums written £'000**	**Gross premiums earned £'000**	**Gross claims incurred £'000**	**Gross operating expenses £'000**	**Reinsurance balance £'000**	**Total £'000**
Direct insurance:						
Motor (third party liability)	93	53	(11)	(12)	-	30
Motor (other classes)	6,545	6,024	(3,317)	(1,274)	219	1,652
Marine aviation and transport	3,776	3,736	(928)	(1,145)	(528)	1,135
Fire and other damage to property	10,166	9,354	(2,178)	(3,478)	(1,218)	2,480
Third party liability	521	476	(5)	(18)	-	453
Other	3	3	-	-	-	3
	21,104	19,646	(6,439)	(5,927)	(1,527)	5,753
Reinsurance acceptances*	130,267	127,768	(79,793)	(26,431)	12,291	33,835
Total	151,371	147,414	(86,232)	(32,358)	10,764	39,588

*Reinsurance acceptances include the reinsurance to close premium of £14,264,000 received from the 2002 year of account.

Geographical analysis by origin	**Gross written premiums £'000**	**Profit £'000**	**Net assets £'000**
Direct	21,104	6,066	3,919
Reinsurance	130,267	35,671	23,041
	151,371	41,737	26,960

All business originates in the UK.

Geographical analysis by destination	**Gross written premiums £'000**
UK	31,342
US	64,063
Other	55,966
	151,371

4 Technical account balance before allocated investment return and net operating expenses

	36 months ended 31 December 2005 £'000
Balance attributable to business allocated to the 2003 year of account	**71,714**
Balance attributable to the reinsurance to close the 2002 year of account	**232**
	71,946

5 Net operating expenses

	36 months ended 31 December 2005 £'000
Acquisition costs	**20,025**
Change in deferred acquisition costs	**(672)**
Administrative expenses	**5,700**
Reinsurers' commissions and profit participation	**(503)**
Profit on exchange	**(10)**
Personal expenses	**7,818**
	32,358

The closed year profit is stated after charging:

	36 months ended 31 December 2005 £'000
Auditors' remuneration:	
- Audit services	**60**
- Other services	**17**
Staff pension costs	**353**

6 Investment income

	36 months ended 31 December 2005 £'000
Income from investments	**2,888**
Gains on the realisation of investments	**51**
	2,939

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

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7 Investment expenses and charges

	36 months ended 31 December 2005 £'000
Investment management expenses, including interest	78
Losses on realisation of investments	342
	420

8 Reinsurance premium payable to close the 2003 year of account

	31 December 2005 £'000
Gross outstanding claims	54,898
Reinsurance recoveries anticipated	(36,404)
Net outstanding claims	18,494
Provision for gross claims incurred but not reported	15,195
Reinsurance recoveries anticipated	(8,311)
Provision for net claims incurred but not reported	6,884
Provision for future inwards gross premiums	(9,941)
Provision for future reinsurance protection	5,350
Provision for net premiums incurred but not reported	(4,591)
Reinsurance premium payable to close the account	20,787

9 Investments

	31 December 2005 Market value £'000
Debt securities and other fixed income securities	38,646

10 Debtors arising out of direct insurance operations

	31 December 2005 £'000
Due within one year	
- intermediaries	403

11 Debtors arising out of reinsurance operations

	31 December 2005 £'000
Due within one year	**9,481**

12 Other debtors

	31 December 2005 £'000
Inter - year loans	**5,875**
Amount due from members	**686**
Other	**3**
	6,564

Amounts due from members includes members' agency fees paid by the Syndicate on behalf of members, and other non-standard personal expenses.

13 Other assets – overseas deposits

	31 December 2005 £'000
Amounts advanced in other countries as a condition of carrying on business there	**1,091**

14 Amounts due to members

	31 December 2005 £'000
Profit for the closed year of account	**41,737**
Currency translation differences	**956**
Cumulative result	**42,693**
Transfers to members' personal reserve funds	**(15,733)**
Members' balances carried forward at 31 December 2005	**26,960**

Members' balances do not include members' agency fees or non-standard personal expenses.

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

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15 Creditors arising out of direct insurance operations

	31 December 2005 £'000
Due within one year	8

16 Creditors arising out of reinsurance operations

	31 December 2005 £'000
Due within one year	5,850

17 Other creditors including taxation and social security

	31 December 2005 £'000
Profit commission payable to managing agent	4,779
Expenses payable to managing agent	37
Other	5
	4,821

18 Movement in opening and closing portfolio investments, net of financing

	31 December 2005 £'000
Net cash inflow from the period	6,831
Cash flow – portfolio investments	40,431
Movement arising from cash flows	47,262
Changes in market value and exchange rates	(694)
Total movement in portfolio investments net of financing	46,568
Balance brought forward at 1 January 2003	-
Balance carried forward at 31 December 2005	46,568

	At 1 January 2003 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2005 £'000
Cash at bank and in hand	-	6,831	-	6,831
Overseas deposits	-	1,091	-	1,091
Debt securities and other fixed income securities	-	39,340	(694)	38,646
Total portfolio investments	-	40,431	(694)	39,737
Total cash and portfolio investments	-	47,262	(694)	46,568

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2005 £'000
Purchase of overseas deposits	**(1,091)**
Purchase of debt securities and other fixed income securities	**(246,946)**
Sale of debt securities and other fixed income securities	**207,606**
Net cash (outflow) on portfolio investments	**(40,431)**

20 Borrowings

During the period to 31 December 2005, the Syndicate negotiated unsecured overdraft facilities with Barclays Bank plc to assist with the financing of expenses and the paying or funding of any significant catastrophe losses. These facilities were never used by the 2003 year of account and the balance outstanding at the balance sheet date was £nil.

21 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings Limited.

The ultimate parent company of Cathedral Underwriting Limited is Cathedral Capital PLC.

Group accounts for Cathedral Capital Holdings Limited and Cathedral Capital PLC are available from the Company Secretary of Cathedral Underwriting Limited, 9th Floor, Lloyd's, One Lime Street, London EC3M 7HA.

Total fees payable to Cathedral Underwriting Limited in respect of services provided to the syndicate in respect of the 2003 year of account amounted to £1,039,797 of which £nil was outstanding at 31 December 2005. Profit commission of £4,778,566 is also due to the managing agent in respect of the profit on the 2003 closed year, and this was outstanding at 31 December 2005.

Expenses totalling £4,620,100 were recharged to the 2003 year of account by Cathedral Underwriting Limited. The basis on which expenses are apportioned is set out in note 2(g).

Amounts owed to Cathedral Underwriting Limited at 31 December 2005 totalled £4,816,088 and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided capacity to the underwriting years as follows:

	2003 Year of Account £'000	2004 Year of Account £'000	2005 Year of Account £'000
Cathedral Capital (1998) Limited	**67,953,745**	**97,016 ,434**	**107,725,388**

Notes to the Syndicate Underwriting Year Accounts
For the 36 months ended 31 December 2005

continued

22 Post balance sheet events

The reinsurance premium to close the 2003 year of account at 31 December 2005 was agreed by the managing agent on 7 February 2006. Consequently the technical provisions at 31 December 2005 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw. The actual amount of reinsurance to close premiums paid will be after deduction of unsigned premiums.

The following amounts will be transferred to members' personal reserve funds on 13 April 2006: £270,672 and US$44,730,093.