

**CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**



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**Registered No. 5958038**

# **CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

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# **CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

## **DIRECTORS AND ADVISORS**

<b>Non Executive Chairman</b>	E E Patrick
<b>Directors</b>	J A Lynch P D Scales
<b>Company Secretary</b>	J A Lynch
<b>Auditors</b>	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
<b>Sponsor re: Listing of Investor Loan Notes</b>	Ogier Whiteley Chambers Don Street St. Helier Jersey JE4 9WG
<b>Bankers</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP
<b>Company Number</b>	5958038
<b>Registered Office</b>	5 <sup>th</sup> 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 2008.

### **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 £8,500,000 from its subsidiary and some interest on its funds. The Company also paid interest on the Manager and Investor Loan Notes it has issued and interest on the Bank Guaranteed Loan Notes together with some small expenses.

Some of the Manager and Investor Loan Notes held by the Company were redeemed on 31 December 2008. In addition, all of the Bank Guaranteed Loan Notes were redeemed by 31 December 2008.

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 £219.1 million of capacity for the 2008 year of account, of which, £203.4 million supported Cathedral Syndicates 2010 and 3010 with the remainder supporting an external third party syndicate. For the 2009 year of account, the Group also supports capacity of circa £203.4 million, all of which supports Syndicates 2010 and 3010.

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 2008 year of account. The capacity of that syndicate was maintained at £300 million for the 2009 year of account. The company also has the rights to manage Cathedral Syndicate 3010, a syndicate currently specialising in marine cargo business and is supported 100% by the Group's corporate member. This syndicate's capacity was £30 million for the 2008 year of account and maintained at this level for the 2009 year of account. Syndicate 3010 will also write a small quota share of certain select accounts from Syndicate 2010 for the 2009 year of account. Syndicate 2010 has just closed the 2006 year of account with a profit. Syndicates 2010 and 3010 reported a combined 2008 calendar year profit of £49.1 million which equates to a combined ratio of 90.2 %. 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.

No dividend was declared or paid in 2008 (2007: £12,000,000 equating to 29.7p per share).

## **CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

### **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.

### **Financial instruments**

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

The Company's principal financial instruments are intercompany debt and cash. Cash deposits are held with UK clearing banks and therefore there is limited exposure to liquidity or credit risk. The Directors are not aware of anything to suggest that the amounts owed by the Cathedral group are not recoverable.

The Company is exposed to interest rate risk as the amount owed by related group companies is variable. Other than that, 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 and the dissenting bank account does not pay interest.

### **Loan Notes**

On 31 December 2008, £424,650 of the Manager Loan Notes and £1,601,700 of the Investor Loan Notes were redeemed.

### **Bank Guaranteed Loan Notes**

During the year, the remaining Bank Guaranteed Loan Notes were fully repaid.

### **Directors**

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

Information on directors' transactions is set out on page 15.

### **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.

# **CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

## **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.

## **Auditors**

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

## **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 appoint the auditors annually.

## **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.

## **CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

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.

### **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 this Company are covered by this insurance.

By order of the Board



**John Lynch**

*Company Secretary*  
8 April 2009

## **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 2008 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 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 to it 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 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.

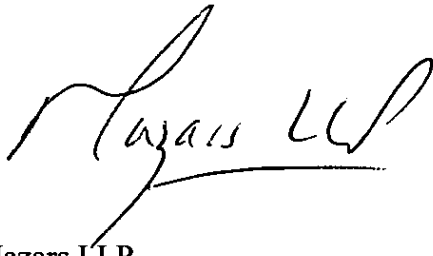
**CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

**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 2008 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 long horizontal line extending from the end of the signature.

Mazars LLP  
Chartered Accountants  
and Registered Auditors

8 April 2009

**CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>Notes</u>	<u>Year ended 31 December 2008 £'000</u>	<u>Year ended 31 December 2007 £'000</u>
<b>Turnover</b> – continuing operations	2	<b>8,500</b>	21,500
Administrative expenses		<u>(20)</u>	<u>(69)</u>
<b>Operating profit</b> – continuing operations	3	<b>8,480</b>	21,431
Interest receivable and similar income	4	<b>789</b>	400
Interest payable and similar charges	5	<b>(7,678)</b>	(7,454)
<b>Profit on ordinary activities before tax</b>		<u><b>1,591</b></u>	<u>14,377</u>
Taxation	6	<b>1,969</b>	2,152
<b>Profit on ordinary activities after taxation</b>	12	<u><b>3,560</b></u>	<u>16,529</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 nil dividends (2007: £12,000,000), as set out in note 10.

The Notes on pages 11 to 15 form an integral part of these financial statements.

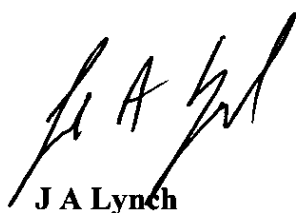
# CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2008

		<u>31 December</u> <u>2008</u> £'000	<u>31 December</u> <u>2007</u> £'000
	Notes		
<b>Fixed assets:</b> Investments (in subsidiaries)	7	<b>118,486</b>	118,486
<b>Current assets:</b> Cash at bank		<b>14</b>	1,139
Debtors	8	<b>12,492</b>	14,602
<b>Creditors:</b> Amounts falling due within one year	9	<b>(6,504)</b>	(10,134)
<b>Net Current Assets</b>		<b>6,002</b>	5,607
<b>Creditors:</b> Amounts falling due after one year	9	<b>(76,302)</b>	(79,467)
<b>Net Assets</b>		<b>48,186</b>	44,626
<b>Capital and reserves</b>			
Called up equity share capital	11	<b>404</b>	404
Share premium		<b>40,004</b>	40,004
Profit and loss account	12	<b>7,778</b>	4,218
<b>Shareholder's funds</b>	12	<b>48,186</b>	44,626

Approved and authorised for issue by the Board of Directors on 8 April 2009  
and signed on their behalf by :-



**J A Lynch**

The Notes on pages 11 to 15 form an integral part of these financial statements.

# CATHEDRAL CAPITAL (INVESTMENTS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

### 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>Year ended</u> <u>31 December</u> <u>2008</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2007</u> £'000
Dividend from group company	<u>8,500</u>	<u>21,500</u>

### 3. Operating profit – continuing operations

	<u>Year ended</u> <u>31 December</u> <u>2008</u> £'000	<u>Year ended</u> <u>31 December</u> <u>2007</u> £'000
This is arrived at after charging:-		
Audit of the financial statements of the company	8	6
Other fees to auditors – taxation services	<u>4</u>	<u>22</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 2008 (CONTINUED)**

<b>4. Interest receivable</b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2008</u></b> <b><u>£'000</u></b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Bank interest	58	100
Interest from related group companies	731	300
	<b>789</b>	<b>400</b>

<b>5. Interest payable</b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2008</u></b> <b><u>£'000</u></b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Guaranteed loan notes	50	84
Investor loan notes and manager loan notes	7,206	7,206
Interest payable to related group companies	422	164
	<b>7,678</b>	<b>7,454</b>

<b>6. Tax (credit) on profit on ordinary activities</b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2008</u></b> <b><u>£'000</u></b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
<i>Current tax:</i>		
UK corporation tax on profits for the year	-	-
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	-	(2,137)
2008	(1,969)	-
	<b>(1,969)</b>	<b>(2,152)</b>

<i>Factors affecting the tax (credit) for the year</i>		
Profit on ordinary activities before tax	<b>1,591</b>	<b>14,377</b>
Current tax at 28.5% (2007: 30%)	<b>453</b>	<b>4,313</b>
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)
Income not taxable	<b>(2,422)</b>	<b>(6,450)</b>
Current tax (credit) for the year	<b>(1,969)</b>	<b>(2,152)</b>

**CATHEDRAL CAPITAL (INVESTMENTS) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2008 (CONTINUED)**

**7. Investments**

	<u>31</u> <u>December</u> <u>2008</u> <u>£'000</u>	<u>31</u> <u>December</u> <u>2007</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>31 December</u> <u>2008</u> <u>£'000</u>	<u>31 December</u> <u>2007</u> <u>£'000</u>
Amounts owed by group undertakings	<u>12,492</u>	<u>14,602</u>

**9. Creditors**

	<u>£'000</u>	<u>£'000</u>
<i>Amounts falling due within one year:</i>		
Withholding tax payable	307	326
Interest payable	-	1
Accrued expenses	11	28
Trade creditors	-	10
Bank overdraft	-	193
Amounts payable to former shareholders of Cathedral Capital Holdings Ltd	1	1
Amounts owed to group undertakings	<u>6,185</u>	<u>9,575</u>
	<u>6,504</u>	<u>10,134</u>
<i>Amounts falling due after one year:</i>		
Loan notes	76,302	78,328
Bank guaranteed loan notes	-	1,139
	<u>76,302</u>	<u>79,467</u>

The loan notes comprise 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.

The Bank Guaranteed Loan Notes were guaranteed by Barclays Bank PLC and paid 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 2008 (CONTINUED)**

<b>10. Dividends</b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2008</u></b> <b><u>£'000</u></b>	<b><u>Year ended</u></b> <b><u>31 December</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
2007 dividend of 27.9p per share	-	12,000

<b>11. Called up equity share capital</b>	<b><u>31 December</u></b> <b><u>2008</u></b> <b><u>£'000</u></b>	<b><u>31 December</u></b> <b><u>2007</u></b> <b><u>£'000</u></b>
Authorised:		
40,408,200 ordinary shares of 1p each	404	404
Issued:		
40,408,157 ordinary shares of 1p each, fully paid	404	404

All shares are owned by Cathedral Capital Limited.

<b>12. Reconciliation of movements in shareholder's funds</b>	<b>Issued share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit &amp; loss account £'000</b>	<b>Total £'000</b>
Balance at 1 January 2008	404	40,004	4,218	44,626
Profit for the year	-	-	3,560	3,560
<b>Total shareholder's funds at 31 December 2008</b>	<b>404</b>	<b>40,004</b>	<b>7,778</b>	<b>48,186</b>

**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**

*(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 2008 (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. In addition, some of their preference shares and manager loan notes were redeemed at par on 31 December 2008.

The preference share and manager loan notes held by the directors and their families at 31 December (according to the registers of directors' interests) were as follows:

	<b>31 December 2008</b>		<b>31 December 2007</b>	
	<b>Preference £1 shares</b>	<b>Manager Loan Notes £</b>	<b>Preference £1 shares</b>	<b>Manager Loan Notes £</b>
E E Patrick	<b>357,211</b>	<b>714,533</b>	366,699	733,509
J A Lynch	<b>822,639</b>	<b>1,645,531</b>	844,489	1,689,232
P D Scales	<b>822,639</b>	<b>1,645,531</b>	844,489	1,689,232

The Cathedral Group has an Employee Share Ownership Plan ("ESOP") in which all full time employees are potential beneficiaries. As such, all Directors who are full time employees of 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. In addition, some of the preference shares and manager loan notes held by the ESOP were redeemed on 31 December 2008. The preference share and manager loan notes held by the ESOP at 31 December were as follows:

	<b>Cathedral Capital Limited Preference share numbers</b>	<b>Cathedral Capital (Investments) Limited Manager Loan Notes £</b>
<b>At 31 December 2008</b>	<b>648,508</b>	<b>1,297,216</b>
<b>At 31 December 2007</b>	<b>665,733</b>	<b>1,331,666</b>