CATHEDRAL

SYNDICATE 2010
MMX

Annual Report
31 December 2009

Contents

Chairman's Statement	2
Underwriter's Report	3
Managing Agent's Report	7
Syndicate Annual Accounts for the year ended 31 December 2009	19
Report of the Independent Auditors	21
Profit and Loss Account - Technical Account General Business	22
Profit and Loss Account - Non-Technical Account	23
Statement of Total Recognised Gains and Losses	23
Balance Sheet	24
Statement of Cash Flows	26
Notes to the Accounts	27
Syndicate Underwriting Year Accounts for the 2007 Year of Account	39
Report of the Independent Auditors	40
Statement of Managing Agent's Responsibilities	41
Profit and Loss Account - Technical Account - General Business	42
Profit and Loss Account - Non-Technical Account	43
Statement of Total Recognised Gains and Losses	43
Balance Sheet	44
Statement of Cash Flows	45
Notes to the Accounts	46
Seven Year Summary of Results	57

CATHEDRAL
SYNDICATE 2010

Chairman's Statement

These accounts have been produced on both an annual accounting basis and on the three year traditional basis in respect of the closing of the 2007 Year of Account.

On an annual accounting basis Syndicate 2010 has produced a profit of £51.2m for the 2009 calendar year. Its combined ratio is 74.9% (including all managing agency related personal expenses, other than profit commission). This is a good result albeit in a year which was remarkably free of wind losses on the US seaboard.

Reverting back to the traditional basis of reporting, I am pleased to say that the Syndicate has continued its profitable sequence of results with a closed Year of Account return of 11.4% of capacity for a participant paying standard managing agency fee/profit commission. All the areas in which we underwrite made a positive contribution to the eventual outcome.

The 2008 Year of Account, which of course was affected by a number of weather related losses notably Hurricane Ike, is currently forecast to produce a profit of 5-10% of capacity.

As far as the 2009 Year of Account is concerned the omens are promising although it remains very much on risk at this time; 2009 was, however a calendar year remarkably free of major hurricane losses.

It would be wonderful to imagine that these results and those one is seeing elsewhere herald a permanently profitable future for the insurance industry in the years ahead (some underwriting reports might give that impression!). A year ago, most of us were still uncertain as to the outcome of the banking crisis. However while the non-life general insurance industry has apparently so far weathered the financial services industry calamities reasonably well, there are red flags well and truly flying.

Complacency reigns, with new underwriting entities coming on stream including within the Lloyd's market. As usual, over capitalisation is leading to pressure on rates in most classes of business especially as last year's benign wind season and a rebound in certain asset-type valuations has allowed a number of insurance entities to re-establish their balance sheets, at least for the short term. However, if the 2010 calendar year proves to be far more catastrophe prone than its predecessor and liability losses already in the pipeline manifest themselves with any vigour, then the resurgent strength of the industry balance sheet will again be undermined, especially as investment earnings will be hard to come by and any re-capitalization may prove to be difficult.

In the current climate we have every reason to be grateful to our underwriting, claims, modelling and management teams who have and continue to serve us so well. They have as always my thanks and gratitude.

Last but by no means least I would extend my thanks to my non executive colleagues, Michael Andrews, John Goldsmith, Elvin Patrick and John Tilling for their contributions and wise advice.

A. I. G. C. South
Chairman

10 March 2010

Underwriter's Report

Introduction

On an annual accounting basis, the result of the Syndicate for calendar year 2009 is a profit of £51.2 million (combined ratio 74.9%). On the traditional Lloyd's basis of reporting, the 2007 year of account has closed with a profit for a Natural Name with standard personal expenses of 11.4% of capacity, before members' agency fees.

2007 Account

I am pleased to report that the year has closed with a profit of £47.8 million, inclusive of currency restatement but before personal expenses. For a Natural Name with standard personal expenses, this equates to a profit of 11.4% of capacity, before members' agency fees.

The capacity for the 2007 underwriting year was approximately £300 million. The gross signed premium income, net of brokerage, was some 73% of capacity at year-end rates of exchange.

In last year's report, I summarised the underwriting conditions and loss activity affecting the 2007 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.

2008 Account

Our stamp capacity remained at £300 million

I highlighted the underwriting conditions for 2008 in last year's report. In summary it was a year which was plagued by over-capacity and reducing rates in most areas of our business in the early part of the year and dominated by the near collapse of the global capital markets and two hurricanes in the latter part.

The run off of our 2008 exposures during calendar year 2009 generally went better than we had expected this time last year, given a much better claims experience for the early part of 2009 than was the case in 2008. This has had a beneficial impact on our projected result for the year.

The one exception to this was the loss of the Air France A330 in June 2009. This was the first aviation event involving large loss of life since 2001 and falls partly on the 2008 year of account. This loss was, however, within the allowances we make for such an eventuality and as such does not impact the account unfavourably in the round.

The investment landscape continues to be very challenging given our lack of appetite for higher risk investments. This will mean that investment returns during the next twelve months are likely to be thin. As stated last year, our philosophy is that our risk taking should largely take place in the underwriting and not elsewhere, so we will not be risking our funds twice simply to chase higher returns in our investment portfolio.

We have increased our forecast for the year to a profit of between 5% and 10% of capacity.

Underwriter's Report

continued

2009 Account

Our capacity for the year remained unchanged at £300 million.

2009 began in the shadow of the collapse of Lehman Brothers, the crisis in worldwide capital markets and the widely expected impending demise of AIG, the world's largest insurer. We had expected the fear of losing capital would force the reinsurance and insurance markets to reduce risk appetite as lost capital would be either impossible or very expensive to replace. This indeed proved to be the case as the renewal season gathered pace. Furthermore many competitors who had made losses in the investment arena during 2008 also opted to take a lower profile than they had in the past. This all meant that rates rose in most areas of our business at the start of the year.

In the property treaty reinsurance account, we had seen a large frequency of loss in the US Midwest during the Spring storm season of 2008 and Hurricanes Gustav and Ike during the wind season. This alone would have caused rates to rise in the affected areas, but the wider capital concerns caused by the credit crunch meant that capacity was reduced going into the 2009 renewal season, leading to higher rates in almost every area of the US. The international account was less affected by capital considerations as, in general, the major players have always been more conservative than many of their American or Bermudian cousins. In spite of this, the international market also moved up in most developed markets, the first upward movement in rates for a number of years. All this added up to one of the better rating environments reinsurers have seen in recent years.

In terms of losses, the Midwest continued in 2009 where it left off in 2008, with storms affecting most of the same states that they had affected the previous year. The difference for 2009 is that we were no longer on the more loss active end of many of these accounts. There was also, famously, no hurricane which made landfall in the US during 2009 with international losses also being light.

The commercial property account was influenced by the same dynamics in a broad sense as the property treaty account, but also more specifically by the troubles of AIG. The view of many market observers was that there was a good chance that AIG would go to the wall and that there would or could be a scramble by risk managers to replace them. In the event the US Government bailed AIG out and they were able to continue to write business and compete robustly only this time with paper effectively backed by the US Government. Rates therefore rose in the early part of the year as the fear of AIG's collapse and other capital fears were uppermost in the market's mind but, following the bail-out, rates first stabilised and then drifted downwards again. This area of the account continues to be largely US exposed (circa 85%) as the international property market remains incredibly competitive.

Our contingency account continues to develop well, with large tours being less dominant in the portfolio as competition grows in that segment of the book. We have built a number of very profitable smaller accounts, which give a good spread to the mainstream account.

Aviation reinsurance rates were stable to slightly lower at the beginning of 2009, but there are relatively few renewals in the early part of the year. Following the Air France loss, rates in the later part of the year saw their first increases for a number of years. This is gratifying, but still of concern is the underlying health of our clients, the airline insurers who, due to massive over-capacity seem unable to obtain economic rates for the exposure they take. They are, in most cases, losing money for the third year in a row and there is a very good chance that some will be forced to withdraw from the market, assuming their management are prepared to lose top line income. Although some rates for airline and major product accounts have risen in the last nine months, this is by no means widespread and has to be set against falling passenger numbers leading to smaller premiums. Prospects remain very challenging for our client base.

The satellite market saw a reasonable year during 2009, but overcapacity continues to be an issue. This market is remarkably sensitive to loss and with an increasing number of launches carrying higher valued satellites, often two at a time, should one of these fail things could well improve very quickly. In the meantime, we have reduced our lines, until things improve.

Given the much improved loss experience in calendar year 2009, we would expect the 2009 year of account to be profitable, although very significant parts of the business written for this year are still on risk. We will issue a forecast at the end of the first quarter of 2010.

2009 Calendar Year Commentary

The 2009 calendar year result is made up of contributions from all open years of account (2007, 2008 and 2009) together with movements on the closed years of account (2001 to 2006) that occurred during the year. The result for the year is a profit of £51.2 million (2008: £26.2 million). There was a loss on currency translation for the year of £5.6 million (2008: a gain of £23.9 million), which has been accounted for through the Statement of Total Recognised Gains and Losses ("STRGL").

The total recognised gain for the 2009 calendar year is therefore £45.6 million (2008: £50.1 million). The combined ratio for the 2009 calendar year is 74.9% (including all managing agency related expenses, other than profit commission (2008: 88.8%)).

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

Future Prospects

The damage done to insurers' and reinsurers' balance sheets during 2008 has largely been repaired during 2009. A benign year for natural catastrophes coupled with the rebound in investment markets has done much to remove the fear that stalked our industry only twelve months ago. While this is a good thing for policyholders, in that they are dealing with stronger markets, those markets themselves now find themselves with more capital than they can reasonably put to use.

This has led to a lot of speculation about consolidation; indeed the case for fewer players is compelling, particularly as the stock markets seem to have little appetite for the shares of reinsurers in general. "Use it or lose it" is becoming the mantra of the stock analysts as pressure mounts to either underwrite more, into what is likely to be a falling market, buy something or return capital to shareholders. There were a few feeble attempts at merger towards the end of 2009 but there has not been much, if any, value in what was on the table for either party.

One or two of the larger companies that really did look as if they might fail this time last year, are still here and still behaving in much the same way as they did before the crisis began. You only have to look at the banks to know that a brush with financial death is soon forgotten when good times return, or in our industry's case, there is a hurricane free year. Confidence has returned, with most companies now putting their results down to their superior risk management and risk selection, rather than divine providence. The Almighty has ways of punishing those with short memories.

Will there be consolidation this year? I think the answer is "yes;" some. Raising capital is still an issue but not the issue it was a year ago and it seems to be in abundance in the industry already, so much so, that even the hedge funds have moved on.

The reporting round for 2009 has seen huge levels of prior year reserve release from our industry. In some cases this masks pure year results which are not as stellar as they might be. This is most likely to be due to "credit crunch" related losses in the political risk, trade credit and errors and omissions markets. Given the propensity for liability business to bite years after it was written, the casual observer might be forgiven for thinking that releasing any reserves from casualty lines might be tempting fate.

2010 will be dogged by overcapacity and too many participants in both London and elsewhere with more arriving all the time. The future will be as difficult as the past with shorter cycles. We will have to manage a poor investment environment as well as huge currency volatility during an election year. We expect more businesses to base themselves outside of the UK as corporation and personal tax rates become less competitive. As always we will continue to try to steer a path to profitability for out capital providers despite the considerable challenges which lie ahead.

Underwriter's Report

continued

Concluding Comments

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

10 March 2010

Managing Agent's Report
At 31 December 2009

Introduction

The Directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2009, 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 2009 and the Underwriting Year Accounts for the 2007 Year of Account. The annual accounting result for the 2009 calendar year was £51.2 million (2008: £26.2 million). This consists of a contribution from all open years of account (2007, 2008 and 2009) together with any movement on the closed years of account (2001 to 2006) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2007 Year of Account closed at 31 December 2009 with a profitable result of £47.8 million, inclusive of currency translation gains but before standard personal expenses. This includes movement on the closed years of account.

The auditors, Mazars LLP, have included two separate "True and Fair" audit opinions with the Annual Report – one covering the annual accounting result for 2009 and the other the closing year of account result for 2007.

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	2009 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	299,876
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 2009, were as follows:

		31 December 2009		31 December 2008	
		"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	Director	**9,388**	**9,788**	9,388	9,788
P D Scales	Director	**21,634**	**33,413**	21,634	33,413

The other directors who served during the year were J M G Andrews, J A Goldsmith, A I G C South and J P Tilling. They have no interest in the share capital of Cathedral Capital Limited.

Managing Agent's Report
At 31 December 2009

continued

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 2009		31 December 2008	
	Preference £1 Shares	**Loan Notes £**	Preference £1 Shares	Loan Notes £
D C Grainger	**548,005**	**1,096,179**	548,005	1,096,179
J C Hamblin	**800,104**	**1,600,454**	800,104	1,600,454
L A Holder	**800,104**	**1,600,454**	800,104	1,600,454
J A Lynch	**822,639**	**1,645,531**	822,639	1,645,531
E E Patrick	**357,211**	**714,533**	357,211	714,533
P D Scales	**822,639**	**1,645,531**	822,639	1,645,531

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 2009			31 December 2008		
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 £
13,723	**651,048**	**1,302,367**	13,655	648,508	1,297,216

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 £173.4 million participation in the 2008 and 2009 years of account and a £202.3 million participation in the 2010 year of account. In addition, one of the Directors is a director of a number of corporate names which had, in aggregate, a £1.7 million participation on the 2008 and 2009 years of account, and £2.0 million participation on the 2010 year 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.

2009 Calendar Year

The 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 2008 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 £51.2 million in the year (2008: £26.2 million) and this can be analysed as follows:

	2007* account £'000	2008 account £'000	2009 account £'000	31 December 2009 £'000	31 December 2008 £'000
Gross earned premium	1,305	92,441	183,442	277,188	230,825
Reinsurers' share	668	(7,788)	(65,321)	(72,441)	(68,299)
Net earned premium	1,973	84,653	118,121	204,747	162,526
Gross claims incurred	595	(56,752)	(71,421)	(127,578)	(157,043)
Reinsurers' share	2,882	12,361	11,105	26,348	58,609
Net claims incurred	3,477	(44,391)	(60,316)	(101,230)	(98,434)
Net operating expenses	(317)	(18,566)	(37,421)	(56,304)	(50,157)
Balance on Technical Account before investment return	5,133	21,696	20,384	47,213	13,935
Net investment income	2,316	1,256	409	3,981	12,302
Profit for the financial year	7,449	22,952	20,793	51,194	26,237

* The 2007 account includes the movement in the 2001 to 2006 accounts which have closed into the 2007 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 the policy level. The earning patterns aim to reflect the underlying exposures of the business written. Thus net earned premiums during 2009 include premiums on policies incepting during 2009 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 2009		31 December 2008	
	Gross £'000	Net £'000	Gross £'000	Net £'000
Non-marine reinsurance	118,928	85,561	101,211	66,271
Aviation	45,739	32,714	33,473	24,526
Satellite	5,594	4,624	4,077	3,403
Direct & facultative property	96,999	74,056	82,566	59,577
Contingency	8,821	6,685	8,526	7,777
Other	1,107	1,107	972	972
Total	277,188	204,747	230,825	162,526

At the year end the Syndicate had net unearned premiums of £90.0 million (2008: £93.9 million) on the balance sheet.

Managing Agent's Report
At 31 December 2009

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 2009 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 2009.

The 2009 combined ratio is 74.9% (2008: 88.8%). 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 2009		31 December 2008	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**29.0**	**34.4**	77.1	53.0
Aviation	**82.5**	**71.0**	42.0	55.1
Satellite	**72.3**	**74.2**	16.0	13.7
Direct & facultative property	**45.1**	**57.4**	72.9	75.9
Contingency	**85.6**	**39.5**	45.4	49.7
Other	**0.6**	**0.4**	31.0	31.0
Total Claims Ratio	**46.0**	**49.4**	68.0	60.6
Expense Ratio	**18.8**	**25.5**	19.9	28.2
Combined Ratio	**64.8**	**74.9**	87.9	88.8

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 75% 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 Aggregate Accounts) Regulations 2008 ("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 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 in the financial statements; 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 of the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the Regulations. 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 2008, 2009 and 2010 years of account.

	2010 account		2009 account		2008 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**271,860**	**77.7**	233,005	77.7	234,302	78.2

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group Company, provided £173.4 million of the capacity for the 2008 and 2009 years of account and £202.3 million of the capacity for the 2010 year of account through Hampden Agencies Limited.

Capacity by member type and year of account

	2010 account		2009 account		2008 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**308,200**	**88.1**	257,597	85.9	252,149	84.1
External members	**39,552**	**11.3**	40,038	13.4	45,379	15.2
Working members (none of whom are employed by the managing agency)	**2,264**	**0.6**	2,241	0.7	2,187	0.7
	350,016	**100.0**	299,876	100.0	299,715	100.0

Result

The 2007 account closed with a profit of £47.8 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 11.4% of capacity, before members' agency fees.

This result is at the upper end of the range forecast by the managing agent at the previous year end. The losses that impacted the 2007 account, which were reported on in detail in last year's Annual Report, ran off as expected during 2009 and indeed there were some releases from the favourable run off of the earlier years of account that had closed into the 2007 account at 31 December 2008. The analysis of the 2007 closed year result, before personal expenses, by member type is as set out below:

	2007 account	
	£'000	%
Result attributable to:		
Corporate members	38,656	80.9
External members	8,696	18.2
Working members *(none of whom are employed by the managing agency)*	430	0.9
	47,782	100.0

2008 account forecast

The forecast 2008 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 a profit in the range of 5% to 10% of Syndicate capacity at 31 December 2009.

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 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 2007 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 2010 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 20% are charged to all Names on the Syndicate for the 2008 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 main pillars, those of aviation and non-marine reinsurance. In 2003, a direct and facultative property account was introduced which was developed during 2004 to constitute the third major 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 small 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 discounted 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 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 majority of 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.

Amundi (UK) Limited ("Amundi") 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 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 Amundi is to invest the Premium 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. Amundi 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.

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

Investment performance

Early 2009 saw continued risk aversion in investment markets resulting in wider credit spreads and weakness in equity and other higher 'risk' asset classes in addition to unprecedented levels of monetary and fiscal easing and direct central bank liquidity relief. The MPC in the UK and the ECB in Europe cut rates further to 0.50% and 1.0% respectively, with the US Fed keeping rates on hold at 0-0.25% for the whole of the year, and Quantitative Easing programmes pumped liquidity into a dysfunctional banking system. The positive outcome of regulators' stress testing of Banks in the UK and the US in May helped trigger a decrease in risk aversion leading to tighter credit spreads, some return of liquidity to bond markets and, what was to become, a 20% rally in equity markets from year-end levels. Short-dated Government bond yields remained at historic lows as the economic outlook remained weak, with Central Banks confirming that low interest rates would prevail for some time. However, with fiscal deficits increasing, and some rising headline inflation numbers, yield curves steepened during the year; any holdings of US Treasuries of maturities longer than four years would have made a negative total return during the year. Portfolio returns were positive for much of the year as a return of risk aversion and continued economic uncertainty pushed bond prices higher and credit spreads tighter. Some of these returns were given up in December, when a string of stronger than expected economic data in the US gave the markets cause to increase the probability of rate increases occurring sooner than expected, hence pushing bond prices lower.

Investment returns were at the top end of estimates made at the beginning of 2009 and comfortably above the agreed performance indicators. This was largely driven by credit spread tightening and the above average exposure to spread products in all portfolios.

Net cash-flows in invested portfolios were positive over the year, having a positive impact on total investment earnings. The overall calendar year investment yield is set out in detail in Note 10 on page 34.

Investment strategy

Amundi, our investment manager, writes:

> "The outlook for investment returns in 2010 is poor. Low absolute bond yields limit the ability to generate investment income and capital losses are very possible given the potential for rising bond yields. This is particularly true of US Dollar portfolios with 2 year US Treasuries yielding less than 1% although Investment Grade yields averaging approximately 0.50% above Government bonds give some cushion in the form of higher running yields. Yield spreads for non-Government bonds are likely to remain close to current levels, with the higher demand for corporate bonds offset by increased issuance. The outlook is for credit conditions to remain difficult for SMEs in 2010, but Corporate bond credit quality, which largely reflects higher capitalised companies, is likely to remain stable though economic headwinds may negate the recent positive effects of the inventory rebuild. Portfolio exposure to such instruments is likely to remain high, and may increase where opportunities arise. Exposure to smaller corporates will be limited, due to uncertain credit conditions and the potential for further downgrades or defaults. Moody's predict global speculative default rates will have peaked in December 2009 at around 14%, but defaults may increase further if consumer demand remains subdued and companies face higher refinancing costs or an inability to refinance maturing debt.
>
> The potential for capital losses through yield increases means that portfolios will be maintained with a short duration bias in the medium term, although steep yield curves mean that durations may be slightly longer at the beginning of 2010. This policy is unlikely to change in the short-term as the investment objectives are currently biased towards protecting the portfolio against unnecessary losses."

Stock lending

The Board of Cathedral Underwriting Limited prohibits Amundi 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 has arranged a United States $80 million catastrophe facility with Barclays Bank plc. This facility is there to assist in paying claims and gross funding of exceptional catastrophes. Up to 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 2009 and was renewed for another year in December 2009.

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 2008, 2009 and 2010 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.

		2010		2009**		2008
	£m	**%***	£m	%*	£m	%*
ICA	**148.1**	**42.3**	140.8	47.0	130.9	43.7
Lloyd's Loading	**51.8**	**14.8**	49.3	16.4	45.8	15.3
ECA	**199.9**	**57.1**	190.1	63.4	176.7	59.0

* 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.

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	2003	2004	2005	2006	2007	2008	2009
12 months	50%	88%	157%	28%	41%	74%	39%
24 months	29%	76%	121%	36%	46%	69%	
36 months	27%	76%	115%	36%	47%	-	
48 months	26%	73%	118%	36%	-	-	
60 months	25%	73%	117%	-	-	-	
72 months	25%	73%	-	-	-	-	
84 months	25%	-	-	-	-	-	

Underwriting year - Net	2003	2004	2005	2006	2007	2008	2009
12 months	53%	69%	88%	39%	59%	66%	51%
24 months	32%	56%	73%	45%	57%	60%	
36 months	29%	56%	67%	46%	57%	-	
48 months	28%	53%	66%	44%	-	-	
60 months	28%	53%	66%	-	-	-	
72 months	28%	52%	-	-	-	-	
84 months	28%	-	-	-	-	-	

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 movements 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 that are 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:	Amundi (UK) Limited (formerly Credit Agricole Asset Management (UK) Limited)
Software support:	Sword UK Limited (formerly 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 2009

continued

Advanced consents procedure notifications

Names Annual General Meeting Notice

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

Names have until 28 April 2010 to advise the compliance director of Cathedral Underwriting Limited at the address below of any relation to any of the above matters.

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 2010.

Appointment as Syndicate auditor will be addressed in accordance with the "deemed reappointment of auditor" provisions under the Insurance Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 unless the deemed reappointment is prevented by members in accordance with Schedule 1 Part 3 (paragraph 14(2) of the Regulations 2008).

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

10 March 2010

SYNDICATE ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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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 2009 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 2008. 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 2008 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 2008, 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 2009 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 2008; and
- the information given in the Managing Agent's Report is consistent with the syndicate annual accounts.

Andrew Heffron *(Senior statutory auditor)*
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)

Tower Bridge House, St Katharine's Way, London E1W 1DD
10 March 2010

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**281,557**	229,356
Outward reinsurance premiums		**(72,379)**	(68,488)
Net premiums written		**209,178**	160,868
Change in the provision for unearned premiums:			
Gross amount		**(4,369)**	1,469
Reinsurers' share		**(62)**	189
Earned premiums, net of reinsurance		**204,747**	162,526
Allocated investment return transferred from the non-technical account		**3,981**	12,302
Claims paid:			
Gross amount		**(121,645)**	(141,031)
Reinsurers' share		**30,452**	51,140
		(91,193)	(89,891)
Change in the provision for claims:			
Gross amount		**(5,933)**	(16,012)
Reinsurers' share		**(4,104)**	7,469
		(10,037)	(8,543)
Claims incurred, net of reinsurance		**(101,230)**	(98,434)
Net operating expenses	4	**(56,304)**	(50,157)
Balance on the technical account for general business		**51,194**	26,237

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 2009

	Notes	**Year ended 31 December 2009 £'000**	Year ended 31 December 2008 £'000
Balance on the general business technical account		**51,194**	26,237
Investment income	8	**6,738**	10,076
Unrealised gains on investments		**324**	2,729
Investment expenses and charges	9	**(2,298)**	(329)
Unrealised losses on investments		**(783)**	(174)
Allocated investment return transferred to the general business technical account		**(3,981)**	(12,302)
Profit for the financial year	17	**51,194**	26,237

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2009

	Notes	**Year ended 31 December 2009 £'000**	Year ended 31 December 2008 £'000
Profit for the financial year	17	**51,194**	26,237
Currency translation differences	17	**(5,620)**	23,899
Total recognised gains and losses since last annual report		**45,574**	50,136

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
As at 31 December 2009

	Notes	2009 £'000	2008 £'000
Investments:			
Financial investments	11	**232,710**	187,027
		232,710	187,027
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**7,416**	8,287
Claims outstanding	12	**76,027**	88,627
		83,443	96,914
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**19,918**	18,879
Debtors arising out of reinsurance operations	14	**69,853**	98,889
Other debtors	15	**5,482**	3,823
		95,253	121,591
Other assets:			
Cash at bank and in hand		**19,410**	44,684
Other	16	**15,744**	13,244
		35,154	57,928
Prepayments and accrued income:			
Deferred acquisition costs		**17,154**	18,181
Other prepayments and accrued income		**584**	870
		17,738	19,051
Total assets		**464,298**	482,511

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

	Notes	2009 £'000	2008 £'000
Capital and reserves:			
Members' balances	17	**84,436**	69,779
		84,436	69,779
Technical provisions:			
Provision for unearned premiums		**97,415**	102,226
Claims outstanding		**249,967**	267,870
		347,382	370,096
Creditors:			
Creditors arising out of direct insurance operations	18	**1,226**	289
Creditors arising out of reinsurance operations	19	**23,332**	36,038
Other creditors including taxation and social security	20	**7,532**	5,895
		32,090	42,222
Accruals and deferred income		**390**	414
Total liabilities		**464,298**	482,511

The Syndicate annual accounts on pages 22 to 38 were approved by the Board of Cathedral Underwriting Limited on 10 March 2010 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

10 March 2010

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

Statement of Cash Flows
For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**51,194**	26,237
Realised and unrealised investments losses/(gains) on cash and investments, including currency movements		**22,511**	(71,605)
Income from investments		**(6,391)**	(9,542)
Interest payable		**5**	39
Decrease/(increase) in debtors, prepayments and accrued income		**27,651**	(49,979)
(Decrease)/increase in net technical provisions		**(9,243)**	71,170
(Decrease)/increase in creditors, accruals and deferred income		**(10,156)**	21,807
Exchange (losses)/gains		**(5,620)**	23,899
Net cash inflow from operating activities		**69,951**	12,026
Returns on investment and servicing of finance:			
Interest paid		**(5)**	(39)
Interest received		**6,391**	9,542
Transfer to members in respect of underwriting participations		**(30,917)**	(48,910)
Increase/(decrease) in cash and portfolio investments in the year	21	**45,420**	(27,381)
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	21	**(23,151)**	30,537
Net portfolio investments	22	**68,571**	(57,918)
Net investment of cash flows		**45,420**	(27,381)

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

1 Basis of Preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("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) *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.

(iii) *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.

(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.

Notes to the Accounts
For the year ended 31 December 2009

continued

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.

Realised exchange differences are included in the technical account within net operating expenses.

(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 2009

continued

3 Particulars of business written

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

						Year ended 31 December 2009
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)	**520**	**604**	**(362)**	**(109)**	**(2)**	**131**
Motor (other classes)	**543**	**575**	**497**	**(65)**	**(51)**	**956**
Marine aviation and transport	**5,550**	**3,233**	**(2,140)**	**(898)**	**137**	**332**
Fire and other damage to property	**70,191**	**69,847**	**(27,959)**	**(18,327)**	**(16,368)**	**7,193**
Third party liability	**1,478**	**1,076**	**(322)**	**(714)**	**(291)**	**(251)**
Credit and suretyship	**8,605**	**8,791**	**(7,554)**	**(2,114)**	**2,774**	**1,897**
	86,887	**84,126**	**(37,840)**	**(22,227)**	**(13,801)**	**10,258**
Reinsurance acceptances	**194,670**	**193,062**	**(89,738)**	**(34,077)**	**(32,292)**	**36,955**
Total	**281,557**	**277,188**	**(127,578)**	**(56,304)**	**(46,093)**	**47,213**

						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

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit		Net assets	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Direct	**86,887**	70,967	**10,298**	432	**848**	27,026
Reinsurance	**194,670**	158,389	**40,896**	25,805	**83,588**	42,753
	281,557	229,356	**51,194**	26,237	**84,436**	69,779

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2009 £'000	Gross written premiums 2008 £'000
UK	**43,984**	32,768
US	**134,223**	112,481
Other EU member states	**26,535**	22,639
Rest of the world	**76,815**	61,468
	281,557	229,356

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2009

continued

4 Net operating expenses

	2009 £'000	2008 £'000
Acquisition costs	**43,009**	34,984
Change in deferred acquisition costs	**(545)**	531
Administrative expenses	**7,546**	7,076
Reinsurance commissions and profit participation	**(332)**	(212)
(Profit) on exchange	**(669)**	(1,429)
Personal expenses	**7,295**	9,207
	56,304	50,157

Administrative expenses include:

	2009 £'000	2008 £'000
Auditors' remuneration:		
- Audit of the accounts	**76**	75
- Other regulatory reporting	**19**	19
- Taxation services	**3**	3
- Other services	**13**	24

Total commissions for direct insurance accounted for in the year amounted to £17,698,424 (2008: £14,368,832).

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:

	2009 £'000	2008 £'000
Wages and salaries	**3,563**	3,415
Social security costs	**417**	399
Other pension costs	**568**	524
	4,548	4,338

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

	2009	2008
Operations, administration and finance	**15**	16
Underwriting and claims	**25**	25
	40	41

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:

	2009 £'000	2008 £'000
Emoluments	**717**	714

7 Active underwriter's emoluments

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

	2009 £'000	2008 £'000
Emoluments	**233**	239

8 Investment income

	2009 £'000	2008 £'000
Income from investments	**6,494**	7,729
Gains on the realisation of investments	**244**	2,347
	6,738	10,076

9 Investment expenses and charges

	2009 £'000	2008 £'000
Investment management expenses, including interest payable	**173**	138
Losses on realisation of investments	**2,125**	191
	2,298	329

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2009

continued

10 Investment return

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

	31 December 2009		31 December 2008	
	Average funds '000*	**Investment yield %**	Average funds '000*	Investment yield %
Sterling	**18,062**	**2.3**	17,359	7.0
Euro	**12,908**	**0.6**	10,455	3.9
US Dollars	**307,004**	**1.7**	291,334	6.1
Canadian Dollars	**30,914**	**1.4**	33,807	7.1
All currencies converted	**242,498**	**1.7**	200,383	6.2

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

* Average funds are shown in original currencies.

11 Financial investments

	Market value		Cost	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Shares and other variable yield securities	**15,633**	3,448	**15,633**	3,448
Debt securities and other fixed income securities	**213,418**	178,609	**213,867**	175,023
Participation in investment pools	**2,309**	4,894	**2,309**	4,894
Deposits with approved credit institutions	**1,350**	76	**1,350**	76
	232,710	187,027	**233,159**	183,441

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:

	2009 £'000	2008 £'000
A++	**3,727**	4,205
A+	**11,431**	22,032
A, A-	**54,513**	58,344
F	**1,946**	4,723
Other (including not rated)	**8,942**	8,819
	80,559	98,123
Less provision for bad debt	**(4,532)**	(9,496)
	76,027	88,627

13 Debtors arising out of direct insurance operations

	2009 £'000	2008 £'000
Due within one year - intermediaries	**19,918**	18,879

14 Debtors arising out of reinsurance operations

	2009 £'000	2008 £'000
Due within one year	**69,853**	98,889

15 Other debtors

	2009 £'000	2008 £'000
Due within one year:		
Amounts due from members	**1,276**	784
Other	**41**	70
Due after one year:		
Amounts due from members	**4,165**	2,969
	5,482	3,823

16 Other assets - overseas deposits

	2009 £'000	2008 £'000
Amounts advanced in other countries as a condition of carrying on business there	**15,744**	13,244

17 Reconciliation of members' balances

	2009 £'000	2008 £'000
Members' balances at 1 January	**69,779**	68,553
Profit for the financial year	**51,194**	26,237
Exchange (loss)/gain for the financial year	**(5,620)**	23,899
Transfers to members' personal reserve funds	**(30,917)**	(48,910)
Members' balances carried forward at 31 December	**84,436**	69,779

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 2006 (2005) closed year of account profit and including any early profit releases.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2009

continued

18 Creditors arising out of direct insurance operations

	2009 £'000	2008 £'000
Due within one year	**1,226**	289

19 Creditors arising out of reinsurance operations

	2009 £'000	2008 £'000
Due within one year	**23,332**	36,038

20 Other creditors including taxation and social security

	2009 £'000	2008 £'000
Due within one year:		
Profit commission owed to managing agent	**5,532**	2,387
Expenses owed to managing agent	**117**	231
Other	**6**	37
	5,655	2,655
Due after one year:		
Profit commission owed to managing agent	**1,877**	3,240
	7,532	5,895

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

	2009 £'000	2008 £'000
Net cash (outflow)/inflow for the year	**(23,151)**	30,537
Cash flow – portfolio investments	**68,571**	(57,918)
Movement arising from cash flows	**45,420**	(27,381)
Changes in market value and exchange rates	**(22,511)**	71,604
Total movement in portfolio investments net of financing	**22,909**	44,223
Balance brought forward at 1 January	**244,955**	200,732
Balance carried forward at 31 December	**267,864**	244,955

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

	At 1 January 2009 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2009 £'000
Cash at bank and in hand	**44,684**	**(23,151)**	**(2,123)**	**19,410**
Overseas deposits	**13,244**	**2,979**	**(479)**	**15,744**
Shares and other variable yield securities	**3,448**	**12,548**	**(363)**	**15,633**
Debt securities and other fixed income securities	**178,609**	**54,521**	**(19,712)**	**213,418**
Participation in investment pools	**4,894**	**(2,759)**	**174**	**2,309**
Deposits with approved credit institutions	**76**	**1,282**	**(8)**	**1,350**
Total portfolio investments	**200,271**	**68,571**	**(20,388)**	**248,454**
Total cash at bank and in hand and portfolio investments	**244,955**	**45,420**	**(22,511)**	**267,864**

22 Net cash (outflow)/inflow on portfolio investments

	2009 £'000	2008 £'000
Purchase of debt securities and other fixed income securities	**(202,471)**	(251,210)
Purchase of loans and deposits with approved credit institutions	**(1,282)**	(76)
Sale of debt securities and other fixed income securities	**147,950**	288,322
Movement of shares and other variable yield securities	**(12,548)**	21,311
Movement of participation in investment pools	**2,759**	(705)
Movement of overseas deposits	**(2,979)**	276
Net cash (outflow)/inflow on portfolio investments	**(68,571)**	57,918

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 2009 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £1,948,829 (2008: £1,948,428).

Profit commission of £3,150,419 (2008: £2,386,993) is also due to the managing agent in respect of the profit on the 2007 (2006) closed year.

Profit commission of £2,381,904 (2008: £2,910,743) has also been accrued in respect of the 2008 (2007) year of account, with £1,876,580 (2008: £329,605) accrued in respect of the 2009 (2008) year of account.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2009

continued

23 Related parties *continued*

Expenses totalling £7,647,666 (2008: £7,809,989) 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 2009 totalled £7,525,999 (2008: £5,858,638) 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 2007, 2008 and 2009 underwriting years. Cathedral Capital (1998) Limited's share of the profit for the 2009 calendar year is £31,916,200 (2008: £17,086,273).

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 9th April 2010:

2007 Year of account	US$60,040,108

On the same date, outstanding profit commission of £3,150,419 will be paid to Cathedral Underwriting Limited on the 2007 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 2010 year of account have been ceded by Syndicate 2010 to Cathedral managed Syndicate 3010.

	Percentage	Account
1.	29.166%	Satellite Account (SATEC)
2.	5.000%	North East USA Treaty Account

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

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2007 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2009

Report of the Independent Auditors
To the Members on the 2007 Year of Account of Syndicate 2010

We have audited the syndicate underwriting year accounts of the 2007 year of account of Syndicate 2010 as closed at 31 December 2009. 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 2007 year of account of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 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 2008 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 2008. 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 2007 closed year of account.

Andrew Heffron *(Senior statutory auditor)*
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)

Tower Bridge House, St Katharine's Way, London E1W 1DD
10 March 2010

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.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 (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

10 March 2010

CATHEDRAL SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
2007 Year of Account
For the 36 months ended 31 December 2009

		Notes	36 months ended 31 December 2009 £'000
Earned premiums, net of reinsurance			
Gross premiums written		3	**213,814**
Outward reinsurance premiums			**(54,232)**
Net premiums written			**159,582**
Change in the provision for unearned premiums			
Gross amount			**6,184**
Reinsurers' share			**(456)**
Earned premiums, net of reinsurance			**165,310**
Reinsurance to close premiums received, net of reinsurance		3	**65,756**
Allocated investment return transferred from the non-technical account			**9,374**
Claims incurred, net of reinsurance			
Claims paid	Gross amount		**(105,444)**
	Reinsurers' share		**16,833**
			(88,611)
Reinsurance to close premium payable, net of reinsurance		8	**(70,345)**
Claims incurred net of reinsurance			**(158,956)**
Net operating expenses		5	**(51,727)**
Balance on the technical account for general business			**29,757**

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
2007 Year of Account
For the 36 months ended 31 December 2009

	Notes	36 months ended 31 December 2009 £'000
Balance on the general business technical account		**29,757**
Investment income	6	**9,472**
Unrealised gains on investments		**1,830**
Investment expenses and charges	7	**(1,416)**
Unrealised losses on investments		**(512)**
Allocated investment return transferred to the general business technical account		**(9,374)**
Profit for the closed year of account	14	**29,757**

Statement of Total Recognised Gains and Losses
2007 Year of Account
For the 36 months ended 31 December 2009

	Notes	36 months ended 31 December 2009 £'000
Profit for the financial year	14	**29,757**
Currency translation differences	14	**8,430**
Total recognised gains and losses		**38,187**

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
2007 Year of Account
For the 36 months ended 31 December 2009

	Notes	31 December 2009 £'000
Assets		
Investments	9	**107,309**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**379**
Debtors arising out of reinsurance operations	11	**12,750**
Other debtors	12	**1,281**
		14,410
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**48,772**
Other assets:		
Cash at bank and in hand		**1,358**
Other	13	**7,357**
		8,715
Prepayments and accrued income		**13**
Total assets		**179,219**
Liabilities		
Amounts due to members	14	**38,187**
Reinsurance to close premiums payable to close the account – gross amount	8	**124,034**
Creditors:		
Creditors arising out of direct insurance operations	15	**245**
Creditors arising out of reinsurance operations	16	**9,280**
Other creditors including taxation and social security	17	**7,367**
		16,892
Accruals and deferred income		**106**
Total liabilities		**179,219**

The Syndicate underwriting year accounts on pages 41 to 56 were approved by the Board of Cathedral Underwriting Limited on 10 March 2010 and were signed on its behalf by:

L A Holder
Managing Director

J A Lynch
Finance Director

10 March 2010

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

Statement of Cash Flows
2007 Year of Account
For the 36 months ended 31 December 2009

	Notes	36 months ended 31 December 2009 £'000
Profit for the closed year of account		**29,757**
Realised and unrealised investment (gains), including currency movements		**(1,636)**
Income from investments		**(9,169)**
Net reinsurance to close premium payable		**70,345**
(Increase) in debtors		**(3,456)**
(Increase) in prepayments and accrued income		**(12)**
Increase in creditors		**10,504**
Increase in accruals and deferred income		**105**
Exchange gain		**8,430**
Net cash inflow from operating activities		**104,868**
Returns on investment and servicing of finance:		
Interest received		**9,168**
Increase in cash and portfolio investments in the period	18	**114,036**
Cash flows were invested as follows:		
Increase in cash holdings	18	**1,358**
Net portfolio investments	19	**112,678**
Net investment of cash flows	18	**114,036**

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

Notes to the Syndicate Underwriting Year Accounts
2007 Year of Account
For the 36 months ended 31 December 2009

1 Basis of Preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ("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 2007 year of account which has been closed by reinsurance to close at 31 December 2009; consequently the balance sheet represents the assets and liabilities of the 2007 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.

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

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.

(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.

Notes to the Syndicate Underwriting Year Accounts
2007 Year of Account
For the 36 months ended 31 December 2009

continued

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.

Realised exchange differences are included in the technical account within net operating expenses.

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 2007 Year of Account For the 36 months ended 31 December 2009

continued

3 Particulars of business written

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

				36 months ended 31 December 2009		
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)	**550**	**580**	**(232)**	**(138)**	**(1)**	**209**
Motor (other classes)	**1,865**	**1,897**	**(1,434)**	**(92)**	**594**	**965**
Marine aviation and transport	**3,705**	**3,804**	**(3,948)**	**(421)**	**477**	**(88)**
Fire and other damage to property	**79,883**	**82,753**	**(50,736)**	**(21,546)**	**(8,341)**	**2,130**
Third party liability	**978**	**1,071**	**(330)**	**(615)**	**(319)**	**(193)**
Credit and suretyship	**6,947**	**6,977**	**(2,567)**	**(1,790)**	**(763)**	**1,857**
	93,928	**97,082**	**(59,247)**	**(24,602)**	**(8,353)**	**4,880**
Reinsurance acceptances*	**185,642**	**188,672**	**(158,927)**	**(27,125)**	**12,883**	**15,503**
Total	**279,570**	**285,754**	**(218,174)**	**(51,727)**	**4,530**	**20,383**

*Reinsurance acceptances include the reinsurance to close premium of £65,755,929 received from the 2006 year of account.

Geographical analysis by origin	Gross written premiums £'000	Profit £'000	Net assets £'000
Direct	**93,928**	**7,124**	**9,142**
Reinsurance	**185,642**	**22,633**	**29,045**
	279,570	**29,757**	**38,187**

All business originates in the UK.

Geographical analysis by destination	Gross written premiums £'000
UK	**43,531**
US	**144,229**
Other EU member states	**22,961**
Rest of the world	**68,849**
	279,570

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

	36 months ended 31 December 2009 £'000
Balance attributable to business allocated to the 2007 year of account	68,086
Balance attributable to the reinsurance to close of the 2006 year of account	4,024
	72,110

5 Net operating expenses

	36 months ended 31 December 2009 £'000
Acquisition costs	34,805
Change in deferred acquisition costs	1,122
Administrative expenses	6,505
Reinsurers' commissions and profit participation	(86)
(Profit) on exchange	(213)
Personal expenses	9,594
	51,727

The closed year profit is stated after charging:

	36 months ended 31 December 2009 £'000
Auditors' remuneration:	
- Audit of accounts	72
- Other regulatory reporting	18
- Taxation services	3
- Other services	19
Staff pension costs	526

6 Investment income

	36 months ended 31 December 2009 £'000
Income from investments	8,330
Gains on the realisation of investments	1,142
	9,472

Notes to the Syndicate Underwriting Year Accounts
2007 Year of Account
For the 36 months ended 31 December 2009

continued

7 Investment expenses and charges

	36 months ended 31 December 2009 £'000
Investment management expenses, including interest	176
Losses on realisation of investments	1,240
	1,416

8 Reinsurance premium payable to close the 2007 year of account

	31 December 2009 £'000
Gross outstanding claims	90,371
Reinsurance recoveries anticipated	(40,573)
Net outstanding claims	49,798
Provision for gross claims incurred but not reported	33,663
Reinsurance recoveries anticipated	(8,199)
Provision for net claims incurred but not reported	25,464
Provision for future inwards gross premiums	(11,304)
Provision for future reinsurance protection	6,387
Provision for net premiums incurred but not reported	(4,917)
Reinsurance premium payable to close the account	70,345

9 Investments

	31 December 2009 Market value £'000
Shares and other variable yield securities	3,564
Debt Securities and other fixed income securities	102,234
Participation in investment pools	161
Deposits with approved credit instructions and approved financial institutions	1,350
	107,309

10 Debtors arising out of direct insurance operations

	31 December 2009 £'000
Due within one year	
- intermediaries	379

11 Debtors arising out of reinsurance operations

	31 December 2009 £'000
Due within one year	**12,750**

12 Other debtors

	31 December 2009 £'000
Amount due from members	**1,277**
Other	**4**
	1,281

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 2009 £'000
Amounts advanced in other countries as a condition of carrying on business there	**7,357**

14 Amounts due to members

	31 December 2009 £'000
Profit for the closed year of account	**29,757**
Currency translation differences	**8,430**
Members' balances carried forward at 31 December 2009	**38,187**

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

Notes to the Syndicate Underwriting Year Accounts
2007 Year of Account
For the 36 months ended 31 December 2009

continued

15 Creditors arising out of direct insurance operations

	31 December 2009 £'000
Due within one year	**245**

16 Creditors arising out of reinsurance operations

	31 December 2009 £'000
Due within one year	**9,280**

17 Other creditors including taxation and social security

	31 December 2009 £'000
Inter-year loans	**4,211**
Profit commission payable to managing agent	**3,150**
Expenses payable to managing agent	**6**
	7,367

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

	31 December 2009 £'000
Net cash inflow for the period	**1,358**
Cash flow – portfolio investments	**112,678**
Movement arising from cash flows	**114,036**
Changes in market value and exchange rates	**1,988**
Total movement in portfolio investments net of financing	**116,024**
Balance brought forward at 1 January 2007	**-**
Balance carried forward at 31 December 2009	**116,024**

	At 1 January 2007 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2009 £'000
Cash at bank and in hand	-	1,358	-	**1,358**
Overseas deposits	-	7,280	77	**7,357**
Investments	-	105,398	1,911	**107,309**
Total portfolio investments	-	112,678	1,988	**114,666**
Total cash and portfolio investments	-	114,036	1,988	**116,024**

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2009 £'000
Purchase of overseas deposits	**(7,280)**
Purchase of investments	**(316,246)**
Sale of investments	**210,848**
Net cash (outflow) on portfolio investments	**(112,678)**

20 Borrowings

During the period to 31 December 2009, the Syndicate had an unsecured catastrophe facility with Barclays Bank plc to assist with the paying or funding of any significant catastrophe losses. This facility was never utilised by the 2007 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 2007 year of account amounted to £1,948,297 of which £nil was outstanding at 31 December 2009. Profit commission of £3,150,419 is also due to the managing agent in respect of the profit on the 2007 closed year. Of this, £3,150,419 was outstanding at 31 December 2009.

Expenses totalling £7,010,008 were recharged to the 2007 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 2009 totalled £3,156,005 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:

	2007 Year of Account £	2008 Year of Account £	2009 Year of Account £
Cathedral Capital (1998) Limited	**169,202,748**	**173,403,431**	**173,403,431**

22 Post balance sheet events

The reinsurance premium to close the 2007 year of account at 31 December 2009 was agreed by the managing agent on 10 March 2010. Consequently the technical provisions at 31 December 2009 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 2010: US$60,040,108.

On the same date, outstanding profit commission, in respect of the 2007 year of account, of £3,150,419 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2007 YoA	2006 YoA	2005 YoA	2004 YoA	2003 YoA	2002 YoA	2001 YoA
Syndicate allocated capacity	£299.7m	£249.7m	£199.7m	£199.7m	£160.0m	£95.7m	£81.1m
Gross capacity utilised (i)	71.3%	87.2%	107.0%	98.4%	85.7%	98.1%	92.0%
Number of underwriting members	1,023	1,035	1,004	1,020	1,049	971	788
Aggregate net written premiums (i)	£209.2m	£169.6m	£157.5m	£152.1m	£103.6m	£64.7m	£32.6m
Net capacity utilised (i)	69.8%	67.9%	78.8%	76.2%	64.8%	67.6%	55.8%
Loss ratio (ii)	68.8%	65.7%	67.7%	59.3%	37.2%	43.3%	67.4%
Results for an illustrative share of £10,000							
Gross written premiums	7,133	8,715	10,699	9,843	8,571	9,808	9,197
Net earned premiums	5,515	6,608	7,856	7,649	6,266	6,736	5,416
Reinsurance to close received from an earlier account	2,194	1,812	1,519	1,041	892	1,418	-
Net claims paid	(2,956)	(2,896)	(4,085)	(3,636)	(1,361)	(2,044)	(1,979)
Reinsurance to close payable	(2,347)	(2,633)	(2,266)	(1,519)	(1,299)	(1,489)	(1,674)
Profit/(loss) on exchange	7	54	5	16	1	13	(5)
Acquisition costs	(1,199)	(1,400)	(1,733)	(1,612)	(1,210)	(1,132)	(908)
Syndicate operating expenses	(214)	(261)	(323)	(272)	(325)	(454)	(501)
Balance on technical account before investment return	1,000	1,284	973	1,667	2,964	3,048	349
Investment income and gains less losses, less expenses & charges	313	439	317	216	134	101	173
Profit for closed year of account before personal expenses	1,313	1,723	1,290	1,883	3,098	3,149	522
Currency translation differences	281	1,191	(152)	(233)	60	(512)	(279)
Total recognised gains and losses before personal expenses	1,594	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)	(65)
- Central Fund contributions	(100)	(100)	(50)	(125)	(100)	(100)	(75)
- Lloyd's subscription	(50)	(50)	(50)	(50)	(25)	(25)	(25)
- Profit commission	(241)	(472)	(170)	(247)	(519)	(428)	(14)
Total illustrative personal expenses for a traditional Name	(456)	(687)	(335)	(487)	(709)	(618)	(179)
Total result after illustrative personal expenses	**1,138**	**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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