CATHEDRAL

SYNDICATE 2010

MMX

Annual Report

31 December 2012

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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 2010 Year of Account.

Pleasingly Syndicate 2010 has produced a profit of £49.6 million (on an annual accounting basis) for the 2012 calendar year, this is before a currency loss of £0.9 million. Its combined ratio is 77.1 % (including all managing agency related personal expenses, other than profit commission). While calendar year 2012 was relatively benign in terms of major loss activity, particularly compared to 2011, this is a very satisfactory result, including as it does the impact of Hurricane Sandy in the autumn of 2012. The overall result once again says much about the quality of our underwriting team.

Switching back to the traditional basis of reporting (still the best way of judging results in my view), I am very pleased to say that Syndicate 2010 has closed the 2010 Year of Account with a profit of 2.2% for a participant paying standard managing agency fee and profit commission. This is a better outcome than we forecast a year ago and also exceeds our latest published forecast.

The 2011 Year of Account as previously reported suffered from an almost unprecedented loss frequency and the outcome continues to remain marginal.

The 2012 Year of Account at this very early stage offers the prospect of a reasonable return, notwithstanding losses emanating from Sandy. However, this year of account still has some considerable time to run before all of its live exposures have expired.

Apart from a brief period at the turn of the year Sandy, and the raft of losses in recent years, has done little for rating levels apart from in the specific loss affected areas. The excess of capital in the insurance market, including hedge funds and the like, shows no sign of diminishing and is likely to continue to depress rates for the foreseeable future. Successfully navigating the market of 2013 and beyond will therefore be a challenge; but it was ever thus.

Once again, we have every reason to be thankful to our underwriting, claims, reinsurance, modelling, I.T., actuarial, accounting and management teams and their supports who have performed so well in difficult times. They have my thanks and gratitude.

I also extend my thanks to my non-executive colleagues, Michael Andrews, Tony Minns, Elvin Patrick and John Tilling for their wisdom and support during the year. I would also like to welcome Robin Oakes, formerly a senior insurance Audit Partner at Mazars, who joined our board last December.

A. I. G. C. South
Chairman

7 March 2013

Underwriter's Report

Introduction

On an annual accounting basis, the result of the Syndicate for calendar year 2012 is a profit of £49.6 million before a currency loss of £0.9 million (combined ratio 77.1%). On the traditional Lloyd's basis of reporting, the 2010 year of account has closed with a profit for a Natural Name with standard personal expenses, of 2.2% of capacity, before members' agency fees.

2010 Account

I am pleased to report that the year has closed with a profit of £14.4 million, inclusive of currency retranslation losses but before personal expenses. For a Natural Name with standard personal expenses, this equates to a profit of 2.2% of capacity, before members' agency fees.

The capacity for the 2010 underwriting year was approximately £350 million. The gross signed premium income, net of brokerage, was some 66% of capacity at year-end rates of exchange.

In last year's report, I summarised the underwriting conditions and loss activity affecting the 2010 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, with the aviation account in particular seeing some sizable reductions in loss reserves in the latter part of 2012.

2011 Account

For 2011, we maintained our capacity at £350 million. The result on a year of account basis will be defined by the huge run of catastrophe losses which occurred in 2011, some of which also heavily affected our 2010 account result.

Last year's report outlined the business written for the 2011 year of account and the market conditions which prevailed during the calendar year.

The year saw an unremitting frequency of catastrophe loss both internationally and in the US, with the year ending with severe flooding in Thailand. In particular, the huge losses generated by the largest two losses of 2011, the earthquakes at Christchurch in New Zealand in February 2011 and in Japan in March caused very large insured and economic losses. These losses were discussed in some detail in last year's report. The Christchurch loss in particular is extremely complex and will take many years to fully settle as a substantial portion of the financial district was destroyed in addition to extensive damage to the domestic housing stock. Both the Japanese and the Christchurch events have extensive reinsurance protection available to them so that the Syndicate is largely insulated from future fluctuations in rates of exchange or changes to loss estimates, pending final settlement.

As mentioned last year, we regard the likely result of this year as being marginal. Our forecast is for a result in the range -2.5% to +5% of capacity.

2012 Account

For 2012 we maintained capacity at £350 million and wrote the same classes of business as we have in the past.

Given that 2011 was considered by most to have been, if not the worst catastrophe year in history, then certainly the second worst, one might have been forgiven for thinking that this would have led to a wholesale hardening of all lines of business affected by the losses. Certainly this would have been the case ten or fifteen years ago; but these are different times. Although capital was undoubtedly destroyed during calendar year 2011, this was not in sufficient quantity to lead to a fundamental shift in overall market behaviour. As capital in the world insurance and reinsurance markets existed in some abundance, the removal of what, in global terms, was a relatively small portion of the overall market capital ultimately did not change much.

Underwriter's Report

continued

Although we didn't expect a major overall shift in global pricing, we and many like us in London did expect a more fundamental reappraisal of non US earthquake risk by the marketplace, which never came. The result was that much of this business left the London market for the large European reinsurers who were content to add to their existing exposures, apparently without the need for reflection on the wider lessons from some pretty spectacular losses which this type of businesses had given them in 2010/2011. The result was that while rates increased in the loss affected areas, experience gathered at such expense during 2011 was not put to use in other parts of the world which are potentially just as vulnerable. However, US catastrophe rates continued rising through the early part of 2012, very much where they had left off in the latter part of 2011. Capacity in the US was tighter, not because of lack of capital but because it was deployed more frugally in light of the loss frequency seen in 2011.

On our commercial property account we saw rising rates in the first half of the year but these quickly flattened. We expanded this account a little during 2012 to take advantage of market dislocation in loss affected areas but, again, there was no overall change in the market. Overall, we saw a modest upwards movement in premiums on existing accounts and in existing areas of business, to which we added some new business from a few distressed areas.

The aerospace business softened slightly during 2012 with the recent good record of air safety being maintained, in spite of ever increasing numbers of passengers being carried by the airlines worldwide. We also saw some significant reductions in reserve of some earlier aviation losses, which when coupled with the lack of loss activity in 2012 itself means that most aviation insurers and reinsurers will be showing profits for the calendar year in spite of record low airline rates.

Our contingency account, although small, has produced decent results to date in spite of a very competitive environment in recent times, although the result for this year of account is likely to be marginal, in part reflective of the poor weather in the UK over the summer of 2012. Our focus continues to be on the smaller, less capacity driven business where service is more valued than price.

Happily, loss activity during 2012, particularly as it affects our two property accounts, was largely benign with the notable exception of Hurricane Sandy. The US Midwestern tornado season was as active as usual but without a repeat of the two very large events seen during 2011. There were no international losses of note at all, in stark contrast to the year before. Sandy is estimated to be in the range of $20bn to $25bn of insured losses with some complex commercial claims at the heart of it. For our part, we have minimal direct exposure to these large commercial accounts but do have some direct exposure to some smaller risks. Our reinsurance account will give rise to most of our exposure, however, we also have extensive reinsurance arrangements in both areas of the account which will limit our retained involvement.

Overall then, the 2012 year of account is running reasonably to date, although there is still a large amount of business still on risk and the outcome of the year will be determined by how this runs off.

2012 Calendar Year Result

The 2012 calendar year result is made up of contributions from all open years of account (2010, 2011 and 2012) together with movements on the closed years of account (2001 to 2009) that occurred during the year. The result for the calendar year is a profit of £49.6 million (2011: loss of £11.6 million). There was a loss on currency translation for the year of £0.9 million (2011: a gain of £0.9 million), which has been accounted for through the Statement of Total Recognised Gains and Losses ("STRGL"). The total recognised gain for the 2012 calendar year is therefore £48.7 million (2011: loss of £10.7 million). The combined ratio for the 2012 calendar year is 77.1%, including all managing agency related expenses, other than profit commission (2011: 106.6%).

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

Future Prospects

The 2013 renewal season for catastrophe treaty business in the US saw strengthened pricing, albeit relatively modest overall. This was almost entirely due to the effect of Sandy which occurred late enough in the year to create uncertainty among both clients and reinsurers. There was plenty of capacity available but most of this arrived too late in the day to affect the upward movement of rates. The general uncertainty also enabled us to write a modest amount of energy reinsurance, the first time we have chosen to write any marine reinsurance for nearly a decade. International rates remained pretty flat with the market having reflected on the 2011 loss experience during 2012. Sandy will probably continue to play some part in the remaining renewals during 2013 as loss affected accounts are re-rated but increased supplies of capacity may dampen this effect.

In the commercial property market things haven't changed much either. The domestic US commercial insurance market is now seeing slow but steady increases in both premiums and in terms and conditions with some insurers beginning to decline the sort of risks they've been writing during the soft cycle which traditionally came to London. Having said that, there is still plenty of appetite for this business in London, so prices here are rising but more slowly; then again they were higher to start with! We expect to see a small amount of dislocation in the areas directly affected by Sandy and this may be enough to create the odd opportunity but nothing widespread. International prices continue to rise on loss affected accounts but not on much else.

With overcapacity and improving back year losses we expect pricing in the aerospace insurance market to continue to be weak and likewise for the contingency market to remain competitive.

Concluding Comments

It seems as though market results for 2012 will be every bit as good as 2011 was bad, so with industry balance sheets largely repaired and memories short we expect a pretty flat and unexciting landscape for the balance of the year.

Property insurance rates are beginning to react to the current investment climate. As longer duration funds mature at one rate and are reinvested at a lower one, companies have to replace the lost revenue from somewhere and higher premiums are the only avenue available. How these same insurers deal with long tail reserves and no investment income is another question, but no doubt their models will provide the answer!

This same lack of investment return has driven a plethora of capital markets into the catastrophe market in recent times in search of higher returns. These are represented by everything from hedge funds to pension funds, all in search of something more interesting than the low single digit returns available in the vast majority of other investments. We expect these capital markets to be here in some form or other for the long term but the absolute amount of capital they will be prepared to deploy at any one time will depend, not just on results, but as much on whether they see something else more interesting and less volatile instead to take their fancy.

As mentioned last year and the year before, there are still too many players operating in our chosen markets and for that matter in most markets. There has been some consolidation in the London market but no sooner has one small Lloyd's player merged or slipped into run off than another is approved to start up. In the wider market, while most quoted companies are now trading higher than they were a year ago but there is still little sign of wholesale merger and acquisition activity as yet.

We therefore expect the market to continue to be challenging, with few pockets of opportunity. While rates are beginning to rise in the United States, capacity there is still plentiful, which may dampen long terms prospects for real recovery. The international markets continue to remain stubbornly flat in spite of record catastrophe losses. We will therefore continue to focus on our specialist lines while seeking such opportunities as present themselves, all the time trying to steer the path to profitability for our capital providers despite what are likely to be strong headwinds.

Underwriter's Report

continued

A successful syndicate is a team effort and that applies to all staff, 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, Richard Wood and Nick Adams (our direct and facultative property underwriters), Justin Burns, Katie Spicer and Jane Todd (our contingency underwriters), Steve Gentili our aggregation manager and Grant Williams our claims manager, together with the Syndicate's entire support team to whom we all owe a great deal.

J C Hamblin
Active Underwriter

7 March 2013

Managing Agent's Report
At 31 December 2012

Introduction

The Directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2012, 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 2012 and the Underwriting Year Accounts for the 2010 Year of Account. The annual accounting result for the 2012 calendar year was a profit of £49.6 million before a currency loss of £0.9 million (2011: loss of £11.6 million). This consists of a contribution from all open years of account (2010, 2011 and 2012) together with all movements on the closed years of account (2001 to 2009) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2010 Year of Account closed at 31 December 2012 with a profit of £14.4 million, inclusive of currency translation losses 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 2012 and the other the closing 2010 year of account result.

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	2012 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	349,512
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 63.1% interest in Cathedral Capital Limited and is deemed to be the controller of the managing agency; it has been approved as such by both Lloyd's and the FSA.

Multiple syndicates consent

On 25 July 2007 Lloyd's 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 of Cathedral Underwriting Limited 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 2012, were as follows:

		31 December 2012			31 December 2011		
		B1 Ordinary 1 pence Shares	**B Ordinary 1 pence Shares**	**Ordinary 1 pence Shares**	B1 Ordinary 1 pence Shares	B Ordinary 1 pence Shares	Ordinary 1 pence Shares
D C Grainger	Compliance Director	**-**	**12,798**	**7,779**	-	12,798	7,779
J C Hamblin	Director	**18,686**	-	**22,002**	18,686	-	22,002
L A Holder	Managing Director	**18,686**	**-**	**22,002**	18,686	-	22,002
J A Lynch	Finance Director	**19,213**	**-**	**22,002**	19,213	-	22,002
E E Patrick	Director	**-**	**8,337**	**6,445**	-	8,337	6,445
P D Scales	Director	**19,213**	**-**	**22,002**	19,213	-	22,002

The other Directors of Cathedral Underwriting Limited who served during the year were J M G Andrews, A S Minns, R G Oakes, A I G C South and J P Tilling. Mr R G Oakes was appointed a director on 4 December 2012. They have no interest in the share capital of Cathedral Capital Limited.

Managing Agent's Report
At 31 December 2012

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, an intermediate holding company.

	31 December 2012		31 December 2011	
	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 in the A Ordinary, B Ordinary and Preference Shares of Cathedral Capital Limited and the Investor Loan Notes and Manager Loan Notes issued by Cathedral Capital (Investments) Limited at the year end are:

	31 December 2012	31 December 2011
Cathedral Capital Limited	**number**	number
A Ordinary shares	**751**	-
B Ordinary shares	**12,212**	12,212
Preference £1 shares	**684,374**	652,162
Cathedral Capital (Investments) Limited	**£**	£
Investor Loan Notes	**64,469**	-
Manager Loan Notes	**1,304,524**	1,304,524

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 £202.3 million participation in the 2011, 2012 and 2013 years of account. In addition Mr South, one of the Directors is a director of a number of corporate names which had, in aggregate, a £1.9 million participation on the 2011 year of account, a £1.3 million participation on the 2012 year of account, and £1.3 million participation on the 2013 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 8BF. 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.

2012 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 £49.6 million in the year (2011: loss £11.6 million) and this can be analysed as follows:

	2010* account £'000	2011 account £'000	2012 account £'000	31 December 2012 £'000	31 December 2011 £'000
Gross earned premium	**(500)**	**100,497**	**182,788**	**282,785**	287,187
Reinsurers' share	**(416)**	**(12,401)**	**(62,816)**	**(75,633)**	(83,874)
Net earned premium	**(916)**	**88,096**	**119,972**	**207,152**	203,313
Gross claims incurred	**19,413**	**(68,403)**	**(96,994)**	**(145,984)**	(281,794)
Reinsurers' share	**7,994**	**11,834**	**23,306**	**43,134**	121,839
Net claims incurred	**27,407**	**(56,569)**	**(73,688)**	**(102,850)**	(159,955)
Net operating expenses	**277**	**(20,862)**	**(37,712)**	**(58,297)**	(58,902)
Balance on Technical Account before investment return	**26,768**	**10,665**	**8,572**	**46,005**	(15,544)
Net investment return	**1,918**	**1,297**	**347**	**3,562**	3,922
Profit/(loss) for the financial year	**28,686**	**11,962**	**8,919**	**49,567**	(11,622)

* The 2010 account includes the movement in the 2001 to 2009 accounts which have closed into the 2010 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 2012 include premiums on policies incepting during 2012 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:

Earned premiums by underwriting team

	31 December 2012		31 December 2011	
	Gross £'000	Net £'000	Gross £'000	Net £'000
Non-marine reinsurance	**139,918**	**96,697**	146,333	94,996
Aviation	**29,317**	**22,128**	33,187	24,586
Satellite	**2,767**	**1,981**	3,423	1,859
Direct & facultative property	**105,470**	**81,270**	97,315	76,508
Contingency	**5,316**	**5,080**	6,369	4,804
Other	**(4)**	**(4)**	560	560
Total	**282,784**	**207,152**	287,187	203,313

At the year end the Syndicate had net unearned premiums of £76.5 million (2011: £77.1 million) on the balance sheet.

Managing Agent's Report
At 31 December 2012

continued

The impact of major losses on the account are individually assessed. In addition, an attritional loss ratio has been determined for each class of business written by the Syndicate. Attritional losses on an annual accounting basis are derived by applying the estimated attritional ultimate loss ratios to the earned premium. This presumes that the attritional loss ratios remain the same over the year of account. 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 2012 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 2012.

The 2012 net combined ratio is 77.1% (2011: 106.6%). 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 2012		31 December 2011	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**74.9**	**65.1**	141.6	102.3
Aviation	**3.0**	**9.0**	44.9	52.9
Satellite	**38.7**	**34.8**	81.6	91.2
Direct & facultative property	**35.5**	**41.7**	54.3	61.4
Contingency	**41.4**	**73.4**	59.4	18.5
Other	**-**	**-**	33.2	33.2
Total	**51.6**	**49.7**	98.1	78.6
Expense Ratio	**20.1**	**27.4**	19.8	28.0
Combined Ratio	**71.7**	**77.1**	117.9	106.6

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 73% 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 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 2011, 2012 and 2013 years of account.

	2013 account		2012 account		2011 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**269,989**	**77.1**	270,738	77.5	271,306	77.6

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group Company, provided £202.3 million of the capacity for the 2011, 2012 and 2013 years of account through Hampden Agencies Limited.

Capacity by member type and year of account

	2013 account		2012 account		2011 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**320,020**	**91.4**	315,206	90.2	311,740	89.1
External members	**27,863**	**8.0**	32,170	9.2	35,831	10.3
Working members (none of whom are employed by the managing agency)	**2,133**	**0.6**	2,136	0.6	2,156	0.6
	350,016	**100.0**	349,512	100.0	349,727	100.0

Result

The 2010 account closed with a profit of £14.4 million inclusive of currency translation losses but before standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 2.2% of capacity, before members' agency fees.

This result is in excess of the result range forecast by the managing agent at last year end. The losses that impacted the 2010 account, which were reported on in detail in last year's Annual Report, ran off as expected during 2012 and there were releases from the favourable run off of the earlier years of account that had closed into the 2010 account at 31 December 2011. The analysis of the 2010 closed year result, before personal expenses, by member type is as set out below:

	2010 account	
	£'000	%
Result attributable to:		
Corporate members	12,690	88.1
External members	1,628	11.3
Working members *(none of whom are employed by the managing agency)*	86	0.6
	14,404	100.0

Managing Agent's Report
At 31 December 2012

continued

2011 account forecast

The forecast 2011 year of account result at 31 December 2012, on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees, is in the range of -2.5% to +5.0% of Syndicate capacity.

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 2010 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 2013 will not differ significantly from those taken into account in the forecast.

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 in the US 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 developed regions – Europe, Australasia 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 US 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.

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, Australasia 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.

A small energy reinsurance book has been written for the 2013 year of account.

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.

From the start of the calendar year, Amundi (UK) Limited ("Amundi") were the investment managers of the US Dollar Trust Funds and also a proportion of both the Syndicate's Euro and Canadian Dollar Trust Funds. In March 2012, the Investment Management Agreement with Amundi was terminated as a result of the departure of senior members of the investment team who managed the Syndicate funds. Since that date, Conning Asset Management Limited ("Conning") were appointed to manage the syndicate 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 the syndicate investment manager 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 the light of this, portfolios are predominantly invested in short-term, high quality fixed income securities. The syndicate investment manager has been instructed to invest for the highest total return consistent with maintaining adequate liquidity and security and has discretion to invest in private sector securities for a 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.

The Syndicate investment manager's performance is currently measured against BofA 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. Funds not managed by the investment manager were held predominantly in cash throughout the year.

Investment performance

While there was some volatility during the year, the ranges in which US and UK bond yields moved during 2012 were much smaller than in recent years, and at the end of the year US and UK yields in the 0-3 year maturity range were similar to those at the start of the year, while some yield curve flattening had led to yields in longer maturities falling by up to 25bp. The Federal Open Market Committee maintained the Federal Funds target range at 0-0.25% throughout the year, continued with its asset purchase programmes and in September agreed to purchase an additional $40 billion per month of agency mortgage-backed securities. The Bank of England's Monetary Policy Committee maintained Bank Rate at 0.5% during the year, but increased the size of its asset purchase programme by £100 billion to £375 billion during the year. The ECB cut its benchmark rate by 25bp in July to a new low of 0.75% and announced a number of new measures in response to the dislocations within the Euro-zone, in particular the significant yield increases in Spain and Italy, vowing to "do whatever it takes to preserve the euro". Yields of German Government bonds fell during the year with 3-year yields falling by 30bp and yields of longer maturity issues falling by up to 50bp. With the exception of Spain, yields of other Euro-zone countries fell further, as concerns about a potential Euro break-up dissipated. The Bank of Canada's benchmark rate remained at 1%, though the Bank introduced a tightening bias during the year.

The major driver of investment returns during the year was the tightening of credit spreads as investors sought out higher returns. While this spread tightening was evident in all sectors, there was noticeable compression as lower-rated, higher-yielding issues out-performed relative to higher-rated lower yielding issues. Within the investment-grade universe the best performing corporate sector was financials, but even outside of this sector there was significant out-performance versus Government bonds: the average yield spread over US Treasurys of the BofA Merrill Lynch 1-3 year US Non-Financial Corporate index fell from 143bp to 82bp during the year.

The Syndicate's investment returns, on the funds managed by Conning, of 1.27% in US Dollars and 1.89% in Euros were at or above the higher end of the ranges estimated at the beginning of 2012, largely driven by the tightening of credit spreads. The investment return of 1.13% in Canadian Dollars was just above the mid-point of the range; this portfolio contains no corporate issues and the tightening of spreads of Canada Housing and Provincial issues was offset by the increase in yields of Government bonds. The US Dollar and Canadian Dollar returns were both above those of the relevant guideline BofA Merrill Lynch 1-3 year Government bond index. The Euro return relative to the BofA Merrill Lynch index was impacted by both the short duration stance and the presence of higher returning peripheral European Governments within the index; these were not held within the portfolio.

Investment strategy

Conning, our investment manager, writes:

> "The ability to generate investment income for short-maturity portfolios remains limited, given the low level of bond yields, and tight credit spreads. At year-end yield curves were relatively flat in the maturity range covered by the benchmark indices and two-year yields in the US, UK, Germany and Canada of 0.25%, 0.34%, -0.04% and 1.14% respectively were all below the relevant central bank benchmark interest rates, apart from in Canada suggesting that markets fully believe that there will be no interest rate increases until at least the end of 2014 in the US, UK and Euro-zone and only a small chance of an increase in Canada.
>
> At these historically low bond yields the risks remain skewed to the downside; while central banks are unlikely to increase their benchmark rates in the foreseeable future and appear likely to look through any temporary inflation increases, there is little scope for yields to fall further and any signs of change in policy will quickly lead to higher bond yields and the potential for capital losses. Portfolios

currently have short duration relative to benchmark and this is likely to be maintained in the medium term, since the investment objectives are currently biased towards protecting the Syndicate against unnecessary losses. Portfolio returns will be enhanced by the exposure to corporate bonds and other "spread" products, carefully selected by sector and individual issuer to limit risks. While credit spreads fell significantly during 2012, the extra income on these issues should more than offset any potential losses from spread widening in short maturity portfolios such as the Syndicate portfolios; therefore portfolio exposure to those instruments is likely to remain high, and may be increased where opportunities exist.

Given this, we continue to explore additional avenues and asset classes to increase investment return whilst maintaining the existing risk profile."

Stock lending

The Board of Cathedral Underwriting Limited prohibits Conning 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 US gross funding requirements.

The facility was not utilised during calendar 2012 and was renewed for another year in December 2012.

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. Despite the continuing uncertainty over the start date of Solvency II (a proposed EU-wide solvency and risk management regime that is intended to apply to all EU insurers) the FSA indicated that it would allow firms to use Solvency II models under an enhanced ICA regime known as ICA+. Solvency II internal models and the ultimate Solvency Capital Requirement ("uSCR") were used at Lloyd's during 2012 to determine capital for the 2013 year of account. This approach is similar to but not the same as the old ICA calculation and will also apply in 2013 for the 2014 year of account.

The uSCR 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 uSCR (including the need to maintain the market's overall security rating). This produces a Syndicate Economic Capital Assessment ("ECA").

The table below summarises Syndicate 2010's ICA return for the 2011 and 2012 years of account and the uSCR return for the 2013 year of account. These figures are as agreed with Lloyd's.The ECA reflects the capital loadings that were a market-wide 35% until 2012. Lloyd's loading for the 2013 year of account was based on the final uplift applied to the 2012 mid-year Coming-into-Line exercise.

		2013		2012		2011
	£m	**%***	£m	%*	£m	%*
ICA/uSCR	**162.9**	**46.6**	143.1	40.9	161.1	46.0
Lloyd's Loading	**51.5**	**14.7**	50.1	14.3	56.4	16.1
ECA	**214.4**	**61.3**	193.2	55.2	217.5	62.1

* Note: % = percentage of stamp capacity

Solvency II

The external costs incurred by the Syndicate relating to Solvency II in the 2012 calendar year amounted to £0.4 million (2011: £0.3 million).

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/uSCR 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;
- Accumulative loss including unknown/unexpected accumulations – the risk that risks accumulate including the extent or manner to which this 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	2006	2007	2008	2009	2010	2011	2012
12 months	28%	41%	74%	39%	63%	79%	53%
24 months	36%	46%	69%	52%	94%	76%	-
36 months	36%	47%	69%	48%	96%	-	-
48 months	36%	46%	68%	46%	-	-	-
60 months	35%	45%	67%	-	-	-	-
72 months	35%	44%	-	-	-	-	-
84 months	34%	-	-	-	-	-	-

Underwriting year - Net	2006	2007	2008	2009	2010	2011	2012
12 months	39%	59%	66%	51%	74%	86%	61%
24 months	45%	57%	60%	57%	82%	77%	-
36 months	46%	57%	59%	51%	79%	-	-
48 months	44%	55%	56%	48%	-	-	-
60 months	44%	54%	55%	-	-	-	-
72 months	43%	53%	-	-	-	-	-
84 months	42%	-	-	-	-	-	-

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. It should be noted that any losses in year two onwards 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 Managing Agent can cash call the Names supporting the Syndicate 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 (until 9 March 2012)
	Conning Asset Management Limited (since 9 March 2012)
Software support:	Agencyport Limited (formerly Sword UK Limited)

Actuaries

Towers Watson Limited 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 2012

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.

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 2013.

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.

Names have until 30 April 2013 to advise the compliance director of Cathedral Underwriting Limited at the address below of any objections in relation to any of the above matters.

By order of the Board

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

7 March 2013

SYNDICATE ANNUAL ACCOUNTS

For the year ended 31 December 2012

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Independent Auditor's Report to the Members of Syndicate 2010

We have audited the syndicate annual accounts of Syndicate 2010 for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes as set out on pages 22 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on pages 10 and 11, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view.

Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the syndicate's members, 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 auditor's 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's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the syndicate annual accounts?

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the syndicate annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of affairs of Syndicate 2010 as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on the other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Managing Agent's Report for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

Tower Bridge House
St Katharine's Way
London E1W 1DD
7 March 2013

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**285,119**	279,489
Outward reinsurance premiums		**(75,426)**	(82,756)
Net premiums written		**209,693**	196,733
Change in the provision for unearned premiums:			
Gross amount		**(2,334)**	7,698
Reinsurers' share		**(207)**	(1,118)
Earned premiums, net of reinsurance		**207,152**	203,313
Allocated investment return transferred from the non-technical account		**3,562**	3,922
Claims paid:			
Gross amount		**(187,772)**	(172,237)
Reinsurers' share		**66,606**	43,202
		(121,166)	(129,035)
Change in the provision for claims:			
Gross amount		**41,788**	(109,557)
Reinsurers' share		**(23,472)**	78,637
		18,316	(30,920)
Claims incurred, net of reinsurance		**(102,850)**	(159,955)
Net operating expenses	4	**(58,297)**	(58,902)
Balance on the technical account for general business		**49,567**	(11,622)

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 2012

	Notes	**Year ended 31 December 2012 £'000**	Year ended 31 December 2011 £'000
Balance on the general business technical account		**49,567**	(11,622)
Investment income	8	**4,534**	6,012
Unrealised gains on investments		**631**	646
Investment expenses and charges	9	**(927)**	(1,437)
Unrealised losses on investments		**(676)**	(1,299)
Allocated investment return transferred to the general business technical account		**(3,562)**	(3,922)
Profit/(loss) for the financial year	17	**49,567**	(11,622)

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2012

	Notes	**Year ended 31 December 2012 £'000**	Year ended 31 December 2011 £'000
Profit/(loss) for the financial year	17	**49,567**	(11,622)
Currency translation differences	17	**(894)**	880
Total recognised gains/(losses) since last annual report		**48,673**	(10,742)

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Investments:			
Financial investments	11	**195,416**	224,802
		195,416	224,802
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**7,470**	8,052
Claims outstanding	12	**143,816**	171,924
		151,286	179,976
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**13,578**	14,238
Debtors arising out of reinsurance operations	14	**81,489**	88,589
Other debtors	15	**5,190**	5,403
		100,257	108,230
Other assets:			
Cash at bank and in hand		**4,979**	7,517
Other	16	**35,470**	36,317
		40,449	43,834
Prepayments and accrued income:			
Deferred acquisition costs		**15,043**	14,616
Other prepayments and accrued income		**758**	528
		15,801	15,144
Total assets		**503,209**	571,986

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

	Notes	2012 £'000	2011 £'000
Capital and reserves:			
Members' balances	17	**10,919**	17,468
		10,919	17,468
Technical provisions:			
Provision for unearned premiums		**83,992**	85,103
Claims outstanding		**374,627**	428,913
		458,619	514,016
Creditors:			
Creditors arising out of direct insurance operations	18	**838**	1,703
Creditors arising out of reinsurance operations	19	**30,593**	32,925
Other creditors including taxation and social security	20	**1,886**	5,250
		33,317	39,878
Accruals and deferred income		**354**	624
Total liabilities		**503,209**	571,986

The Syndicate annual accounts on pages 22 to 38 were approved by the Board of Cathedral Underwriting Limited on 7 March 2013 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

7 March 2013

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

Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Reconciliation of profit/(loss) to net cash inflow from operating activities			
Profit/(loss) for the financial year		**49,567**	(11,622)
Realised and unrealised investments losses on cash and investments, including currency movements		**11,306**	355
Income from investments		**(4,297)**	(5,756)
Decrease/(increase) in debtors, prepayments and accrued income		**7,316**	(7,331)
(Decrease)/increase in net technical provisions		**(26,708)**	25,637
(Decrease)/increase in creditors, accruals and deferred income		**(6,830)**	8,466
Exchange (losses)/gains		**(894)**	880
Net cash inflow from operating activities		**29,460**	10,629
Returns on investment and servicing of finance:			
Interest received		**4,297**	5,756
Transfer to members in respect of underwriting participations		**(55,222)**	(36,483)
(Decrease) in cash and portfolio investments in the year	21	**(21,465)**	(20,098)
Cash flows were invested as follows:			
(Decrease) in cash holdings	21	**(2,435)**	(15,509)
Net portfolio investments	22	**(19,030)**	(4,589)
Net investment of cash flows		**(21,465)**	(20,098)

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

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2012

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 or earlier years 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. IBNR for major catastrophe losses is individually assessed by underwriting and non underwriting management. IBNR for smaller and more attritional losses is based on projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

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

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

The Syndicate uses a number of statistical and other 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 deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members 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 2012

continued

3 Particulars of business written

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

					Year ended 31 December 2012	
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)	214	291	(20)	(101)	(15)	155
Motor (other classes)	252	295	(27)	(92)	(37)	139
Marine, aviation and transport	2,107	2,152	(1,023)	(401)	44	772
Fire and other damage to property	77,931	75,764	(34,692)	(19,178)	(12,453)	9,441
Third party liability	770	801	(613)	(275)	(64)	(151)
Credit and suretyship	5,761	5,268	(2,164)	(1,365)	(1,770)	(31)
	87,035	84,571	(38,539)	(21,412)	(14,295)	10,325
Reinsurance acceptances	198,084	198,214	(107,445)	(36,885)	(18,204)	35,680
Total	285,119	282,785	(145,984)	(58,297)	(32,499)	46,005

					Year ended 31 December 2011	
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)	136	141	(231)	(127)	(53)	(270)
Motor (other classes)	736	754	(163)	(81)	(120)	390
Marine, aviation and transport	(192)	1,942	(1,966)	(695)	(57)	(776)
Fire and other damage to property	68,478	71,537	(37,829)	(21,034)	(15,621)	(2,947)
Third party liability	(690)	23	(187)	(220)	96	(288)
Credit and suretyship	6,509	6,289	(3,785)	(1,578)	1,340	2,266
	74,977	80,686	(44,161)	(23,735)	(14,415)	(1,625)
Reinsurance acceptances	204,512	206,501	(237,633)	(35,167)	52,380	(13,919)
Total	279,489	287,187	(281,794)	(58,902)	37,965	(15,544)

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit/(loss)		Net assets	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Direct	**87,035**	74,977	**10,410**	(1,389)	**261**	1,051
Reinsurance	**198,084**	204,512	**39,157**	(10,233)	**10,658**	16,417
	285,119	279,489	**49,567**	(11,622)	**10,919**	17,468

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2012 £'000	Gross written premiums 2011 £'000
UK	**41,576**	44,569
US	**122,824**	116,879
Other EU member states	**22,813**	22,736
Rest of the world	**97,906**	95,305
	285,119	279,489

4 Net operating expenses

	2012 £'000	2011 £'000
Acquisition costs	**44,674**	40,788
Change in deferred acquisition costs	**(1,006)**	2,351
Administrative expenses	**8,975**	8,702
Reinsurance commissions and profit participation	**(832)**	(885)
Loss on exchange	**430**	807
Personal expenses	**6,056**	7,139
	58,297	58,902

Administrative expenses include:

	2012 £'000	2011 £'000
Auditors' remuneration:		
- Audit of accounts	**84**	82
- Audit-related assurance services	**58**	21
- Taxation compliance services	**1**	3
- Taxation advisory services	**2**	-
- Other assurance services	**60**	7
- Other non-audit services	**20**	9

Total commissions for direct insurance accounted for in the year amounted to £19,732,245 (2011: £18,581,565).

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:

	2012 £'000	2011 £'000
Wages and salaries	**4,209**	4,060
Social security costs	**518**	486
Other pension costs	**677**	629
	5,404	5,175

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

	2012	2011
Operations, administration and finance	**18**	18
Underwriting and claims	**29**	28
	47	46

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:

	2012 £'000	2011 £'000
Emoluments	**757**	751

7 Active underwriter's emoluments

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

	2012 £'000	2011 £'000
Emoluments	**256**	253

8 Investment income

	2012 £'000	2011 £'000
Income from investments	**4,359**	5,676
Gains on the realisation of investments	**175**	336
	4,534	6,012

9 Investment expenses and charges

	2012 £'000	2011 £'000
Investment management expenses, including interest payable	**190**	209
Losses on realisation of investments	**737**	1,228
	927	1,437

10 Investment return

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

	31 December 2012		31 December 2011	
	Average funds '000*	Investment yield %	Average funds '000*	Investment yield %
Sterling	**31,288**	**4.3**	25,789	5.2
Euro	**26,986**	**1.6**	36,042	1.5
US Dollars	**248,190**	**1.1**	305,877	1.0
Canadian Dollars	**43,892**	**1.1**	38,005	1.9
All currencies converted	**237,102**	**1.6**	272,206	1.5

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares and other variable yield securities	**13,372**	24,331	**13,372**	24,331
Debt securities and other fixed income securities	**177,067**	192,463	**176,990**	192,873
Participation in investment pools	**4,879**	7,905	**4,879**	7,905
Deposits with approved credit institutions	**98**	103	**98**	103
	195,416	224,802	**195,339**	225,212

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, though the majority of investments were rated AAA to A by external ratings agencies as at the Balance Sheet date securities rated below A, but no lower than BBB had a value of £1.7 million.

12 Reinsurers' share of claims outstanding

The year end assessment of the recoverability of the Syndicate's reinsurance assets is a subjective one. 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: The grading refers to the year end grade of the relevant reinsurer by reference to their Bests and/or S&P rating. These ratings will not neccessarily be the same as when the relevant reinsurances were purchased.

	2012 £'000	2011 £'000
A grade security	**119,171**	153,014
Other*	**28,215**	23,568
	147,386	176,582
Less provision for bad debt	**(3,570)**	(4,658)
	143,816	171,924

* includes carriers within A rated groups which are no longer actively trading following acqusition or group re-organisation, carriers which have been subject to court approved transfers and carriers which are subject to collateralisation/LOC arrangements.

13 Debtors arising out of direct insurance operations

	2012 £'000	2011 £'000
Due within one year - intermediaries	**13,578**	14,238

14 Debtors arising out of reinsurance operations

	2012 £'000	2011 £'000
Due within one year	**81,489**	88,589

15 Other debtors

	2012 £'000	2011 £'000
Due within one year:		
Amounts due from members	**1,870**	1,655
Other	**88**	89
Due after one year:		
Amounts due from members	**3,232**	3,659
	5,190	5,403

16 Other assets - overseas deposits

	2012 £'000	2011 £'000
Amounts advanced in other countries as a condition of carrying on business there	**35,470**	36,317

17 Reconciliation of members' balances

	2012 £'000	2011 £'000
Members' balances at 1 January	**17,468**	64,693
Profit/(loss) for the financial year	**49,567**	(11,622)
Exchange (loss)/gain for the financial year	**(894)**	880
Transfers to members' personal reserve funds	**(55,222)**	(36,483)
Members' balances carried forward at 31 December	**10,919**	17,468

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 2009 (2008) closed year of account profit.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2012

continued

18 Creditors arising out of direct insurance operations

	2012 £'000	2011 £'000
Due within one year	**838**	1,703

19 Creditors arising out of reinsurance operations

	2012 £'000	2011 £'000
Due within one year	**30,593**	32,925

20 Other creditors including taxation and social security

	2012 £'000	2011 £'000
Due within one year:		
Profit commission owed to managing agent	**817**	5,087
Expenses owed to managing agent	**418**	159
Other	**14**	4
	1,249	5,250
Due after one year:		
Profit commission owed to managing agent	**637**	-
	1,886	5,250

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

	2012 £'000	2011 £'000
Net cash (outflow) for the year	**(2,435)**	(15,509)
Cash flow – portfolio investments	**(19,030)**	(4,589)
Movement arising from cash flows	**(21,465)**	(20,098)
Changes in market value and exchange rates	**(11,306)**	(355)
Total movement in portfolio investments net of financing	**(32,771)**	(20,453)
Balance brought forward at 1 January	**268,636**	289,089
Balance carried forward at 31 December	**235,865**	268,636

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

	At 1 January 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2012 £'000
Cash at bank and in hand	7,517	(2,435)	(103)	4,979
Overseas deposits	36,317	(465)	(382)	35,470
Shares and other variable yield securities	24,331	(9,780)	(1,179)	13,372
Debt securities and other fixed income securities	192,463	(6,073)	(9,323)	177,067
Participation in investment pools	7,905	(2,712)	(314)	4,879
Deposits with approved credit institutions	103	-	(5)	98
Total portfolio investments	261,119	(19,030)	(11,203)	230,886
Total cash at bank and in hand and portfolio investments	268,636	(21,465)	(11,306)	235,865

22 Net cash inflow on portfolio investments

	2012 £'000	2011 £'000
Purchase of debt securities and other fixed income securities	(114,828)	(115,071)
Sale of debt securities and other fixed income securities	120,901	148,868
Movement of shares and other variable yield securities	9,780	(9,854)
Movement of participation in investment pools	2,712	(2,043)
Movement of overseas deposits	465	(17,311)
Net cash inflow on portfolio investments	19,030	4,589

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 managing agency fees paid during calendar year 2012 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £2,271,827 (2011: £2,273,228).

Profit commission of £817,280 (2011: £5,087,042) is also due to the managing agent in respect of the profit on the 2010 (2009) closed year.

Profit commission of £nil (2011: £nil) has also been accrued in respect of the 2011 (2010) year of account, with £636,860 (2011: £nil) accrued in respect of the 2012 (2011) year of account.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2012

continued

23 Related parties *continued*

Expenses totalling £9,734,795 (2011: £8,626,128) 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 2012 totalled £1,872,249 (2011: £5,245,789) 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 2010, 2011 and 2012 underwriting years. Cathedral Capital (1998) Limited's share of the result for the 2012 calendar year is a profit of £29,504,436 (2011: £5,545,861 loss).

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 10 April 2013:

2010 Year of account	US$12,495,851

On the same date, outstanding profit commission of £817,283 will be paid to Cathedral Underwriting Limited on the 2010 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 have been ceded by Syndicate 2010 to Cathedral managed Syndicate 3010.

	Account	2010 account	2011 account	2012 account
1.	Satellite Account (SATEC)	16.67%	16.67%	16.67%
2.	North East USA Treaty Account	5.00%	5.00%	5.00%

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

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2010 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2012

Independent Auditor's Report to the Members of Syndicate 2010 – 2010 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2010 year of account of Syndicate 2010 for the three years ended 31 December 2012 which comprise 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 the related notes as set out on pages 41 to 56. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the managing agent and auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 41, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), which give a true and fair view.

Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the members on the 2010 year of account 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 members those matters we are required to state to them in an auditor's 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 on the 2010 year of account of the syndicate as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the syndicate underwriting year accounts

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2010 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires us to report to you if, in our opinion:

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

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

Tower Bridge House
St Katharine's Way
London E1W 1DD
7 March 2013

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

7 March 2013

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
2010 Year of Account
For the 36 months ended 31 December 2012

	Notes	36 months ended 31 December 2012 £'000
Earned premiums, net of reinsurance		
Gross premiums written	3	**282,501**
Outward reinsurance premiums		**(85,287)**
Net premiums written		**197,214**
Change in the provision for unearned premiums		
Gross amount		**(2,125)**
Reinsurers' share		**270**
Earned premiums, net of reinsurance		**195,359**
Reinsurance to close premiums received, net of reinsurance	3	**94,599**
Allocated investment return transferred from the non-technical account		**3,771**
Claims incurred, net of reinsurance		
Claims paid Gross amount		**(203,487)**
Reinsurers' share		**74,694**
		(128,793)
Reinsurance to close premium payable, net of reinsurance	8	**(95,638)**
Claims incurred net of reinsurance		**(224,431)**
Net operating expenses	5	**(55,740)**
Balance on the technical account for general business		**13,558**

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
2010 Year of Account
For the 36 months ended 31 December 2012

	Notes	36 months ended 31 December 2012 £'000
Balance on the general business technical account		**13,558**
Investment income	6	**5,107**
Unrealised gains on investments		**539**
Investment expenses and charges	7	**(1,048)**
Unrealised losses on investments		**(827)**
Allocated investment return transferred to the general business technical account		**(3,771)**
Profit for the closed year of account	14	**13,558**

Statement of Total Recognised Gains and Losses
2010 Year of Account
For the 36 months ended 31 December 2012

	Notes	36 months ended 31 December 2012 £'000
Profit for the financial year	14	**13,558**
Currency translation differences	14	**(4,685)**
Total recognised gains and losses		**8,873**

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

CATHEDRAL SYNDICATE 2010

Balance Sheet
2010 Year of Account
For the 36 months ended 31 December 2012

	Notes	31 December 2012 £'000
Assets		
Investments	9	**73,399**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**152**
Debtors arising out of reinsurance operations	11	**23,699**
Other debtors	12	**8,508**
		32,359
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**93,666**
Other assets:		
Cash at bank and in hand		**-**
Other	13	**18,223**
		18,223
Prepayments and accrued income		**21**
Total assets		**217,668**
Liabilities		
Amounts due to members	14	**8,873**
Reinsurance to close premiums payable to close the account – gross amount	8	**194,911**
Creditors:		
Creditors arising out of direct insurance operations	15	**71**
Creditors arising out of reinsurance operations	16	**12,885**
Other creditors including taxation and social security	17	**848**
		13,804
Accruals and deferred income		**80**
Total liabilities		**217,668**

The Syndicate underwriting year accounts on pages 41 to 56 were approved by the Board of Cathedral Underwriting Limited on 7 March 2013 and were signed on its behalf by:

L A Holder
Managing Director

J A Lynch
Finance Director

7 March 2013

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

Statement of Cash Flows
2010 Year of Account
For the 36 months ended 31 December 2012

	Notes	36 months ended 31 December 2012 £'000
Profit for the closed year of account		**13,558**
Realised and unrealised investment losses, including currency movements		**808**
Income from investments		**(4,866)**
Net reinsurance to close premium payable		**95,638**
(Increase) in debtors		**(16,765)**
(Increase) in prepayments and accrued income		**(21)**
Increase in creditors		**3,899**
Increase in accruals and deferred income		**80**
Exchange (loss)		**(4,685)**
Net cash inflow from operating activities		**87,646**
Returns on investment and servicing of finance:		
Interest received		**4,866**
Increase in cash and portfolio investments in the period	18	**92,512**
Cash flows were invested as follows:		
Movement in cash holdings	18	**-**
Net portfolio investments	19	**92,512**
Net investment of cash flows	18	**92,512**

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

Notes to the Syndicate Underwriting Year Accounts
2010 Year of Account
For the 36 months ended 31 December 2012

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 2010 year of account which has been closed by reinsurance to close at 31 December 2012; consequently the balance sheet represents the assets and liabilities of the 2010 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, IBNR, 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
2010 Year of Account
For the 36 months ended 31 December 2012

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 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
2010 Year of Account
For the 36 months ended 31 December 2012

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 2012	
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)	590	586	(279)	(154)	(10)	143
Motor (other classes)	666	663	(280)	(117)	(72)	194
Marine aviation and transport	3,763	3,721	(2,501)	(2,524)	202	(1,102)
Fire and other damage to property	88,826	87,945	(58,919)	(17,955)	(12,167)	(1,096)
Third party liability	1,454	1,427	(940)	(367)	(91)	29
Credit and suretyship	9,011	9,006	(8,510)	(466)	3,583	3,613
	104,310	103,348	(71,429)	(21,583)	(8,555)	1,781
Reinsurance acceptances*	272,790	271,627	(311,457)	(34,157)	81,993	8,006
Total	377,100	374,975	(382,886)	(55,740)	73,438	9,787

* Reinsurance acceptances include the reinsurance to close premium of £94,598,723 received from the 2009 year of account.

Geographical analysis by origin	Gross written premiums £'000	Profit/ (loss) £'000	Net assets £'000
Direct	104,310	2,468	1,615
Reinsurance	272,790	11,090	7,258
	377,100	13,558	8,873

All business originates in the UK.

Geographical analysis by destination	Gross written premiums £'000
UK	60,182
US	165,559
Other EU member states	34,915
Rest of the world	116,444
	377,100

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

	36 months ended 31 December 2012 £'000
Balance attributable to business allocated to the 2010 year of account	**46,785**
Balance attributable to the reinsurance to close of the 2009 year of account	**18,742**
	65,527

5 Net operating expenses

	36 months ended 31 December 2012 £'000
Acquisition costs	**43,034**
Change in deferred acquisition costs	**(377)**
Administrative expenses	**8,249**
Reinsurers' commissions and profit participation	**(986)**
Loss on exchange	**289**
Personal expenses	**5,531**
	55,740

The closed year profit is stated after charging:

	36 months ended 31 December 2012 £'000
Auditors' remuneration:	
- Audit of accounts	**103**
- Audit-related assurance services	**28**
- Taxation compliance services	**2**
- Other assurance services	**16**
- Other non-audit services	**18**
Staff pension costs	**611**

6 Investment income

	36 months ended 31 December 2012 £'000
Income from investments	**4,789**
Gains on the realisation of investments	**318**
	5,107

Notes to the Syndicate Underwriting Year Accounts
2010 Year of Account
For the 36 months ended 31 December 2012

continued

7 Investment expenses and charges

	36 months ended 31 December 2012 £'000
Investment management expenses, including interest	**181**
Losses on realisation of investments	**867**
	1,048

8 Reinsurance premium payable to close the 2010 year of account

	31 December 2012 £'000
Gross outstanding claims	**148,994**
Reinsurance recoveries anticipated	**(79,365)**
Net outstanding claims	**69,629**
Provision for gross claims incurred but not reported	**45,917**
Reinsurance recoveries anticipated	**(14,301)**
Provision for net claims incurred but not reported	**31,616**
Provision for future inwards gross premiums	**(15,512)**
Provision for future reinsurance protection	**9,905**
Provision for net premiums incurred but not reported	**(5,607)**
Reinsurance premium payable to close the account	**95,638**

9 Investments

	31 December 2012 Market value £'000
Shares and other variable yield securities	**4,540**
Debt Securities and other fixed income securities	**66,031**
Participation in investment pools	**2,730**
Deposits with approved credit instructions and approved financial institutions	**98**
	73,399

10 Debtors arising out of direct insurance operations

	31 December 2012 £'000
Due within one year	
- intermediaries	**152**

11 Debtors arising out of reinsurance operations

	31 December 2012 £'000
Due within one year	**23,699**

12 Other debtors

	31 December 2012 £'000
Inter-year loans	**6,630**
Amount due from members	**1,870**
Other	**8**
	8,508

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 2012 £'000
Amounts advanced in other countries as a condition of carrying on business there	**18,223**

14 Amounts due to members

	31 December 2012 £'000
Profit for the closed year of account	**13,558**
Currency translation differences	**(4,685)**
Members' balances carried forward at 31 December 2012	**8,873**

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

Notes to the Syndicate Underwriting Year Accounts
2010 Year of Account
For the 36 months ended 31 December 2012

continued

15 Creditors arising out of direct insurance operations

	31 December 2012 £'000
Due within one year	**71**

16 Creditors arising out of reinsurance operations

	31 December 2012 £'000
Due within one year	**12,885**

17 Other creditors including taxation and social security

	31 December 2012 £'000
Profit commission payable to managing agent	**817**
Expenses payable to managing agent	**31**
	848

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

	31 December 2012 £'000
Net cash movement for the period	**-**
Cash flow – portfolio investments	**92,512**
Movement arising from cash flows	**92,512**
Changes in market value and exchange rates	**(890)**
Total movement in portfolio investments net of financing	**91,622**
Balance brought forward at 1 January 2010	**-**
Balance carried forward at 31 December 2012	**91,622**

	At 1 January 2010 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2012 £'000
Cash at bank and in hand	-	-	-	**-**
Overseas deposits	-	18,116	107	**18,223**
Investments	-	74,396	(997)	**73,399**
Total portfolio investments	-	92,512	(890)	**91,622**
Total cash and portfolio investments	-	92,512	(890)	**91,622**

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2012 £'000
Purchase of overseas deposits	**(18,116)**
Purchase of investments	**(169,798)**
Sale of investments	**95,402**
Net cash (outflow) on portfolio investments	**(92,512)**

20 Borrowings

During the period to 31 December 2012, 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 2010 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 managing agency fees payable to Cathedral Underwriting Limited in respect of services provided to the Syndicate in respect of the 2010 year of account amounted to £2,273,975 of which £nil was outstanding at 31 December 2012. Profit commission of £817,283 is also due to the managing agent in respect of the profit on the 2010 closed year. Of this, £817,283 was outstanding at 31 December 2012.

Expenses totalling £8,328,031 were recharged to the 2010 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 2012 totalled £847,683 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:

	2010 Year of Account £	2011 Year of Account £	2012 Year of Account £
Cathedral Capital (1998) Limited	**202,309,782**	**202,310,471**	**202,310,477**

22 Post balance sheet events

The reinsurance premium to close the 2010 year of account at 31 December 2012 was agreed by the managing agent on 7 March 2013. Consequently the technical provisions at 31 December 2012 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 10 April 2013 US$12,495,851

On the same date, outstanding profit commission, in respect of the 2010 year of account, of £817,283 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2010 YoA	2009 YoA	2008 YoA	2007 YoA	2006 YoA	2005 YoA	2004 YoA
Syndicate allocated capacity	£349.8m	£299.8m	£299.7m	£299.7m	£249.7m	£199.7m	£199.7m
Gross capacity utilised (i)	80.8%	93.5%	77.6%	71.3%	87.2%	107.0%	98.4%
Number of underwriting members	1,058	1,024	1,003	1,023	1,035	1,004	1,020
Aggregate net written premiums (i)	£197.2m	£202.7m	£168.7m	£159.6m	£169.6m	£157.5m	£152.1m
Net capacity utilised (i)	56.4%	67.6%	56.3%	53.3%	67.9%	78.8%	76.2%
Loss ratio (ii)	77.4%	61.7%	71.0%	68.8%	65.7%	67.7%	59.3%
Results for an illustrative share of £10,000							
Gross written premiums	8,076	9,349	7,756	7,133	8,715	10,699	9,843
Net earned premiums	5,585	6,798	5,993	5,515	6,608	7,856	7,649
Reinsurance to close received from an earlier account	2,704	2,799	2,347	2,194	1,812	1,519	1,041
Net claims paid	(3,682)	(2,762)	(3,125)	(2,956)	(2,896)	(4,085)	(3,636)
Reinsurance to close payable	(2,734)	(3,155)	(2,799)	(2,347)	(2,633)	(2,266)	(1,519)
Profit/(loss) on exchange	(8)	13	65	7	54	5	16
Acquisition costs	(1,219)	(1,457)	(1,266)	(1,199)	(1,400)	(1,733)	(1,612)
Syndicate operating expenses	(208)	(234)	(225)	(214)	(261)	(323)	(272)
Balance on technical account before investment return	438	2,002	990	1,000	1,284	973	1,667
Investment income and gains less losses, less expenses & charges	108	125	166	313	439	317	216
Profit for closed year of account before personal expenses	546	2,127	1,156	1,313	1,723	1,290	1,883
Currency translation differences	(134)	31	306	281	1,191	(152)	(233)
Total recognised gains and losses before personal expenses	412	2,158	1,462	1,594	2,914	1,138	1,650
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	(35)	(41)	(34)	(100)	(100)	(50)	(125)
- Lloyd's subscription	(35)	(41)	(34)	(50)	(50)	(50)	(50)
- Profit commission	(55)	(402)	(266)	(241)	(472)	(170)	(247)
Total illustrative personal expenses for a traditional Name	(190)	(549)	(399)	(456)	(687)	(335)	(487)
Total result after illustrative personal expenses	**222**	**1,609**	**1,063**	**1,138**	**2,227**	**803**	**1,163**

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.

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