

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Registered No. 5958038

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CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

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CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

DIRECTORS AND ADVISORS

Non Executive Chairman	E E Patrick
Directors	J A Lynch P D Scales
Company Secretary	J A Lynch
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Sponsor re: Listing of Investor Loan Notes	Ogier Whiteley Chambers Don Street St Helier Jersey JE4 9WG
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Company Number	5958038
Registered Office	5 th Floor Fitzwilliam House 10 St Mary Axe London EC3A 8EN

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

REPORT OF THE DIRECTORS

The Directors present herewith their report, together with the audited financial statements of the Company for the year ended 31 December 2009

Company Registration Number

The Company registration number is 5958038.

Principal Activity and Review of the Business

The Company is the holding company of Cathedral Capital Holdings Limited and, as such, does not participate in any trade of its own

During the year, the Company received a dividend of £5,000,000 from its subsidiary and some interest on its cash balances. The Company also paid interest on the Manager and Investor Loan Notes it has issued together with some minor expenses.

Cathedral Capital Holdings Limited was originally set up in 1997 as a Names' Conversion vehicle which enabled Names at Lloyd's with unlimited liability to convert to limited liability. One of its two main trading subsidiary companies, Cathedral Capital (1998) Limited, underwrites at Lloyd's as a corporate member. This company which underwrote circa £203.4 million of capacity for the 2009 year of account is the sole capital provider to Cathedral Syndicate 3010 and provides circa 57.8% of the capital supporting Cathedral Syndicate 2010. For the 2010 year of account, this company provides capacity of circa £232.3 million, on Syndicates 2010 and 3010 only. The company has not provided capacity to any external Syndicates since the 2008 year of account.

Cathedral Capital Holdings Limited's other main trading subsidiary is Cathedral Underwriting Limited, a Lloyd's managing agency which is authorised and regulated by the UK Financial Services Authority ("FSA") and Lloyd's. This company has the rights to manage Cathedral Syndicate 2010, a syndicate currently specialising in non-marine and aviation reinsurance and direct and facultative property and contingency business, with premium capacity of around £300 million for the 2009 year of account. The capacity of that Syndicate was increased to £350 million for the 2010 year of account. This company also has the rights to manage Cathedral Syndicate 3010, a syndicate specialising in marine cargo business. This Syndicate's capacity was £30 million for the 2009 year of account and maintained at this level for the 2010 year of account. Syndicate 3010 also wrote a number of small quota shares of certain select accounts from Syndicate 2010 for the 2009 year of account and has renewed these for the 2010 year of account. Syndicate 2010 and Syndicate 3010 have both just closed their 2007 year of account with a profit. Syndicates 2010 and 3010 reported a combined 2009 calendar year profit of £44.1 million which equates to a combined ratio of 77.8%. This company intends to expand and develop its operations within the insurance market as opportunities and market conditions allow.

Cathedral Capital (Investments) Limited has been approved by the FSA and Lloyd's as a controller of both Cathedral Underwriting Limited and Cathedral Capital (1998) Limited.

Results and Dividends

The results attributable to shareholders for the year are shown on page 8.

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

During the year, the Company paid an interim dividend of £2.5 million to its parent company (2008 £nil), equating to 6.19p per ordinary share (2008 nil).

Principal risks

The Company has been approved by the FSA and Lloyd's as a controller of Cathedral Underwriting Limited and accordingly a principal risk to the business is the withdrawal of this regulatory approval to act as a controller of that company. If this were to occur the Company would be unable to remain as the controller of this regulated business

Another risk to the Company is that the Investor Loan Notes cease to be listed on the Channel Island Stock Exchange. If that were to occur the Company would have to account for withholding tax on the interest payments

Financial instruments

The Company's principal financial instruments are amounts owed by related group companies and cash

The Directors are not aware of anything to suggest that the amounts owed by other entities within the Cathedral group are not recoverable. Cash deposits are held with UK clearing banks and therefore there is limited exposure to liquidity or credit risk.

The Company is exposed to interest rate risk as the amount owed by related group companies is variable. Other than that, the Company has limited exposure to interest rate risk as the Investor Loan Notes and the Manager Loan Notes that it has issued pay a fixed rate coupon and the dissenting bank account does not pay interest

Directors

The Directors who held office during the year are set out on page 2.

Information on Directors' transactions is set out in Note 14 on page 14.

Going Concern

After making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

Auditors

Mazars LLP have expressed their willingness to continue in office for the coming year.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

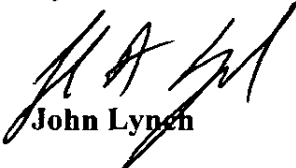
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' and Officers' Insurance

Cathedral Capital Limited has, in accordance with the provisions of its articles, purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and all of its subsidiary companies All Directors and Officers of the Company are covered by this insurance

By order of the Board



John Lynch

Company Secretary

7 April 2010

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

We have audited the financial statements of Cathedral Capital (Investments) Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and related notes. 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 Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit the financial statements 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 company and the company's member as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on the financial statements

In our opinion the financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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 Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

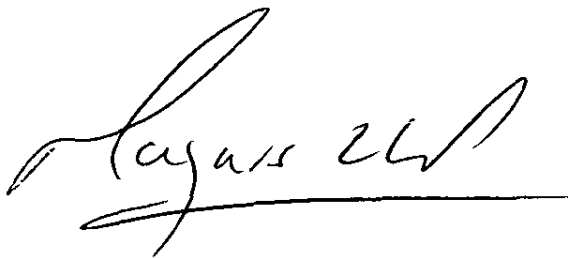
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATHEDRAL
CAPITAL (INVESTMENTS) LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Andrew Hubbard', with a horizontal line underneath it.

Mazars LLP, Chartered Accountants (Statutory Auditor)
Andrew Hubbard (Senior Statutory Auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD

7 April 2010

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Notes</u>	<u>Year ended</u> <u>31 December</u> <u>2009</u> <u>£'000</u>	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'000</u>
Turnover – continuing operations	2	5,000	8,500
Administrative expenses		<u>(14)</u>	<u>(20)</u>
Operating profit – continuing operations	3	4,986	8,480
Interest receivable and similar income	4	181	789
Interest payable and similar charges	5	(7,109)	(7,678)
(Loss) / profit on ordinary activities before tax		<u>(1,942)</u>	<u>1,591</u>
Taxation	6	2,053	1,969
Profit on ordinary activities after taxation	12	<u>111</u>	<u>3,560</u>

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

During the year, the Company paid dividends of £2.5 million (2008: £nil), as set out in Note 10.

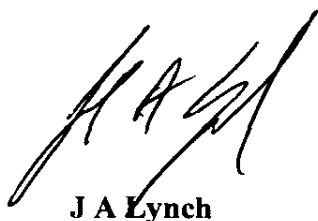
The Notes on pages 10 to 14 form an integral part of these financial statements.

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

		<u>31 December</u> <u>2009</u> £'000	<u>31 December</u> <u>2008</u> £'000
	Notes		
Fixed assets: Investments (in subsidiaries)	7	118,486	118,486
Current assets: Cash at bank		220	14
Debtors	8	9,777	12,492
Creditors: Amounts falling due within one year	9	(6,384)	(6,504)
Net Current Assets		<u>3,613</u>	<u>6,002</u>
Creditors: Amounts falling due after one year	9	(76,302)	(76,302)
Net Assets		<u>45,797</u>	<u>48,186</u>
Capital and reserves			
Called up equity share capital	11	404	404
Share premium		40,004	40,004
Profit and loss account	12	5,389	7,778
Equity shareholder's funds	12	<u>45,797</u>	<u>48,186</u>

Approved and authorised for issue by the Board of Directors on 7 April 2010
and signed on their behalf by :-



J A Lynch

The Notes on pages 10 to 14 form an integral part of these financial statements

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009

1. Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover comprises dividends from its subsidiary. These are recognised on a receipts basis.

(c) Fixed asset investments

Fixed asset investments are carried at the lower of cost or Directors' valuation

(d) Cashflow Statement

Cathedral Capital (Investments) Limited is exempt from preparing a cashflow statement under FRS1 Cathedral Capital Limited, the parent company, prepares a consolidated cashflow statement.

(e) Consolidation

The Company has not produced consolidated accounts as it is exempt under Section 400 of the Companies Act 2006

2. Turnover

	<u>Year ended</u> <u>31 December</u> <u>2009</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000
Dividend from group company	<u>5,000</u>	<u>8,500</u>

3. Operating profit – continuing operations

	<u>Year ended</u> <u>31 December</u> <u>2009</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000
This is arrived at after charging:-		

Audit of the financial statements of the company	7	8
Other fees to auditors – taxation services	<u>2</u>	<u>4</u>

No Directors received emoluments from the Company during the year.

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009 (CONTINUED)**

4. Interest receivable	<u>Year ended</u> <u>31 December</u> <u>2009</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000
Bank interest	-	58
Interest from related group companies	181	731
	<u>181</u>	<u>789</u>

5. Interest payable	<u>Year ended</u> <u>31 December</u> <u>2009</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000
Guaranteed loan notes	-	50
Investor Loan Notes and Manager Loan Notes	7,020	7,206
Interest payable to related group companies	89	422
	<u>7,109</u>	<u>7,678</u>

6. Tax (credit) on (loss) / profit on ordinary activities	<u>Year ended</u> <u>31 December</u> <u>2009</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000
<i>Current tax</i>		
UK corporation tax on profits for the year	-	-
Amount paid by a fellow subsidiary in respect of tax saved by group relief relating to		
2008	(109)	(1,969)
2009	(1,944)	-
	<u>(2,053)</u>	<u>(1,969)</u>
<i>Factors affecting the tax (credit) for the year</i>		
(Loss) / profit on ordinary activities before tax	(1,942)	1,591
Current tax at 28.0% (2008: 28.5%)	(544)	453
Amount paid by a fellow subsidiary in respect of tax saved by group relief relating to 2008	(109)	-
Income not taxable	(1,400)	(2,422)
Current tax (credit) for the year	<u>(2,053)</u>	<u>(1,969)</u>

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009 (CONTINUED)**

7. Investments	<u>31 December</u> <u>2009</u> £'000	<u>31 December</u> <u>2008</u> £'000
Investment in Cathedral Capital Holdings Limited	<u>118,486</u>	<u>118,486</u>

Cathedral Capital (Investments) Limited owns the entire issued share capital of Cathedral Capital Holdings Limited, a company incorporated in England

8. Debtors	<u>31 December</u> <u>2009</u> £'000	<u>31 December</u> <u>2008</u> £'000
Amounts owed by group undertakings	<u>9,777</u>	<u>12,492</u>

9. Creditors	<u>31 December</u> <u>2009</u> £'000	<u>31 December</u> <u>2008</u> £'000
<i>Amounts falling due within one year</i>		
Withholding tax payable	294	307
Accrued expenses	12	11
Amounts payable to former shareholders of Cathedral Capital Holdings Limited	1	1
Amounts owed to group undertakings	<u>6,077</u>	<u>6,185</u>
	<u>6,384</u>	<u>6,504</u>
<i>Amounts falling due after one year</i>		
Loan notes	<u>76,302</u>	<u>76,302</u>

The loan notes comprise of unsecured Manager Loan Notes 2014 and unsecured Investor Loan Notes 2014. These pay a coupon of 9.2%. The Investor Loan Notes are listed on the Channel Islands Stock Exchange.

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009 (CONTINUED)**

10. Dividends	<u>Year ended</u> <u>31 December</u> <u>2009</u> <u>£'000</u>	<u>Year ended</u> <u>31 December</u> <u>2008</u> <u>£'000</u>
Dividend of 6 19p per share (2008: £nil per share)	<u>2,500</u>	<u>-</u>

11. Called up equity share capital	<u>31 December</u> <u>2009</u> <u>£'000</u>	<u>31 December</u> <u>2008</u> <u>£'000</u>
Issued:		
40,408,157 ordinary shares of 1p each, fully paid	<u>404</u>	<u>404</u>

All shares are owned by Cathedral Capital Limited

12. Reconciliation of movements in equity shareholder's funds	Issued equity share capital £'000	Share premium account £'000	Profit & loss account £'000	Total £'000
Balance at 1 January 2009	404	40,004	7,778	48,186
Profit for the year	-	-	111	111
Dividends	-	-	(2,500)	(2,500)
Total equity shareholder's funds at 31 December 2009	<u>404</u>	<u>40,004</u>	<u>5,389</u>	<u>45,797</u>

13. Ultimate parent undertaking

The immediate and ultimate parent company is Cathedral Capital Limited, a company registered in England & Wales

14. Related party transactions

(i) Transactions with other entities in the Cathedral group

The Company's ultimate parent undertaking prepares consolidated financial statements that are publicly available. Accordingly, the Company has taken advantage of an exemption in Financial Reporting Standard 8 and does not disclose transactions with other entities in the Cathedral group

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2009 (CONTINUED)**

14. Related party transactions (continued)

(ii) Directors' interests in transactions

During the year, the Directors and their families received dividends on the Preference shares issued by Cathedral Capital Limited at 6.44% per annum and interest on their Manager Loan Notes issued by Cathedral Capital (Investments) Limited at 9.2% per annum.

The Preference shares and Manager Loan Notes held by the Directors and their families at 31 December (according to the registers of Directors' interests) were as follows:

	31 December 2009		31 December 2008	
	Preference £1 shares number	Manager Loan Notes £	Preference £1 shares number	Manager Loan Notes £
E E Patrick	357,211	714,533	357,211	714,533
J A Lynch	822,639	1,645,531	822,639	1,645,531
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 Cathedral Group have a potential interest in the shares (and other assets) held by the ESOP.

The ESOP also received dividends on the Preference shares and interest on the Manager Loan Notes. The ESOP holdings of "B" ordinary shares and Preference shares of Cathedral Capital Limited and Manager Loan Notes of Cathedral Capital (Investments) Limited at 31 December were as follows:

	Cathedral Capital Limited "B" Ordinary shares number	Cathedral Capital Preference £1 shares number	Cathedral Capital (Investments) Limited Manager Loan Notes £
At 31 December 2009	13,723	651,084	1,302,367
At 31 December 2008	13,655	648,508	1,297,216

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

We have audited the financial statements of Cathedral Capital (Investments) Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and related notes. 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 Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 company and the company's member as a body for our audit work, for this report, or for the opinions we have formed

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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 Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATHEDRAL
CAPITAL (INVESTMENTS) LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Mazars LLP, Chartered Accountants (Statutory Auditor)
Andrew Hubbard (Senior Statutory Auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD

7 April 2010