CATHEDRAL

SYNDICATE 2010
MMX

Annual Report
31 December 2008

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Chairman's Statement

At the start of our ninth year of underwriting, the syndicate accounts have again been produced on both an annual accounting basis and on the three year traditional basis in respect of the closing 2006 Year of Account.

On an annual accounting basis, Syndicate 2010 has produced a profit of over £26.2 million for the 2008 calendar year. Its combined ratio is 88.8% (including all managing agency related personal expenses, other than profit commission). This is a good result, bearing in mind that the year was affected by a series of U.S. weather related losses, notably Hurricane Ike which is likely to end up as the third most expensive loss of its type (after Katrina and Andrew) with losses approaching $20bn.

Reverting back to the traditional basis of reporting, I am pleased to say that the syndicate maintained its profitable record with the closed 2006 Year of Account return of 22.3% of capacity for a participant paying standard managing agency fee and profit commission. All areas of the account contributed to the final outcome.

The 2007 Year of Account is now forecast to produce a profit of 7.5% to 12.5% of capacity.

As far as the 2008 account is concerned it remains very much on risk at this time, although we remain hopeful of a profitable outcome.

While it is a pleasure to be able to report on yet another profitable result, the gloss is dulled somewhat as the world in which we all live has changed to a degree that few of us would have forecast a year ago, notwithstanding the early warning signs in the shape of Northern Rock in the UK and Bear Stearns in the US. For once, the non life insurance industry is not in the "eye of the storm", although some household names are in danger of capsizing following forays into banking type risks, such as credit default swaps, counterparty risk insurance etc. The seriousness of the situation prevents many of us having any sense of schadenfreude at the difficulties confronting the banking industry, whose problems have similarities to those of Lloyd's in the late 1980's and early 1990's, because the present crisis is of such a scale and breadth that no one will be left untouched. As to the future, rates and conditions have improved somewhat in some areas, but they hardly justify the more enthusiastic comments of certain industry commentators especially when it may become increasingly difficult for assureds to absorb sustained increases, as the real effects of the recession continue to impact balance sheets, be they individual or corporate!

At this moment of time the virtue of "sticking to one's last" has never been clearer whether in the banking or insurance worlds. This is one of many reasons to be grateful to John Hamblin, his underwriting colleagues and the entire team at Cathedral who combine together to keep our ship well and truly afloat. They have my sincere thanks and gratitude.

Once again I would also like to extend my thanks to my non executive colleagues, Michael Andrews, John Goldsmith, Elvin Patrick, and John Tilling for their contributions and ever helpful counsel in these uncertain times.

A. I. G. C. South
Chairman

12 March 2009

Underwriter's Report

Introduction

On an annual accounting basis, the result of the syndicate for calendar year 2008 is a profit of £26.2 million (combined ratio 88.8%). On the traditional Lloyd's basis of reporting, the 2006 year of account has closed with a profitable result of £72.8 million, inclusive of currency translation gains but before standard personal expenses.

2006 Account

I am pleased to report that the year has closed with a profitable result of £72.8 million, inclusive of currency translation gains but before personal expenses. For a natural name with standard personal expenses, this equates to a profit of 22.3% of capacity, before members' agency fees. This result is slightly higher than our revised estimate at the end of the third quarter 2008.

The capacity for the 2006 underwriting year was approximately £250 million. The gross signed premium income, net of brokerage, was some 93% of capacity at year-end rates of exchange.

In last year's report, I summarised the underwriting conditions and loss activity affecting the 2006 year of account. Those losses ran off within our reserve provisions and within our reinsurance protection where this was engaged. Prior years continue to run off satisfactorily.

Given the relatively good rating environment, low incidence of loss during the year and the weakening of sterling during the last quarter of 2008, the result although pleasing is perhaps unsurprising.

2007 Account

We increased our capacity to approximately £300 million.

By the start of 2007 a large amount of new capacity had entered our markets, mostly in a traditional form but we also saw the appearance of hedge funds that were looking to find new ways of putting their capital to work. As the year began, the rating environment for our classes was generally still strong but with the supply and demand pendulum returning to balance following the losses from the 2005 hurricanes and the re-underwriting that the market had undertaken as a result.

At the beginning of the year, US property treaty rates continued to rise, closing the gap between the rates prevailing at the beginning of 2006 and those that applied in the middle of that year, when the US property treaty market had crested. The international treaty market had been largely unaffected by the 2005 hurricane losses in the United States and continued a slow decline.

The year did see losses from four events outside the US, being Windstorm Kyrill in Europe, two flood losses in the UK and the Australian floods in June. All affected both 2006 and 2007 years of account. They were well contained within our catastrophe provisions, and had little effect on rates. The Atlantic hurricane season was, like 2006, a non-event which more than compensated for the international losses, particularly as losses in the US from tornados, hail and the like were much lower than historical levels, reducing the incidence of attritional claims.

The commercial property account saw rate reductions almost from the beginning of the year. Markets which had been scared off by the hurricanes in 2005 returned with fresh vigour and short memories. The good news is that the rates for catastrophe exposed business, despite declining, were still at very high historical levels in the US. The real disappointment is that this was not the case for international and non catastrophe exposed US property business and the overall income written fell below original business plan expectations, although this was offset by a very good loss year.

The aviation market continued the trend of the last few years, with the reinsurance market largely holding the line on price, terms and conditions and the underlying direct market plumbing new depths of rate and coverage. Part of the blame for this can be placed with capital models which give capital credits for diversity in lines of business with no apparent regard for whether or not those lines are actually likely to be profitable.

The satellite market, having had a very good run until 2007, saw a number of losses which will push the overall market into loss for the first time in a while. The nature of the satellite market means that some did very badly and some not so badly. Although we outperformed the market by some margin we have made a small loss on the account for the first time in a number of years.

Our contingency account had its second full year and will produce a good return for the year.

With another year of development under our belt we are increasing the estimate of our result for this year of account from a range of 5% to 10% of capacity to 7.5% to 12.5% of capacity. This is in part driven by a weakening currency, but mainly due to a benign run off over the last twelve months.

2008 Account

Our stamp capacity remained at approximately £300 million.

2008 began with declining rates in almost every line of business in which we are involved, with the exception of satellites where the market reacted to a poor result in 2007. This general decline was driven by the excess capital which arrived during 2007 and to a lesser extent continued to arrive during the early months of 2008. Fortunately the areas of steepest decline were generally those in which we do not have a presence, such as direct aviation, energy and liability business, both international and US.

In loss terms, 2008 was a challenge, even without the near collapse of the worlds banking system and consequential impact on the capital markets. We saw the worst year for large, commercial, industrial fires in living memory both in terms of frequency and severity. Losses were exacerbated by record commodity prices which in turn fed huge business interruption claims, particularly from the mining and energy sectors. Happily we missed most, but not all, of the headline grabbing events being consciously under-represented in the most affected classes when compared to many of our peers.

Natural peril events outside the US were mercifully few, but in the US we saw one of the most active years in a decade for tornado and hail and two hurricanes (Gustav and Ike) of which the latter was the more severe by some margin.

Although Ike was a Category 2 hurricane, it was very widespread in terms of the area it affected when it made landfall in Texas. As it moved further inland, it collided with another storm system further north and caused record damage in the Midwestern states with Kentucky, Indiana and Ohio seeing the most damage. This generated the largest catastrophe loss in the Midwest for some thirty five years, coming on top of what had already been a poor spring storm season. When added to the damage in Texas, this means that Ike is likely to be the third most costly hurricane loss in history, behind Katrina and Andrew, with industry observers estimating the insured losses at $17bn to $20bn for the onshore loss. Whilst news of the damage in the Midwest was slow to emerge and caused us to make some revisions to our initial estimate, the net loss is slightly lower than we first thought.

The aviation market continued in the same vein as in the last number of years with direct rates continuing to fall and reinsurance rates remaining relatively solid. It can only be a matter of time before some of the participants in the direct market are forced to withdraw. The satellite market saw increased rates for 2008, whilst the launch loss incidence fell, promising a good profit.

The direct commercial property market was under rating pressure for the whole of 2008 although a flattening trend was evident towards the year end, as the overall scale of the market's property losses experienced earlier in the year became apparent. However, despite the highly publicised fall from grace of one or two of our large global competitors, rates did not begin to show signs of moving up until the beginning of 2009 and then only gradually and fitfully.

Our contingency account, although relatively small, continues to grow and prosper. We have managed to build an account which has become less dependent on large tours, by developing some very useful sources of smaller business. We are delighted to have added a very experienced new member to the team during the year.

Despite the most challenging investment conditions for more than a generation, our conservative approach to investing our funds has paid off handsomely. We have always been of the view that we take our risk in the insurance arena, not in the capital markets.

We will provide a forecast result for the 2008 year of account at the end of the first quarter of 2009. However barring something unforeseen, the 2008 year of account should be profitable as it is progressing satisfactorily at this stage. It is though, unlikely to be a vintage year.

2008 Calendar Year Commentary

The 2008 calendar year result is made up of contributions from all open years of account (2006, 2007 and 2008) together with movements on the closed years of account (2001 to 2005) that occurred during the year. The result for the year is a profit of £26.2 million (2007: £42.5 million). There was also a gain on currency translation for the year of £23.9 million (2007: a gain of £1.0 million), which has been accounted for through the Statement of Total Recognised Gains and Losses.

The performance of the 2006 and prior years of account contributed a profit of £6.1million to the overall calendar year result. The income of the 2006 pure year had been substantially earned at the end of the previous year-end whilst that of the prior years had been fully earned. The run-off of these prior year reserves established at the previous year-end contributed a profit of circa £0.5million. Investment income contributed £6.3 million to the result.

The 2007 year of account contributed an annual accounting profit of £16.9 million compared with a profit of approximately £7.9 million during the previous calendar year. A significant proportion of the unearned income at 31 December 2007, relating to the 2007 year, was earned during 2008. The reserves established, at the previous year-end, in respect of loss activity that had occurred during 2007 ran-off favourably and no major losses in 2008 impacted the year further to any significant degree. These factors combined to produce a profit of £12.4 million which was supplemented by a positive investment return of £4.5 million.

The performance of the 2008 account contributed a profit of £3.2 million to the calendar year result of which £1.4 million related to investment income. This result reflects the relatively high level of catastrophe and risk loss activity compared to calendar year 2007. At the year-end approximately 57% of the net premiums written had been earned.

Further details of the Syndicate's calendar year result are set out in the Managing Agent's Report.

Future Prospects

2008 will long be remembered as the year of the "Credit Crunch" and its legacy will be with us for many years to come. The crisis in the banking industry does not affect the syndicate directly from an underwriting perspective, in that we have no exposure to the tsunami of insurance claims which will inevitably follow the distress of the major banks and other financial institutions.

Underwriter's Report

continued

The next cycle of the market will be driven by the desire of most insurers and reinsurers to preserve the capital they have, in the certain knowledge that they will not be able to replace anything they lose other than on the most punitive terms. It remains to be seen what the fourth quarter reporting period for 2008 brings but early indications are that many competitors have lost significant amounts of money on their investments and some on their underwriting as well. The costs of the liability losses which will surely flow from the capital market crisis are still a long way from being realised. These, together with the effects of record low interest rates and few investment opportunities, will heavily influence market results over the coming years

There is much talk about a hard market for 2009. Usually when the cavalry comes to the rescue the dust can be seen over the horizon long before the horses themselves appear. I have to say that there is, as yet, little discernible on the horizon. The distress of three of the world market's largest players is now old news and yet this has not translated itself into a general shortage of capacity as, perhaps because of the recession, clients choose price over security. There are some signs that the market is rising in places and that the expectation of many clients is now that they may need to pay more rather than less for their cover. In itself this is a positive, but is yet to translate into an across-the-board strengthening of market conditions.

It will take something a little more seismic, such as a significant downgrade by one of the rating agencies of a major company (rather than the more modest revisions that have generally occurred to date) or a major actual failure to really get things moving. In the meantime with very few investment opportunities offering any sort of return, insurance is increasingly regarded as a good place to put your money. The result of this, in the short term at least, is more capacity and only limited industry consolidation; something which is long overdue.

The carnage of what is occurring in the banking industry will remind Names of a time when Lloyd's and the insurance market became involved in passing toxic "assets" from one party to another. Churchill once said that "the only thing we learn from history is that we learn nothing from history." He was right again.

Whatever happens during 2009 we have, without doubt, one of the best and most experienced teams in the market. We fully expect to be able to meet the challenges of the next twelve months and take advantage of the opportunities which may arise on behalf of our capital providers.

A successful syndicate is a team effort and that applies to all, from the underwriters and management, to our reception. My particular thanks 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 and Richard Wood (our direct and facultative property underwriters), Justin Burns, Katie Spicer and Jane Todd (our contingency underwriters) and Steve Gentili our aggregation manager, together with the syndicate's entire support team to whom we all owe a great deal.

J C Hamblin
Active Underwriter

12 March 2009

Managing Agent's Report
At 31 December 2008

Introduction

The directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2008, together with the Chairman's Statement and the Underwriter's Report. The Syndicate commenced trading for the 2001 year of account.

This Annual Report includes the Annual Accounts for the year ended 31 December 2008 and the Underwriting Year Accounts for the 2006 Year of Account. The annual accounting result for the 2008 calendar year was £26.2 million (2007: £42.5 million). This consists of a contribution from all open years of account (2006, 2007 and 2008) together with any movement on the closed years of account (2001 to 2005) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2006 Year of Account closed at 31 December 2008 with a profitable result of £72.8 million, inclusive of currency translation gains but before standard personal expenses. This includes movements on the closed years 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 2008 and the other the closing year of account result for 2006.

The Managing Agent

Cathedral Underwriting Limited is the managing agent for Syndicate 2010. It also acts as managing agent for Syndicate 3010. Cathedral Underwriting Limited is authorised and regulated by the UK's Financial Services Authority ("FSA") and Lloyd's.

Syndicate	Principal class of business	Active underwriter	2008 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	299,771
3010	Marine cargo	J C Hamblin	30,000

The ultimate parent company of Cathedral Underwriting Limited is Cathedral Capital Limited. Alchemy Partners Nominee Limited has a 56.1% interest in Cathedral Capital Limited and is therefore deemed to be the controller of the managing agency and has been approved as such by both Lloyd's and the FSA.

Multiple syndicates consent

The council of Lloyd's on 25 July 2007 confirmed that Alasdair Butler and Lee Aspinall of Syndicate 3010 were approved under the Multiple Syndicates Byelaws (No.5 of 1989) to underwrite for syndicates 2010 and 3010. This approval is given only in respect of FTC business that is to be written into Syndicate 2010.

Directors' shareholdings

The directors who served during the year and their interests and that of their families in the share capital of Cathedral Capital Limited as at 31 December 2008, were as follows:

		31 December 2008		31 December 2007	
		"B" Ordinary 1 pence Shares	**Ordinary 1 pence Shares**	"B" Ordinary 1 pence Shares	Ordinary 1 pence Shares
D C Grainger	Compliance Director	**14,411**	**11,812**	14,411	11,812
J C Hamblin	Director	**21,041**	**33,413**	21,041	33,413
L A Holder	Managing Director	**21,041**	**33,413**	21,041	33,413
J A Lynch	Finance Director	**21,634**	**33,413**	21,634	33,413
E E Patrick	Non-Executive Director	**9,388**	**9,788**	9,388	9,788
P D Scales	Director	**21,634**	**33,413**	21,634	33,413

Messrs Andrews, Goldsmith, South and Tilling, who also served during the year, have no interest in the share capital of Cathedral Capital Limited. Mr Goldsmith was appointed a non-executive director of Cathedral Underwriting Limited on 10th January 2008.

Managing Agent's Report
At 31 December 2008

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The following directors (including their families) have an interest in the preference shares issued by Cathedral Capital Limited and the manager loan notes issued by Cathedral Capital (Investments) Limited.

	31 December 2008		31 December 2007	
	Preference £1 Shares	**Loan Notes £**	Preference £1 Shares	Loan Notes £
D C Grainger	**548,005**	**1,096,179**	562,561	1,125,290
J C Hamblin	**800,104**	**1,600,454**	821,356	1,642,958
L A Holder	**800,104**	**1,600,454**	821,356	1,642,958
J A Lynch	**822,639**	**1,645,531**	844,489	1,689,232
E E Patrick	**357,211**	**714,533**	366,699	733,509
P D Scales	**822,639**	**1,645,531**	844,489	1,689,232

The Cathedral Group has an Employee Share Ownership Plan ("ESOP") in which all full time employees are potential beneficiaries. As such, all directors who are full time employees of the Cathedral Group have a potential interest in the shares (and other assets) held by the ESOP. The interests of the ESOP are as follows:

31 December 2008			31 December 2007		
Cathedral Capital Limited		**Cathedral Capital (Investments) Limited**	Cathedral Capital Limited		Cathedral Capital (Investments) Limited
"B" Ordinary 1 pence Shares	**Preference £1 Shares**	**Manager Loan Notes £**	"B" Ordinary 1 pence Shares	Preference £1 Shares	Manager Loan Notes £
13,655	**648,508**	**1,297,216**	17,054	665,733	1,331,666

Directors and their participations in Syndicate 2010

None of the directors of Cathedral Underwriting Limited participate directly as Names on the Syndicate. Certain of the directors do, however, own shares in the ultimate parent company, Cathedral Capital Limited, which owns 100% of the interest in the corporate member Cathedral Capital (1998) Limited which has a £169.2 million, participation in the 2007 year of account and a £173.4 million participation in the 2008 and 2009 years of account. In addition, one of the directors is a director of a number of corporate names which had, in aggregate, a £2.1 million, participation on the 2007 year of account and a £1.7 million participation on the 2008 and 2009 years of account.

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 is 5th Floor, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8EN. 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 management board which includes senior management and underwriting representatives of Syndicate 2010 together with representatives of the Managing Agent's Board.

2008 Calendar Year

This Annual Report includes the results, for the calendar year, on an annual accounting basis, and is prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and applicable accounting standards. The accounting policies that have been adopted to produce the annual accounting results are set out in full on pages 27 to 29.

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 £26.2 million in the year (2007: £42.5 million) and this can be analysed as follows:

	2006 account £'000	2007 account £'000	2008 account £'000	31 December 2008 £'000	31 December 2007 £'000
Gross earned premium	213	76,588	154,024	230,825	217,608
Reinsurers' share	(1,786)	(7,673)	(58,840)	(68,299)	(52,040)
Net earned premium	(1,573)	68,915	95,184	162,526	165,568
Gross claims incurred	417	(45,725)	(111,735)	(157,043)	(82,576)
Reinsurers' share	758	7,074	50,777	58,609	1,887
Net claims incurred	1,175	(38,651)	(60,958)	(98,434)	(80,689)
Net operating expenses	153	(17,892)	(32,418)	(50,157)	(52,297)
Balance on Technical Account before investment return	(245)	12,372	1,808	13,935	32,582
Net investment income	6,345	4,534	1,423	12,302	9,960
Profit for the financial year	6,100	16,906	3,231	26,237	42,542

* The 2006 account includes the movement in the 2001 to 2005 accounts which have closed into the 2006 account.

Premiums above are grossed up for 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 aim to reflect the underlying exposures of the business written. Thus net earned premiums during 2008 include premiums on policies incepting during 2008 together with estimates for premiums and adjustments to premiums on policies incepting in prior periods. The gross and net earned premiums can be analysed as follows:

	31 December 2008		31 December 2007	
	Gross £'000	Net £'000	Gross £'000	Net £'000
Non-marine reinsurance	101,211	66,271	83,307	61,586
Aviation	33,473	24,526	37,252	28,881
Satellite	4,077	3,403	3,263	2,775
Direct & facultative property	82,566	59,577	79,463	59,026
Contingency	8,526	7,777	7,772	6,749
Other	972	972	6,551	6,551
Total	230,825	162,526	217,608	165,568

At the year end the Syndicate had net unearned premiums of £93.9 million (2007: £72.8 million) on the balance sheet.

Managing Agent's Report
At 31 December 2008

continued

The impacts 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. However where appropriate, adjustments are made to the attritional loss ratio applied to the earned premiums.

The annual accounting result includes the impact of any losses identified with a date of loss in 2008 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 2008.

The 2008 combined ratio is 88.8% (2007: 78.0%). This combined ratio is expressed as a percentage of Net Earned Premiums and excludes investment return, profit commission 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 2008		31 December 2007	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**77.1**	**53.0**	37.3	50.8
Aviation	**42.0**	**55.1**	51.4	64.2
Satellite	**16.0**	**13.7**	131.0	135.3
Direct & facultative property	**72.9**	**75.9**	27.3	35.1
Contingency	**45.4**	**49.7**	43.2	49.8
Other	**31.0**	**31.0**	46.2	46.4
Total Claims Ratio	**68.0**	**60.6**	37.9	48.7
Expense Ratio	**19.9**	**28.2**	22.3	29.3
Combined Ratio	**87.9**	**88.8**	60.2	78.0

The combined ratio excludes managing agent's profit commission and is the basis used throughout these financial statements.

The expense ratio includes brokerage on inwards business which accounts for approximately 72% of the net operating expenses. The operating expenses are set out in more detail in Note 4 on page 32.

The Annual Report includes a Statement of Total Recognised Gains and Losses. The 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, including currency retranslations.

Statement of Managing Agent's Responsibilities

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 annual accounts for the Syndicate 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:

a) select suitable accounting policies which are applied consistently, with the exception of any changes arising on the adoption of new accounting standards in the year;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material differences disclosed and explained; and
d) 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.

Year of Account

Members' Agents

The following members' agent has provided more than 20% of the Syndicate's allocated capacity for the 2007, 2008 and 2009 years of account.

	2009 account		2008 account		2007 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**233,085**	**77.7**	234,302	78.2	248,261	82.8

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group company, provided £169.2 million, £173.4 million and £173.4 million respectively of the capacity to Syndicate 2010 for the 2007, 2008 and 2009 years of account through Hampden Agencies Limited.

Capacity by member type and year of account

	2009 account		2008 account		2007 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**257,597**	**85.9**	252,149	84.1	242,518	80.9
External members	**40,167**	**13.4**	45,435	15.2	54,491	18.2
Working members (none of whom are employed by the managing agency)	**2,241**	**0.7**	2,187	0.7	2,729	0.9
	300,005	**100.0**	299,771	100.0	299,738	100.0

Result

The 2006 account closed with a profit of £72.8 million inclusive of currency translation gains, but before standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 22.3% of capacity, before members' agency fees.

This result is marginally better than previously forecast by the managing agent. The losses that impacted the 2006 account, which were reported on in detail in last year's Annual Report, ran off as expected during 2008 and indeed there were some releases from the favourable run off of the earlier years of account that had closed into the 2006 account at 31 December 2007. The result of the 2006 account, which closed at 31 December 2008, was impacted by a weak Sterling and the investment return benefitted from significant falls in interest rates seen during the course of the year. The analysis of the 2006 closed year result, before personal expenses, by member type is as set out below:

	2006 account	
	£'000	%
Result attributable to:		
Corporate members	53,179	73.1
External members	18,713	25.7
Working members *(none of whom are employed by the managing agency)*	858	1.2
	72,750	100.0

Managing Agent's Report
At 31 December 2008

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2007 account forecast

The forecast 2007 year of account result, on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission, but before charging members' agents fees, is in the range of 7.5% to 12.5% of Syndicate capacity at 31 December 2008.

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 in 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 of the 2006 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 2009 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%, are charged to all Names on the Syndicate for the 2007 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.

Historical summary of results

A summary of results for all of the closed years of account of the Syndicate is set out on page 57 of this annual report.

Description of business and methods of acceptance

The Syndicate commenced underwriting for the 2001 year of account. For the 2001 and 2002 underwriting years, the Syndicate's account was made up of two 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.

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 we 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 book which is largely focused on companies in the developed nations – Europe, Australia and Japan. We do write in other areas of the world, but these exposures are more modest.

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

We also write a small book of retrocession 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. In general this account requires a market loss of $400-$500 million or more to involve us to any material degree, but we will accept business at lower levels if the price is attractive. Again, we have a small amount of retrocessional business which, as with non-marine, contains no spiral exposure.

We are also involved in the aviation war market and the general aviation (light aircraft) market.

We have continued our long involvement with SATEC, a specialist Venice based satellite underwriting agency to which we delegate underwriting authority. The Syndicate also writes satellite excess of loss.

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 two main areas:

(i) Open market business which encompasses the whole range of risk sizes from large complex property schedules down to small single locations; and
(ii) Delegated binding authority business which targets smaller property risks principally in the US, Canada, Australia and Europe.

From mid-2003 the Syndicate wrote a fire theft and collision account (FTC). This was largely discontinued in the second half of 2006, although a modest account continues to be written.

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

Going forward, Syndicate 2010 intends to retain its focus on these accounts and will continue to seek opportunities within these classes.

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 for the main reinsurance account, the general aviation account and the war account. As with the non-marine account, OLW and proportional treaties are also employed.

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

The satellite account has proportional treaty protection.

The contingency account also has separate excess of loss protection.

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") is 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 other funds held in the Syndicate Trust Funds are managed directly by the finance department of Cathedral Underwriting Limited.

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.

The investment objective for CAAM is to invest the Premiums Trust Funds in a manner calculated to maximise return within agreed restraints 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 adequate liquidity and security and they 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 adverse price conditions.

CAAM's performance is measured against Merrill Lynch 1-3 year Government Index of the domestic Government bond market for each Trust Fund which are the benchmarks defined by the investment committee. The funds not managed by CAAM were held predominantly in cash throughout the year.

Investment performance

2008 was a year of unprecedented monetary and fiscal easing, direct central bank liquidity relief, bank bail-outs and partial nationalisation, bank defaults, collapsing investor confidence and the effective closure of credit markets… the list continues, and it appears that it is only the start of a severe economic slow-down. The usual cycle of recession first, credit crunch second has been reversed with the current credit crunch pitching all Western economies into what looks set to become a severe economic recession. The full impact of increasing default rates and declining margins has yet to be felt in the corporate market. Monetary policy ammunition has been all but spent with U.K, U.S. and European interest rates down to 2.0%, 0-0.25% and 2.5% respectively at the end of 2008. Whilst further easing is likely, the impact of that easing will decline. The next tool is fiscal stimulus packages, something that the U.S. and the U.K. have declared and are implementing, whilst European action will be more fragmented as individual member countries meet their own political agendas.

Credit markets not only severely underperformed in the past 12 months but secondary markets in many corporates and most ABS/MBS have, to all intents and purposes, closed. The Syndicate's portfolios had very little exposure to the worst affected of these asset classes, and portfolio returns, and liquidity, have remained very satisfactory.

Investment returns were significantly higher than estimates made at the beginning of 2008 and comfortably above credit market indices in all currencies. Net cash-flows were negative over the year, having a small negative effect on total investment earnings. The overall calendar year investment yield is set out in detail in note 10 on page 34.

Investment strategy

CAAM, our investment manager, writes:

> "Conditions in credit markets may well deteriorate further in 2009 with continued credit spread widening possible in sub-investment grade universe as headline and default risk remain high. Low bond yields and falling cash rates mean that returns in 2009 will, most likely, be lower than 2008 in all currencies. That said, the historically wide spreads on higher rated paper means that low Government bond yields can be significantly off-set with high-grade Quasi-Government paper. In particular the raft of Government guaranteed Bank issues have allowed the investment manager to increase the yield on the more liquid portfolios without increasing default risk. Other opportunities have been taken with non-cyclical corporates with strong cash reserves. The potential for negative capital price movements means that durations will likely be kept short from the beginning of 2009; curve positioning means durations may be slightly longer than at the start of 2008. This policy is unlikely to change in the short-term as the extremely low absolute level of bond yields means that the potential for capital losses remains high; investment objectives are currently biased towards protecting the portfolio against unnecessary losses. However, wider credit spreads mean that the portfolio allocation to attractively priced, highly rated, non-Government paper may further increase when the opportunities arise and markets permit. CAAM has the flexibility to utilise such securities within the Guidelines defined in the Investment Management Agreement".

Stock lending

The board of Cathedral Underwriting Limited prohibits CAAM from entering 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.

Bank facilities

The Syndicate had 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 United States $80 million Catastrophe facility was renewed in January 2009 of which United States $50 million can be utilised by way of Letter of Credit to assist the Syndicate's gross funding requirements. The facility was not utilised during calendar 2008.

The overdraft facility was not renewed when it expired in December 2008.

Syndicate capital requirement

The capital framework at Lloyd's requires each managing agent in the market to calculate the capital requirement for each syndicate they manage, a process called Individual Capital Assessment ("ICA"). The FSA require the ICA to be calibrated at a confidence level of 99.5% over a twelve month time horizon.

The ICA of each syndicate at Lloyd's is regarded as the minimum Regulatory Capital Requirement for the business. Lloyd's has the discretion to take into account other factors at member level to uplift the calculated ICA (including the need to maintain the market's overall security rating). This produces a Syndicate Economic Capital Requirement ("ECA").

The ICA is predominantly based on syndicate specific data and the annual syndicate business forecast which is submitted to Lloyd's for approval prior to the commencement of an underwriting year. ICA's were first prepared for the 2005 account and submitted to Lloyd's as a "soft test". However, the ICA's submitted since then have been used by Lloyd's to determine capital at member level. Each submission is based on premium income (as determined from the relevant syndicate business forecast).

The table below summarises Syndicate 2010's ICA return for the 2007, 2008 and 2009 accounts. These ICA figures are as agreed with Lloyd's. The ECA numbers reflect the market-wide capital loadings of 35% applied to all syndicates for all three years.

		2009**		2008		2007
	£'000	**%***	£'000	%*	£'000	%*
ICA	**140,800**	**46.9**	130,900	43.7	125,600	41.9
Lloyd's Loading	**49,300**	**16.4**	45,800	15.3	43,960	14.7
ECA	**190,100**	**63.3**	176,700	59.0	169,560	56.6
Stamp capacity	**300,005**		299,771		299,738	

* Note: % = percentage of stamp capacity

** This represents the revised ECA, for 2009, agreed with Lloyd's in March 2009 to reflect the significant depreciation of sterling against the other main trading currencies of the Syndicate in the second half of 2008.

Managing Agent's Report
At 31 December 2008

continued

Principal risks impacting the Syndicate

The Syndicate is exposed to a variety of risks when undertaking its activities all of which are taken into account when setting the ICA of the Syndicate. The board has policies and procedures in place to identify and manage the key risks in accordance with its risk appetite. These largely relate to:

- Insurance risk;
- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Insurance risk

The Syndicate has exposure to insurance risk (including reserving risk). Key areas where it is exposed to insurance risk are:

- Frequency of claims – the risk that the business written is subject to an unexpected frequency of claims;
- Severity of claims – the risk that the syndicate is subject to an unexpected severity of claim;
- Unknown/unexpected accumulations – the risk that risks accumulate to an extent or in a manner that is unexpected;
- Wording issues – the risk that wordings are interpreted to provide coverage in a manner or to an extent which is beyond that intended;
- Inadequate pricing – the risk that business written is under-priced for the risk assumed;
- Lack of reinsurance cover - the risk that reinsurance of a type or quantum necessary to effectively manage the gross exposures assumed is either unavailable or unavailable at a viable cost;
- Inappropriate reinsurance – the risk that the syndicate assumes gross exposures on the basis that effective reinsurance protection of a type or quantum is available and for that to prove not to be the case; and
- Reserving risk – the risk that provisions in respect of already incurred claims prove inadequate.

The loss development tables that follow provide information about historical claims development.

Underwriting year - Gross	2002	2003	2004	2005	2006	2007	2008
12 months	46%	50%	88%	157%	28%	41%	74%
24 months	34%	29%	76%	121%	36%	46%	-
36 months	30%	27%	76%	115%	36%	-	-
48 months	29%	26%	73%	118%	-	-	-
60 months	29%	25%	73%	-	-	-	-
72 months	29%	25%	-	-	-	-	-
84 months	28%	-	-	-	-	-	-

Underwriting year - Net	2002	2003	2004	2005	2006	2007	2008
12 months	58%	53%	69%	88%	39%	59%	66%
24 months	44%	32%	56%	73%	45%	57%	-
36 months	37%	29%	56%	67%	46%	-	-
48 months	36%	28%	53%	66%	-	-	-
60 months	36%	28%	53%	-	-	-	-
72 months	35%	28%	-	-	-	-	-
84 months	35%	-	-	-	-	-	-

The loss ratios above are in respect of the pure year of account and are cumulative annually accounted loss ratios at each stage. In effect, the table highlights the Syndicate's ability to provide a robust estimate of the claims costs, although it should be noted that any losses in year two will not be recognised at the 12 months stage under annual accounting.

Credit risk

The Syndicate has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where it is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries; and
- Assets held as financial investments.

Liquidity risk

The Syndicate has exposure to liquidity risk. Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis. Where insufficient liquid funds exist, the Syndicate can cash call the Names supporting it and can ultimately drawdown from Names' Funds at Lloyd's.

Market risk

The Syndicate has exposure to market risk. This includes the risks associated with interest rate and currency movemnents which can alter the value of funds invested and the Sterling translated value of its assets and liabilities.

Operational risk

The Syndicate has exposure to operational risk. This includes risks associated with:

- the failure of the management controls;
- loss, failure or corruption of information technology systems;
- loss of key management and underwriting personnel;
- legal and regulatory issues; and
- other operational disruption.

Risk Management

All areas of risk are subject to the managing agency's risk management framework and enterprise wide risk management practices and controls.

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

EMB Consultancy LLP acted as reporting actuaries to the Syndicate for the period under review.

Statement as to disclosure of information to auditors

The directors of the managing agent at the date of this report have individually taken all necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the Syndicate auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the auditors are unaware.

Managing Agent's Report
At 31 December 2008

continued

Advanced consents procedure notifications

Agency and Syndicate Auditor

Mazars LLP are the independent auditors to all of the Cathedral Group companies 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 will continue as company auditors for a further year with effect from 1 May 2009.

An AGM of Syndicate members is to be held on 16 April 2009 at 9.30am to reappoint Mazars LLP as Syndicate auditors in accordance with the terms of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008, notice for which has been issued to members agents.

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, as amended by that of 21 September 2006, addressed to Members' Agents and Direct Corporate Capital Providers, copies of which are available on request to all Syndicate members.

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited
5th Floor, Fitzwilliam House
10 St. Mary Axe, London EC3A 8EN

12 March 2009

SYNDICATE ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and related notes as set out on pages 22 to 38. 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 on pages 10 and 11.

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, whether the syndicate annual accounts are properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, and whether the information given in the Managing Agent's Report is consistent with the syndicate annual accounts. We also report to you if, in our opinion, 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the remuneration of the directors of the managing agent and other transactions is not disclosed.

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 Chairman's Statement, the Underwriter's Report and the Managing Agent'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 2008 and of its profit for the year then ended;
- the syndicate annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004; and
- the information given in the Managing Agent's Report is consistent with the syndicate annual accounts.

MAZARS LLP
CHARTERED ACCOUNTANTS and Registered Auditors

Tower Bridge House, St Katharine's Way, London E1W 1DD
12 March 2009

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**229,356**	212,454
Outward reinsurance premiums		**(68,488)**	(51,310)
Net premiums written		**160,868**	161,144
Change in the provision for unearned premiums:			
Gross amount		**1,469**	5,154
Reinsurers' share		**189**	(730)
Earned premiums, net of reinsurance		**162,526**	165,568
Allocated investment return transferred from the non-technical account		**12,302**	9,960
Claims paid:			
Gross amount		**(141,031)**	(81,322)
Reinsurers' share		**51,140**	22,524
		(89,891)	(58,798)
Change in the provision for claims:			
Gross amount		**(16,012)**	(1,254)
Reinsurers' share		**7,469**	(20,637)
		(8,543)	(21,891)
Claims incurred, net of reinsurance		**(98,434)**	(80,689)
Net operating expenses	4	**(50,157)**	(52,297)
Balance on the technical account for general business		**26,237**	42,542

All items relate to continuing operations only.

The notes on pages 27 to 38 form part of these accounts.

Profit and Loss Account
Non-Technical Account
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Balance on the general business technical account		**26,237**	42,542
Investment income	8	**10,076**	7,795
Unrealised gains on investments		**2,729**	2,534
Investment expenses and charges	9	**(329)**	(298)
Unrealised losses on investments		**(174)**	(71)
Allocated investment return transferred to the general business technical account		**(12,302)**	(9,960)
Profit for the financial year	17	**26,237**	42,542

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the financial year	17	**26,237**	42,542
Currency translation differences	17	**23,899**	1,006
Total recognised gains and losses since last annual report		**50,136**	43,548

The notes on pages 27 to 38 form part of these accounts.

Balance Sheet
As at 31 December 2008

	Notes	2008 £'000	2007 £'000
Investments:			
Financial investments	11	**187,027**	176,346
		187,027	176,346
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**8,287**	5,970
Claims outstanding	12	**88,627**	59,059
		96,914	65,029
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**18,879**	16,884
Debtors arising out of reinsurance operations	14	**98,889**	56,436
Other debtors	15	**3,823**	2,499
		121,591	75,819
Other assets:			
Cash at bank and in hand		**44,684**	12,776
Other	16	**13,244**	11,610
		57,928	24,386
Prepayments and accrued income:			
Deferred acquisition costs		**18,181**	14,341
Other prepayments and accrued income		**870**	503
		19,051	14,844
Total assets		**482,511**	356,424

The notes on pages 27 to 38 form part of these accounts.

	Notes	2008 £'000	2007 £'000
Capital and reserves:			
Members' balances	17	**69,779**	68,553
		69,779	68,553
Technical provisions:			
Provision for unearned premiums		**102,226**	78,806
Claims outstanding		**267,870**	188,235
		370,096	267,041
Creditors:			
Creditors arising out of direct insurance operations	18	**289**	120
Creditors arising out of reinsurance operations	19	**36,038**	14,313
Other creditors including taxation and social security	20	**5,895**	6,068
		42,222	20,501
Accruals and deferred income		**414**	329
Total liabilities		**482,511**	356,424

The Syndicate annual accounts on pages 22 to 38 were approved by the Board of Cathedral Underwriting Limited on 12 March 2009 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

12 March 2009

The notes on pages 27 to 38 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

Statement of Cash Flows
For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**26,237**	42,542
Realised and unrealised investments (gains) on cash and investments, including currency movements		**(71,605)**	(4,833)
Income from investments		**(9,542)**	(7,529)
Interest payable		**39**	17
(Increase)/decrease in debtors, prepayments and accrued income		**(49,979)**	5,332
Increase in net technical provisions		**71,170**	18,018
Increase/(decrease) in creditors, accruals and deferred income		**21,807**	(1,778)
Exchange gains		**23,899**	1,006
Net cash inflow from operating activities		**12,026**	52,775
Returns on investment and servicing of finance:			
Interest paid		**(39)**	(17)
Interest received		**9,542**	7,529
Transfer to members in respect of underwriting participations		**(48,910)**	(25,630)
(Decrease)/increase in cash and portfolio investments in the year	21	**(27,381)**	34,657
Cash flows were invested as follows:			
Increase in cash holdings	21	**30,537**	9,099
Net portfolio investments	22	**(57,918)**	25,558
Net investment of cash flows		**(27,381)**	34,657

The notes on pages 27 to 38 form part of these accounts.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2008

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 (revised in December 2006) ("the ABI SORP").

2 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 which is calculated on the basis of established earnings patterns or time apportionment as appropriate. 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.

(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 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. Where reliance has been placed on the security rating by rating agencies, it has been assumed that they provide a reliable estimate of the likelihood of the reinsurer in question being able to meet its obligations when called upon to do so.

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 and related expenses estimated to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums 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 bid price 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. The Syndicate holds cash balances, some of which are swept overnight into pooled arrangements. These balances have been classified as investments.

(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 Technical Account General Business to reflect the investment return on funds supporting underwriting business. All investment return is deemed 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 it recharges to the Syndicate staff costs which 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.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2008

continued

3 Particulars of business written

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

						Year ended 31 December 2008
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)	**322**	**444**	**(51)**	**(196)**	**-**	**197**
Motor (other classes)	**(759)**	**(391)**	**(236)**	**(93)**	**(56)**	**(776)**
Marine aviation and transport	**3,902**	**3,811**	**(326)**	**(705)**	**(435)**	**2,345**
Fire and other damage to property	**57,764**	**62,125**	**(45,932)**	**(18,071)**	**(6,179)**	**(8,057)**
Third party liability	**920**	**1,094**	**(265)**	**(576)**	**(245)**	**8**
Credit and suretyship	**8,818**	**8,528**	**(3,476)**	**(2,355)**	**(748)**	**1,949**
	70,967	**75,611**	**(50,286)**	**(21,996)**	**(7,663)**	**(4,334)**
Reinsurance acceptances	**158,389**	**155,214**	**(106,757)**	**(28,161)**	**(2,027)**	**18,269**
Total	**229,356**	**230,825**	**(157,043)**	**(50,157)**	**(9,690)**	**13,935**

						Year ended 31 December 2007
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)	482	412	(372)	(140)	-	(100)
Motor (other classes)	1,042	4,563	(1,784)	(1,104)	(30)	1,645
Marine aviation and transport	1,239	2,116	(2,751)	(478)	(74)	(1,187)
Fire and other damage to property	60,650	62,725	(16,338)	(17,559)	(15,347)	13,481
Third party liability	1,009	783	(311)	(424)	(170)	(122)
Credit and suretyship	7,349	7,718	(3,357)	(1,986)	(1,021)	1,354
	71,771	78,317	(24,913)	(21,691)	(16,642)	15,071
Reinsurance acceptances	140,683	139,291	(57,663)	(30,606)	(33,511)	17,511
Total	212,454	217,608	(82,576)	(52,297)	(50,153)	32,582

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit		Net assets	
	2008	2007	**2008**	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Direct	**70,967**	71,771	**432**	20,745	**27,026**	39,057
Reinsurance	**158,389**	140,683	**25,805**	21,797	**42,753**	29,496
	229,356	212,454	**26,237**	42,542	**69,779**	68,553

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2008 £'000	Gross written premiums 2007 £'000
UK	**32,768**	32,230
US	**112,481**	114,621
Other EU member states	**22,639**	16,089
Rest of the world	**61,468**	49,514
	229,356	212,454

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2008

continued

4 Net operating expenses

	2008 £'000	2007 £'000
Acquisition costs	**34,984**	35,185
Change in deferred acquisition costs	**531**	953
Administrative expenses	**7,076**	6,538
Reinsurance commissions and profit participation	**(212)**	(318)
(Profit) on exchange	**(1,429)**	(276)
Personal expenses	**9,207**	10,215
	50,157	52,297

Administrative expenses include:

	2008 £'000	2007 £'000
Auditors' remuneration:		
- Audit of the accounts	**75**	70
- Other regulatory reporting	**19**	18
- Taxation services	**3**	3
- Other services	**24**	34

Total commissions for direct insurance accounted for in the year amounted to £14,368,832 (2007: £15,014,011).

5 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:

	2008 £'000	2007 £'000
Wages and salaries	**3,415**	3,331
Social security costs	**399**	394
Other pension costs	**524**	524
	4,338	4,249

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

	2008	2007
Operations, administration and finance	**16**	15
Underwriting and claims	**25**	23
	41	38

6 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:

	2008 £'000	2007 £'000
Emoluments	**714**	693

7 Active underwriter's emoluments

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

	2008 £'000	2007 £'000
Emoluments	**239**	234

8 Investment income

	2008 £'000	2007 £'000
Income from investments	**7,729**	7,415
Gains on the realisation of investments	**2,347**	380
	10,076	7,795

9 Investment expenses and charges

	2008 £'000	2007 £'000
Investment management expenses, including interest payable	**138**	123
Losses on realisation of investments	**191**	175
	329	298

10 Investment return

The average syndicate funds and investment return in the calendar year by currency is as follows:

	31 December 2008		31 December 2007	
	Average funds £'000	**Investment yield %**	Average funds £'000	Investment yield %
Sterling	**17,359**	**7.0**	13,208	3.9
Euro	**10,455**	**3.9**	6,153	3.3
US Dollars	**291,334**	**6.1**	264,050	6.5
Canadian Dollars	**33,807**	**7.1**	36,629	4.6
All currencies converted	**200,383**	**6.2**	166,484	6.1

Investment return includes investment income, realised investment gains and losses and movements on unrealised investment gains and losses.

11 Financial investments

	Market value		Cost	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Shares and other variable yield securities	**3,448**	17,918	**3,448**	17,918
Debt securities and other fixed income securities	**178,609**	154,735	**175,023**	151,805
Participation in investment pools	**4,894**	3,693	**4,894**	3,693
Deposits with approved credit institutions	**76**	-	**76**	-
	187,027	176,346	**183,441**	173,416

Debt securities and other fixed income securities are all listed on recognised stock exchanges. All investments, other than deposits with approved credit institutions, are stated at bid price value. Furthermore, all investments were rated AAA to A+ by external ratings agencies.

12 Reinsurers' share of claims outstanding

The year end assessment of the recoverability of the Syndicate's reinsurance assets has taken into account the current global economic uncertainty. The managing agent considers that the provision is fairly stated based on the current information available. However, the ultimate amount recoverable may be different as a result of subsequent information and future events.

The table below analyses the exposure to reinsurers by credit quality:

	2008 £'000	2007 £'000
A++	**4,205**	4,722
A+	**22,032**	13,223
A, A-	**58,344**	35,241
B+	**-**	146
F	**4,723**	-
Other (including not rated)	**8,819**	7,497
	98,123	60,829
Less provision for bad debt	**(9,496)**	(1,770)
	88,627	59,059

13 Debtors arising out of direct insurance operations

	2008 £'000	2007 £'000
Due within one year - intermediaries	**18,879**	16,884

14 Debtors arising out of reinsurance operations

	2008 £'000	2007 £'000
Due within one year	**98,889**	56,436

15 Other debtors

	2008 £'000	2007 £'000
Due within one year:		
Amounts due from members	**784**	681
Other	**70**	26
Due after one year:		
Amounts due from members	**2,969**	1,792
	3,823	2,499

16 Other assets - overseas deposits

	2008 £'000	2007 £'000
Amounts advanced in other countries as a condition of carrying on business there	**13,244**	11,610

17 Reconciliation of members' balances

	2008 £'000	2007 £'000
Members' balances at 1 January	**68,553**	50,635
Profit for the financial year	**26,237**	42,542
Exchange gains for the financial year	**23,899**	1,006
Transfers to members' personal reserve funds	**(48,910)**	(25,630)
Members' balances carried forward at 31 December	**69,779**	68,553

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 2005 (2004) closed year of account profit and the early profit release in respect of the 2006 year of account.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2008
continued

18 Creditors arising out of direct insurance operations

	2008 £'000	2007 £'000
Due within one year	**289**	120

19 Creditors arising out of reinsurance operations

	2008 £'000	2007 £'000
Due within one year	**36,038**	14,313

20 Other creditors including taxation and social security

	2008 £'000	2007 £'000
Due within one year:		
Profit commission owed to managing agent	**2,387**	3,752
Expenses owed to managing agent	**231**	97
Other	**37**	18
	2,655	3,867
Due after one year:		
Profit commission owed to managing agent	**3,240**	2,201
	5,895	6,068

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

	2008 £'000	2007 £'000
Net cash inflow for the year	**30,537**	9,099
Cash flow – portfolio investments	**(57,918)**	25,558
Movement arising from cash flows	**(27,381)**	34,657
Changes in market value and exchange rates	**71,604**	4,833
Total movement in portfolio investments net of financing	**44,223**	39,490
Balance brought forward at 1 January	**200,732**	161,242
Balance carried forward at 31 December	**244,955**	200,732

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

	At 1 January 2008 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2008 £'000
Cash at bank and in hand	**12,776**	**30,537**	**1,371**	**44,684**
Overseas deposits	**11,610**	**(276)**	**1,910**	**13,244**
Shares and other variable yield securities	**17,918**	**(21,311)**	**6,841**	**3,448**
Debt securities and other fixed income securities	**154,735**	**(37,112)**	**60,986**	**178,609**
Participation in investment pools	**3,693**	**705**	**496**	**4,894**
Deposits with approved credit institutions	**-**	**76**	**-**	**76**
Total portfolio investments	**187,956**	**(57,918)**	**70,233**	**200,271**
Total cash at bank and in hand and portfolio investments	**200,732**	**(27,381)**	**71,604**	**244,955**

22 Net cash inflow/(outflow) on portfolio investments

	2008 £'000	2007 £'000
Purchase of debt securities and other fixed income securities	**(251,210)**	(150,384)
(Purchase)/sale of loans and deposits with approved credit institutions	**(76)**	3,376
Sale of debt securities and other fixed income securities	**288,322**	129,836
Movement of shares and other variable yield securities	**21,311**	(4,472)
Movement of participation in investment pools	**(705)**	(1,936)
Movement of overseas deposits	**276**	(1,978)
Net cash inflow/(outflow) on portfolio investments	**57,918**	(25,558)

23 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital (2000) Limited.

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

Total fees paid during calendar year 2008 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £1,948,428 (2007: £1,948,383).

Profit commission of £2,386,993 (2007: £1,565,221) is also due to the managing agent in respect of the profit on the 2006 (2005) closed year.

Profit commission of £2,910,743 (2007: £3,742,346) has also been accrued in respect of the 2007 (2006) year of account, with £329,605 (2007: £644,971) accrued in respect of the 2008 (2007) year of account.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2008

continued

23 Related parties *continued*

Expenses totalling £7,809,989 (2007: £6,857,493) 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 the number of personnel
Other costs	- as appropriate in each case

Amounts owed to Cathedral Underwriting Limited at 31 December 2008 totalled £5,858,638 (2007: £6,049,481) 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 2006, 2007 and 2008 underwriting years. Cathedral Capital (1998) Limited's share of the profit for the 2008 calendar year is £17,086,273 (2007: £25,233,950).

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 9th April 2009:

2006 Year of account	£18,303,799
	US$17,058,776

On the same date, outstanding profit commission of £2,386,993 will be paid to Cathedral Underwriting Limited on the 2006 closed year of account.

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 of a member. Therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

26 Quota share reinsurance

In accordance with Lloyd's consent, the following quota share reinsurance contracts in respect of the 2009 year of account have been ceded by Syndicate 2010 to Cathedral managed syndicate 3010.

	Percentage	Account
1.	29.4%	Satellite Account (SATEC)
2.	5.0%	North East USA Treaty Account

The Cathedral group corporate member is the sole capital provider to Syndicate 3010.

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2006 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2008

Report of the Independent Auditors
To the Members on the 2006 Year of Account of Syndicate 2010

We have audited the syndicate underwriting year accounts of the 2006 year of account of Syndicate 2010 as closed at 31 December 2008. These accounts comprise the Statement of Managing Agent's Responsibilities, the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and related notes as set out on pages 41 to 56, and they have been prepared under the accounting policies set out therein.

This report is made solely to the members on the 2006 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 Lloyd's 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 on page 41.

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 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 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 Chairman's Statement, the Underwriter's Report and the Managing Agent'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 2006 closed year of account.

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors

Tower Bridge House, St Katharine's Way, London E1W 1DD

12 March 2009

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 are 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

12 March 2009

Profit and Loss Account
Technical Account - General Business
2006 Year of Account
For the 36 months ended 31 December 2008

			Notes	36 months ended 31 December 2008 £'000
Earned premiums, net of reinsurance				
Gross premiums written			3	**217,618**
Outward reinsurance premiums				**(47,954)**
Net premiums written				**169,664**
Change in the provision for unearned premiums				
Gross amount				**(5,175)**
Reinsurers' share				**518**
Earned premiums, net of reinsurance				**165,007**
Reinsurance to close premiums received, net of reinsurance			3	**45,252**
Allocated investment return transferred from the non-technical account				**10,958**
Claims incurred, net of reinsurance				
Claims paid	Gross amount			**(88,362)**
	Reinsurers' share			**16,045**
				(72,317)
Reinsurance to close premium payable, net of reinsurance			8	**(65,756)**
Claims incurred net of reinsurance				**(138,073)**
Net operating expenses			5	**(50,907)**
Balance on the technical account for general business				**32,237**

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

The notes on pages 46 to 56 form part of these accounts.

Profit and Loss Account
Non-Technical Account
2006 Year of Account
For the 36 months ended 31 December 2008

	Notes	36 months ended 31 December 2008 £'000
Balance on the general business technical account		**32,237**
Investment income	6	**9,034**
Unrealised gains on investments		**2,369**
Investment expenses and charges	7	**(323)**
Unrealised losses on investments		**(122)**
Allocated investment return transferred to the general business technical account		**(10,958)**
Profit for the closed year of account	14	**32,237**

Statement of Total Recognised Gains and Losses
2006 Year of Account
For the 36 months ended 31 December 2008

	Notes	36 months ended 31 December 2008 £'000
Profit for the financial year	14	**32,237**
Currency translation differences	14	**29,736**
Total recognised gains and losses		**61,973**

The notes on pages 46 to 56 form part of these accounts.

Balance Sheet
2006 Year of Account
For the 36 months ended 31 December 2008

	Notes	31 December 2008 £'000
Assets		
Investments	9	**64,688**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**54**
Debtors arising out of reinsurance operations	11	**17,060**
Other debtors	12	**792**
		17,906
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**58,949**
Other assets:		
Cash at bank and in hand		**32,555**
Other	13	**6,900**
		39,455
Prepayments and accrued income		**126**
Total assets		**181,124**
Liabilities		
Amounts due to members	14	**30,917**
Reinsurance to close premiums payable to close the account – gross amount	8	**129,399**
Creditors:		
Creditors arising out of direct insurance operations	15	**36**
Creditors arising out of reinsurance operations	16	**10,103**
Other creditors including taxation and social security	17	**10,578**
		20,717
Accruals and deferred income		**91**
Total liabilities		**181,124**

The Syndicate underwriting year accounts on pages 41 to 56 were approved by the Board of Cathedral Underwriting Limited on 12 March 2009 and were signed on its behalf by:

L A Holder
Managing Director

J A Lynch
Finance Director

12 March 2009

The notes on pages 46 to 56 form part of these accounts.

Statement of Cash Flows
2006 Year of Account
For the 36 months ended 31 December 2008

	Notes	36 months ended 31 December 2008 £'000
Profit for the closed year of account		**32,237**
Realised and unrealised investment (gains), including currency movements		**(4,370)**
Income from investments		**(9,096)**
Net reinsurance to close premium payable		**65,756**
(Increase) in debtors		**(4,729)**
(Increase) in prepayments and accrued income		**(13)**
Increase in creditors		**12,370**
Increase in accruals and deferred income		**91**
Exchange gain		**29,736**
Net cash inflow from operating activities		**121,982**
Returns on investment and servicing of finance:		
Interest received		**8,983**
Transfer to members in respect of underwriting participation		**(31,056)**
Increase in cash and portfolio investments in the period	18	**99,909**
Cash flows were invested as follows:		
Increase in cash holdings	18	**32,555**
Net portfolio investments	19	**67,354**
Net investment of cash flows	18	**99,909**

The notes on pages 46 to 56 form part of these accounts.

Notes to the Syndicate Underwriting Year Accounts 2006 Year of Account For the 36 months ended 31 December 2008

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 (revised December 2006) ("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 2006 year of account which has been closed by reinsurance to close at 31 December 2008; consequently the balance sheet represents the assets and liabilities of the 2006 year of account and the profit and loss account, the statement of total recognised gains and losses and the statement of cash flows reflect the transactions for that year of account during the 36 month 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 which is calculated on the basis of established earnings patterns or time apportionment as appropriate. 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.

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) Acquisition costs comprise commission and other internal and external costs related to the acquisition of new insurance contracts. These are recognised in line with gross earned premiums.

Investments and investment return

(g) 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 Technical Account General Business 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 bid price 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

(h) 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 the 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 staff costs which 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

(i) 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

(j) 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 date 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
2006 Year of Account
For the 36 months ended 31 December 2008

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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 2008		
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)	700	693	(473)	(157)	-	63
Motor (other classes)	7,613	7,339	(6,392)	(2,022)	596	(479)
Marine aviation and transport	7,509	7,385	(4,343)	(1,236)	(501)	1,305
Fire and other damage to property	71,530	69,171	(34,544)	(16,245)	(6,187)	12,195
Third party liability	893	855	(430)	(236)	(171)	18
Credit and suretyship	7,473	7,416	(2,994)	(2,071)	(766)	1,585
	95,718	92,859	(49,176)	(21,967)	(7,029)	14,687
Reinsurance acceptances*	167,152	164,836	(155,543)	(28,940)	26,239	6,592
Total	262,870	257,695	(204,719)	(50,907)	19,210	21,279

*Reinsurance acceptances include the reinsurance to close premium of £45,252,191 received from the 2005 year of account.

Geographical analysis by origin	Gross written premiums £'000	Profit £'000	Net assets £'000
Direct	95,718	22,253	21,342
Reinsurance	167,152	9,984	9,575
	262,870	32,237	30,917

All business originates in the UK.

Geographical analysis by destination	Gross written premiums £'000
UK	38,111
US	137,750
Other EU member states	23,601
Rest of the world	63,408
	262,870

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

	36 months ended 31 December 2008 £'000
Balance attributable to business allocated to the 2006 year of account	**71,078**
Balance attributable to the reinsurance to close of the 2005 year of account	**1,108**
	72,186

5 Net operating expenses

	36 months ended 31 December 2008 £'000
Acquisition costs	**35,850**
Change in deferred acquisition costs	**(898)**
Administrative expenses	**6,723**
Reinsurers' commissions and profit participation	**(205)**
(Profit) on exchange	**(1,340)**
Personal expenses	**10,777**
	50,907

The closed year profit is stated after charging:

	36 months ended 31 December 2008 £'000
Auditors' remuneration:	
- Audit of accounts	**68**
- Other regulatory reporting	**17**
- Taxation services	**3**
- Other services	**19**
Staff pension costs	**510**

6 Investment income

	36 months ended 31 December 2008 £'000
Income from investments	**7,710**
Gains on the realisation of investments	**1,324**
	9,034

Notes to the Syndicate Underwriting Year Accounts
2006 Year of Account
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7 Investment expenses and charges

	36 months ended 31 December 2008 £'000
Investment management expenses, including interest	138
Losses on realisation of investments	185
	323

8 Reinsurance premium payable to close the 2006 year of account

	31 December 2008 £'000
Gross outstanding claims	96,730
Reinsurance recoveries anticipated	(46,538)
Net outstanding claims	50,192
Provision for gross claims incurred but not reported	32,669
Reinsurance recoveries anticipated	(12,411)
Provision for net claims incurred but not reported	20,258
Provision for future inwards gross premiums	(13,042)
Provision for future reinsurance protection	8,348
Provision for net premiums incurred but not reported	(4,694)
Reinsurance premium payable to close the account	65,756

9 Investments

	31 December 2008 Market value £'000
Shares and other variable yield securities	762
Debt Securities and other fixed income securities	63,702
Participation in investment pools	224
	64,688

10 Debtors arising out of direct insurance operations

	31 December 2008 £'000
Due within one year	
- intermediaries	54

11 Debtors arising out of reinsurance operations

	31 December 2008 £'000
Due within one year	**17,060**

12 Other debtors

	31 December 2008 £'000
Amount due from members	**784**
Other	**8**
	792

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 2008 £'000
Amounts advanced in other countries as a condition of carrying on business there	**6,900**

14 Amounts due to members

	31 December 2008 £'000
Profit for the closed year of account	**32,237**
Currency translation differences	**29,736**
Early profit releases	**(31,056)**
Members' balances carried forward at 31 December 2008	**30,917**

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

Notes to the Syndicate Underwriting Year Accounts
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For the 36 months ended 31 December 2008

continued

15 Creditors arising out of direct insurance operations

	31 December 2008 £'000
Due within one year	**36**

16 Creditors arising out of reinsurance operations

	31 December 2008 £'000
Due within one year	**10,103**

17 Other creditors including taxation and social security

	31 December 2008 £'000
Inter-year loans	**8,189**
Profit commission payable to managing agent	**2,387**
Expenses payable to managing agent	**2**
	10,578

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

	31 December 2008 £'000
Net cash inflow for the period	**32,555**
Cash flow – portfolio investments	**67,354**
Movement arising from cash flows	**99,909**
Changes in market value and exchange rates	**4,234**
Total movement in portfolio investments net of financing	**104,143**
Balance brought forward at 1 January 2006	**-**
Balance carried forward at 31 December 2008	**104,143**

	At 1 January 2006 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2008 £'000
Cash at bank and in hand	-	32,555	-	**32,555**
Overseas deposits	-	6,601	299	**6,900**
Investments	-	60,753	3,935	**64,688**
Total portfolio investments	-	67,354	4,234	**71,588**
Total cash and portfolio investments	-	99,909	4,234	**104,143**

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2008 £'000
Purchase of overseas deposits	**(6,601)**
Purchase of investments	**(286,682)**
Sale of investments	**225,929**
Net cash (outflow) on portfolio investments	**(67,354)**

20 Borrowings

During the period to 31 December 2008, the Syndicate had unsecured overdraft and catastrophe 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 utilised by the 2006 year of account and accordingly the balance outstanding at the balance sheet date was £nil.

21 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital (2000) Limited.

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

Total fees payable to Cathedral Underwriting Limited in respect of services provided to the Syndicate in respect of the 2006 year of account amounted to £1,622,997 of which £nil was outstanding at 31 December 2008. Profit commission of £5,404,468 is also due to the managing agent in respect of the profit on the 2006 closed year. Of this, £2,386,993 was outstanding at 31 December 2008.

Expenses totalling £6,877,775 were recharged to the 2006 year of account by Cathedral Underwriting Limited. The basis on which expenses are apportioned is set out in note 2(h).

Amounts owed to Cathedral Underwriting Limited at 31 December 2008 totalled £2,389,462 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:

	2006 Year of Account £	2007 Year of Account £	2008 Year of Account £
Cathedral Capital (1998) Limited	**135,166,439**	**169,202,748**	**173,403,431**

Notes to the Syndicate Underwriting Year Accounts 2006 Year of Account For the 36 months ended 31 December 2008

continued

22 Post balance sheet events

The reinsurance premium to close the 2006 year of account at 31 December 2008 was agreed by the managing agent on 12 March 2009. Consequently the technical provisions at 31 December 2008 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 9 April 2009: £18,303,799 and US$17,058,776.

On the same date, outstanding profit commission, in respect of the 2006 year of account, of £2,386,993 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2006 YoA	2005 YoA	2004 YoA	2003 YoA	2002 YoA	2001 YoA
Syndicate allocated capacity	£249.7m	£199.7m	£199.7m	£160.0m	£95.7m	£81.1m
Gross capacity utilised (i)	87.2%	107.0%	98.4%	85.7%	98.1%	92.0%
Number of underwriting members	1,035	1,004	1,020	1,049	971	788
Aggregate net written premiums (i)	£169.6m	£157.5m	£152.1m	£103.6m	£64.7m	£32.6m
Net capacity utilised (i)	67.9%	78.8%	76.2%	64.8%	67.6%	55.8%
Loss ratio (ii)	65.7%	67.7%	59.3%	37.2%	43.3%	67.4%
Results for an illustrative share of £10,000						
Gross written premiums	8,715	10,699	9,843	8,571	9,808	9,197
Net earned premiums	6,608	7,856	7,649	6,266	6,736	5,416
Reinsurance to close received from an earlier account	1,812	1,519	1,041	892	1,418	-
Net claims paid	(2,896)	(4,085)	(3,636)	(1,361)	(2,044)	(1,979)
Reinsurance to close payable	(2,633)	(2,266)	(1,519)	(1,299)	(1,489)	(1,674)
Profit/(loss) on exchange	54	5	16	1	13	(5)
Acquisition costs	(1,400)	(1,733)	(1,612)	(1,210)	(1,132)	(908)
Syndicate operating expenses	(261)	(323)	(272)	(325)	(454)	(501)
Balance on technical account before investment return	1,284	973	1,667	2,964	3,048	349
Investment income and gains less losses, less expenses & charges	439	317	216	134	101	173
Profit for closed year of account before personal expenses	1,723	1,290	1,883	3,098	3,149	522
Currency translation differences	1,191	(152)	(233)	60	(512)	(279)
Total recognised gains and losses before personal expenses	2,914	1,138	1,650	3,158	2,637	243
Illustrative personal expenses for a traditional Name:						
- Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	(100)	(50)	(125)	(100)	(100)	(75)
- Lloyd's subscription	(50)	(50)	(50)	(25)	(25)	(25)
- Profit commission	(472)	(170)	(247)	(519)	(428)	(14)
Total illustrative personal expenses for a traditional Name	(687)	(335)	(487)	(709)	(618)	(179)
Total result after illustrative personal expenses	**2,227**	**803**	**1,163**	**2,449**	**2,019**	**64**

Notes

(i) Premiums above are gross of brokerage. Therefore, it is possible that the capacity utilisation could exceed 100%, as the traditional way of monitoring utilisation is net of brokerage.

(ii) The loss ratio is claims paid plus the reinsurance to close divided into net earned premiums plus reinsurance to close received.

(iii) 2001 and 2002 year of accounts have been restated to be brought into line with the annual returns submitted to Lloyd's.

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