

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

Registered No. 5958038



CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

| CONTENTS | PAGE |
|-----------------------------------|-------------|
| Directors and Advisors | 2 |
| Report of the Directors | 3 |
| Independent Auditors' Report | 7 |
| Profit and Loss Account | 9 |
| Balance Sheet | 10 |
| Notes to the Financial Statements | 11 |

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

DIRECTORS AND ADVISORS

Non Executive Chairman E E Patrick

Directors J A Lynch
 A Morgan (resigned 22 January 2007)
 P D Scales
 D J H Slade (resigned 29 March 2007)

Company Secretary J A Lynch

Auditors Mazars LLP
 Tower Bridge
 House
 St Katharine's
 Way
 London E1W
 1DD

Sponsor re:
Listing of bank 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 5th 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 2007

Change of Name

On 12 April 2007, the Company's name was changed to Cathedral Capital (Investments) Limited.

Principal Activity and Review of the Business

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

During the year, the Company received a dividend of £21,500,000 from its subsidiary and some interest on its funds. The Company also paid interest on the Manager and Investor Loan Notes it holds and interest on the Guaranteed Loan Notes together with some small 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 underwrote approximately £204.9 million of capacity for the 2007 year of account, of which, £189.2 million supported Cathedral Syndicates 2010 and 3010 with the remainder supporting an external third party syndicate. For the 2008 year of account, the Group supports capacity of circa £219.1 million of which £203.4 million supports Syndicates 2010 and 3010, with the remainder supporting an external third party syndicate.

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 2007 year of account. The capacity of the Syndicate was maintained at £300 million for the 2008 year of account. During the year, the company also formed Syndicate 3010, which currently specialises in Marine Cargo business and is supported 100% by the Group's corporate name. This Syndicate's capacity was £20 million for the 2007 year of account and has been increased to £30 million for the 2008 year of account.

Cathedral Syndicate 2010 has just closed the 2005 year of account with a profit. Syndicates 2010 and 3010 reported a combined 2007 calendar year profit of £42.8 million which equates to a combined ratio of 78.5%. 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 9

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

Results and Dividends (continued)

A dividend of £12,000,000 was declared and paid in 2007 (2006: £nil), equating to 29.7p per ordinary share (2006: 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 in the Channel Island Stock Exchange.

Financial instruments

The Company's principal financial instrument is cash. Cash deposits of the Company, money held in trust for dissenting shareholders of Cathedral Capital Holdings Limited and bank guarantee loan notes are all held with UK clearing banks and therefore there is limited exposure to liquidity or credit risk.

The Company is not really exposed to interest rate risk as the Investor Loan Notes and the Manager Loan Notes that it has issued pay a fixed rate coupon, the dissenting bank account does not pay interest and the interest risk of the bank guaranteed loan notes rests with the holders of those loan notes and not the Company.

Loan Notes

During the year, the Investor Loan Notes, which have a nominal value of £61,913,428, were listed on the Channel Islands Stock Exchange.

Bank Guaranteed Loan Notes

During the year, £1.1 million of the Bank Guaranteed Loan Notes were repaid leaving £1.1 million outstanding at 31 December 2007.

Directors

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

Directors' Interests in Shares

The interests of the Directors and their families in the share capital of Cathedral Capital Limited according to the register of directors' interests were as follows:

| | 31 December 2007 | | 31 December 2006 | |
|-------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | "B" Ordinary 1 pence shares | Ordinary 1 pence shares | "B" Ordinary 1 pence shares | Ordinary 1 pence shares |
| E E Patrick | 9,388 | 9,788 | 9,388 | 9,788 |
| J A Lynch | 21,634 | 33,413 | 21,634 | 33,413 |
| P D Scales | 21,634 | 33,413 | 21,634 | 33,413 |

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

Directors' Interests in Shares (continued)

The Directors also have an interest in preference shares issued by Cathedral Capital Limited and loan notes issued by this Company. These interests are set out below.

| | 31 December 2007 | | | 31 December 2006 | | |
|-------------|-------------------------|--------------------------------|-------------------------------|-------------------------|--------------------------------|-------------------------------|
| | Preference £1 shares | Investor Loan Notes £ | Manager Loan Notes £ | Preference £1 shares | Investor Loan Notes £ | Manager Loan Notes £ |
| E E Patrick | 366,699 | - | 733,509 | 366,699 | - | 733,509 |
| J A Lynch | 844,489 | - | 1,689,232 | 844,489 | - | 1,689,232 |
| P D Scales | 844,489 | - | 1,689,232 | 844,489 | - | 1,689,232 |

Mr Morgan and Mr Slade resigned as directors on 22 January and 29 March 2007 respectively. At 31 December 2006 and at the date of their respective resignations they had an interest in Cathedral Capital Limited of 126 and 851 A ordinary 1 pence shares. Mr Morgan and Mr Slade also had an interest of 5,541 and 37,500 £1 preference shares respectively and £11,084 and £75,011 Investor Loan Notes respectively

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 at 31 December 2007 and 31 December 2006 are.

| | Cathedral Capital Limited | | Cathedral Capital (Investments) Limited |
|----------------|---------------------------------------|--------------------------------|--|
| | "B" Ordinary 1 pence share numbers | Preference £1 share numbers | Manager Loan Notes £ |
| At 31 December | 17,054 | 665,733 | 1,331,666 |

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

Elective Resolutions

The Company has passed elective resolutions pursuant to Section 379A of the Companies Act 1985 on 5 April 2007. This dispenses with the need to hold an Annual General Meeting, lodge the report and financial statements before the members of the Company, and appoint the auditors annually.

The subsequent implementation of provisions of the Companies Act 2006 has now rendered the first two of these resolutions redundant.

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). The financial statements are required by law to 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.

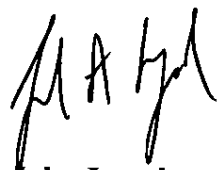
In preparing those financial statements, the Directors are required to:

- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



John Lynch
Company Secretary
9 April 2008

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 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

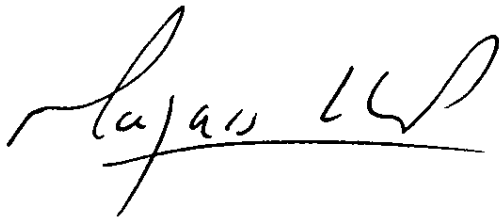
CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'Mazars LLP', with a horizontal line underneath the text.

Mazars LLP
Chartered Accountants
and Registered Auditors

9 April 2008

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

| | | Year ended 31 December 2007 | Period from 5 October to 31 December 2006 |
|---|--------------|--------------------------------------|--|
| | <u>Notes</u> | £'000 | £'000 |
| Turnover – continuing operations | 2 | 21,500 | - |
| Administrative expenses | | <u>(69)</u> | <u>(80)</u> |
| Operating profit – continuing operations | 3 | 21,431 | (80) |
| Interest receivable and similar income | 4 | 400 | 34 |
| Interest payable and similar charges | 5 | (7,454) | (398) |
| Profit on ordinary activities before tax | | <u>14,377</u> | <u>(444)</u> |
| Taxation | 6 | 2,152 | 133 |
| Profit on ordinary activities after taxation | 12 | <u>16,529</u> | <u>(311)</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 £12,000,000 (2006: £nil), as set out in note 10.

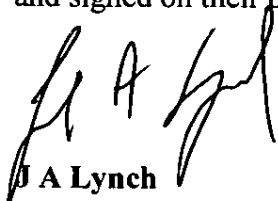
The notes on pages 11 to 14 form part of these financial statements

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

| | | As at 31 December 2007 | As at 31 December 2006 |
|---|-------|------------------------------|------------------------------|
| | Notes | £'000 | £'000 |
| Fixed assets: Investments (in subsidiaries) | 7 | 118,486 | 118,486 |
| Current assets: Cash at bank | | 1,139 | 6,412 |
| Debtors | 8 | 14,602 | 133 |
| Prepayments and accrued income | | - | 10 |
| Creditors: Amounts falling due within one year | 9 | (10,134) | (4,406) |
| Net Currents Assets | | 124,093 | 2,149 |
| Creditors: Amounts falling due after one year | 9 | (79,467) | (80,538) |
| Net Assets | | 44,626 | 40,097 |
| Capital and reserves | | | |
| Called up equity share capital | 11 | 404 | 404 |
| Share premium | | 40,004 | 40,004 |
| Profit and loss account | 12 | 4,218 | (311) |
| Shareholder's funds | 12 | 44,626 | 40,097 |

Approved and authorised for issue by the Board of Directors on 9 April 2008
and signed on their behalf by :-


J A Lynch

The Notes on pages 11 to 14 form part of these financial statements

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007

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 228 of the Companies Act 1985.

2. Turnover

| | <u>2007</u> £'000 | <u>2006</u> £'000 |
|-----------------------------|----------------------|----------------------|
| Dividend from group company | <u>21,500</u> | <u>-</u> |

3. Operating profit – continuing operations

| | <u>2007</u> £'000 | <u>2006</u> £'000 |
|--|----------------------|----------------------|
| This is arrived at after charging - | | |
| Audit of the financial statements of the company | 6 | 5 |
| Other fees to auditors – taxation services | <u>22</u> | <u>-</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 2007 (CONTINUED)

| 4. Interest receivable | <u>2007</u> | <u>2006</u> |
|---------------------------------------|--------------------|--------------------|
| | £'000 | £'000 |
| Bank interest | 100 | 34 |
| Interest from related group companies | 300 | - |
| | <u>400</u> | <u>34</u> |

| 5. Interest payable | <u>2007</u> | <u>2006</u> |
|---|---------------------|--------------------|
| | £'000 | £'000 |
| Guaranteed loan notes | 84 | 3 |
| Investor loan notes and manager loan notes | 7,206 | 395 |
| Interest payable to related group companies | 164 | - |
| | <u>7,454</u> | <u>398</u> |

| 6. Tax (credit) on profit on ordinary activities | <u>2007</u> | <u>2006</u> |
|---|-----------------------|---------------------|
| | £'000 | £'000 |
| <i>Current tax</i> | | |
| UK corporation tax on profits for the year | - | (133) |
| Adjustment in respect of previous years | 133 | - |
| Amount paid by a fellow subsidiary in respect of tax saved by group relief relating to 2006 | (148) | - |
| 2007 | <u>(2,137)</u> | <u>-</u> |
| | <u>(2,152)</u> | <u>(133)</u> |
| <i>Factors affecting the tax charge for the year</i> | | |
| Profit on ordinary activities before tax | 14,377 | (444) |
| Current tax at 30% | 4,313 | (133) |
| Adjustment in respect of previous years | 133 | - |
| Amount paid by a fellow subsidiary in respect of tax saved by group relief relating to 2006 | (148) | - |
| 2007 | - | - |
| Income not taxable | (6,450) | - |
| Current tax (credit) for the year | <u>(2,152)</u> | <u>(133)</u> |

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2007 (CONTINUED)

| 7. Investments | <u>2007</u> <u>£'000</u> | <u>2006</u> <u>£'000</u> |
|--|---|---|
| Investments 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>2007</u> <u>£'000</u> | <u>2006</u> <u>£'000</u> |
| Amounts owed by group undertakings | <u>14,602</u> | <u>-</u> |
| 9. Creditors | <u>2007</u> <u>£'000</u> | <u>2006</u> <u>£'000</u> |
| Amounts falling due within one year. | | |
| Withholding tax payable | 326 | - |
| Interest payable | 1 | 398 |
| Accrued expenses | 28 | - |
| Trade creditors | 10 | 1,284 |
| Bank overdraft | 193 | - |
| Amounts payable to former shareholders of Cathedral Capital Holdings Ltd | 1 | 2,179 |
| Amounts owed to group undertakings | <u>9,575</u> | <u>-</u> |
| | <u>10,134</u> | <u>4,406</u> |
| Amounts falling due after one year: | | |
| Loan notes | 78,328 | 78,328 |
| Bank guaranteed loan notes | <u>1,139</u> | <u>2,210</u> |
| | <u>79,467</u> | <u>80,538</u> |

The Bank overdraft relates to unpresented cheques of £192,849 only

The loan notes comprise unsecured Manager Loan Notes 2014 and unsecured Investor Loan Notes 2014 and payment in kind notes as noted on page 5 of these accounts. These pay a coupon of 9.2%. The Investor Loan Notes are listed on the Channel Islands Stock Exchange.

The Bank Guaranteed Loan Notes are guaranteed by Barclays Bank PLC and pay a coupon of the Barclays treasury rate less 75 basis points.

CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2007 (CONTINUED)

10. Dividends

| | <u>2007</u> £'000 | <u>2006</u> £'000 |
|----------------------------------|----------------------|----------------------|
| 2007 dividend of 27.9p per share | <u>12,000</u> | <u>-</u> |
| | <u>12,000</u> | <u>-</u> |

11. Called up equity share capital

| | <u>2007</u> £'000 | <u>2006</u> £'000 |
|---|----------------------|----------------------|
| Authorised: | | |
| 40,408,200 ordinary shares of 1p each | <u>404</u> | <u>404</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 shareholder's funds

| | Issued share capital £'000 | Share premium account £'000 | Profit & loss account £'000 | Total £'000 |
|--|-------------------------------------|--------------------------------------|--------------------------------------|----------------|
| Balance at 1 January 2007 | 404 | 40,004 | (311) | 40,097 |
| Profit for the year | - | - | 16,529 | 16,529 |
| Dividends | - | - | (12,000) | (12,000) |
| Total shareholder's funds at 31 December 2007 | <u>404</u> | <u>40,004</u> | <u>4,218</u> | <u>44,626</u> |

13. Ultimate parent undertaking

The immediate and ultimate parent company is Cathedral Capital Limited, a company registered in England & Wales. This company prepares consolidated financial statements.

14. Related Party transactions

The Company's 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.