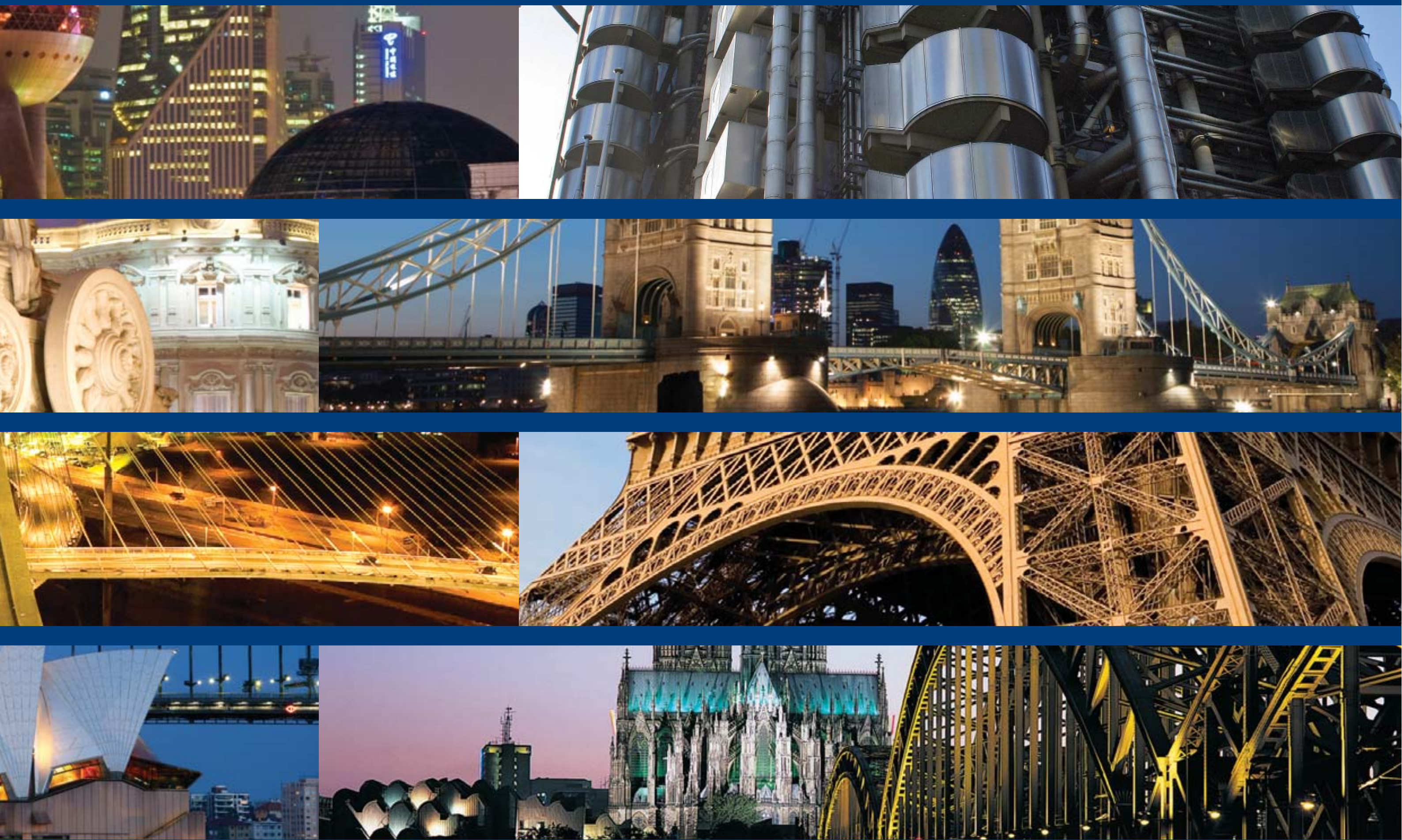
Liberty Syndicates



Annual Report 2010

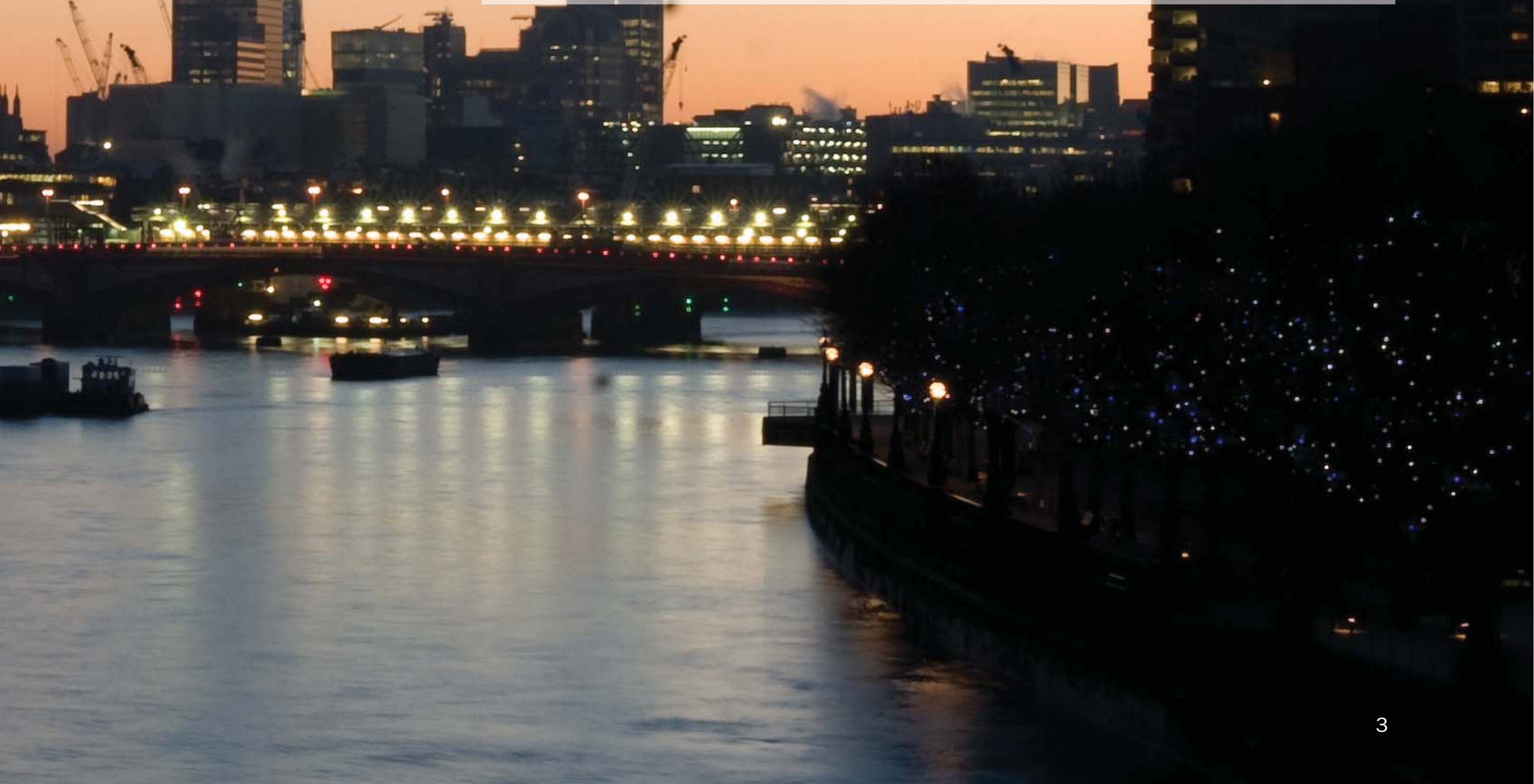
Contents

Despite difficult trading conditions and challenging investment markets, Liberty Syndicates produced a strong set of financial results in 2010. This ability to perform – even during less favourable economic conditions – is the hallmark of the business's firm foundations and its clear strategic thinking.

Maximising profitability through diversified and disciplined underwriting continued to be the overarching strategic driver of the business. The Syndicate was also enhanced by the addition of carefully selected business lines and underwriting units to the existing platform, and the sound progress of the new international hubs.

With prospects for 2011 'a source of optimism', Liberty Syndicates has reinforced its position as the must see market for the diverse range of globally distributed specialist insurance and reinsurance products it underwrites.

Headline Financials	**2010 £m**	**2009 £m**
Gross premiums written	**1,035.3**	**1,024.6**
Profit for the financial year	**129.6**	**146.9**
Combined ratio	**92**%	**97**%



I am pleased with the progress made by our European and Latin American hubs.

Brian FitzGerald
Chairman

Strong financial results demonstrate the firm foundation on which our business has been built and a reflection of the expertise and hard work put in by Liberty Syndicates staff during 2010.

A strong set of financial results was achieved against a backdrop of difficult trading conditions across our core lines of business and challenging investment markets. I believe it demonstrates the firm foundation on which our business has been built and is a reflection of the expertise and hard work put in by Liberty Syndicates staff during 2010.

We recognise the importance of distribution as a key driver of success. Brokers and clients are at the heart of Liberty Syndicates' business model and we have been proactive in reaching out to them via Lloyd's as well as taking our products to local markets. I am pleased with the progress made by our European and Latin American hubs and look to build upon this when suitable opportunities arise in other territories.

The leadership exhibited by our underwriters combined with our excellent claims service standards and market knowledge position Liberty Syndicates as a global insurance and reinsurance specialist. Thus, despite continuing downward pressure on rates, I believe that our prospects for 2011 remain strong.

B FitzGerald

Brian FitzGerald
Chairman
17 March 2011

Yet again the business has performed ahead of the expectations that I had at the beginning of the year.

Nick Metcalf
Chief Executive Officer

Liberty Syndicates has built up a strong reputation for consistently providing bespoke underwriting solutions to our clients and the speed of response when dealing with broker requests has further cemented our position as a must see market.

For the financial year ended 31 December 2010, I am pleased to report that Syndicate 4472 produced an underlying profit[1] of £121.2m (2009 – £81.7m). Yet again the business has performed ahead of the expectations that I had at the beginning of the year. It is a particularly satisfying achievement given the challenges faced by the business which included deterioration in trading conditions, uncertain investment markets and a relatively high number of catastrophe events.

The quality of our business and business diversity is reflected in this set of results and I would like to recognise the contribution made by the Liberty Syndicates team in this success. The business operates at the highest level based upon delivery of market-leading expertise and service standards. Our strategy during 2010 was to build further upon our strong operating platform through the selection of new business lines and our success in attracting a number of high quality underwriting units supports this new business, across both the insurance and reinsurance divisions. These new additions made an immediate contribution to the business during a year that was characterised by profitable growth.

Looking forward to 2011

Despite the current downward trend of the underwriting cycle, I am optimistic about the prospects for our business in 2011. There are some pockets of improvement, particularly in markets where loss experience

[1] Underlying profit represents Total Recognised Gains for the year excluding foreign exchange translation and investment return under United Kingdom Generally Accepted Accounting Principles ("UK GAAP"), plus investment income under United States Generally Accepted Accounting Principles ("US GAAP").

has been poor. The prospect of outperforming the market is further improved through the continued build out of a strong underwriting team, motivated by profitability rather than premium growth. I am confident that Liberty Syndicates' market-leading position will continue to yield access to business that is consistent with our risk appetite. The ability of the Syndicate to absorb losses during 2010 demonstrated that the appetite for risk within this business is appropriate for the level of capital deployed and will continue to be the case as I seek to build upon an already resilient platform. Liberty Syndicates has invested considerable resource into the development of sophisticated modelling techniques and pricing models. These provide management with a clear view of the risks faced by the business and give them the tools to deploy relevant strategies to mitigate them.

Liberty Syndicates' position within the Liberty Mutual Group affords us the flexibility to adjust strategy quickly.

My optimism is tempered with a degree of caution however as I continue to be surprised by the level of capitalisation that remains in global insurance markets. In the absence of an industry-wide catastrophic event and while investors continue to demonstrate apathy towards ever decreasing returns on their capital, it is likely that soft market conditions will continue to prevail. However, Liberty Syndicates' position within the Liberty Mutual Group affords us the flexibility to adjust strategy quickly, thus reacting to changing market conditions and maximising profitability.

Our business

Liberty Syndicates is organised around high quality staff in both underwriting and support functions. Following the significant changes made to the operating structure in 2009, last year was one of consolidation with a programme of enhancements made at all levels of the business. We strengthened resources across a number of functions, particularly on the risk management and operational sides of the business to ensure that the Syndicate is well prepared to implement Solvency II and has the appropriate structures in place to support the ongoing underwriting strategy.

Liberty Syndicates is organised around high quality staff in both underwriting and support functions.

Liberty Syndicates' strong underwriting reputation has allowed us to continue attracting high quality underwriting teams. During 2010 our underwriting portfolio was supplemented by the recruitment of a number of market-leading underwriters including recognised specialists in Agriculture Reinsurance, Marine Hull and Specialty Motor. My ambition for 2011 is to maintain this momentum without sacrificing the quality and profitability of the overall premium base.

Clients and Markets

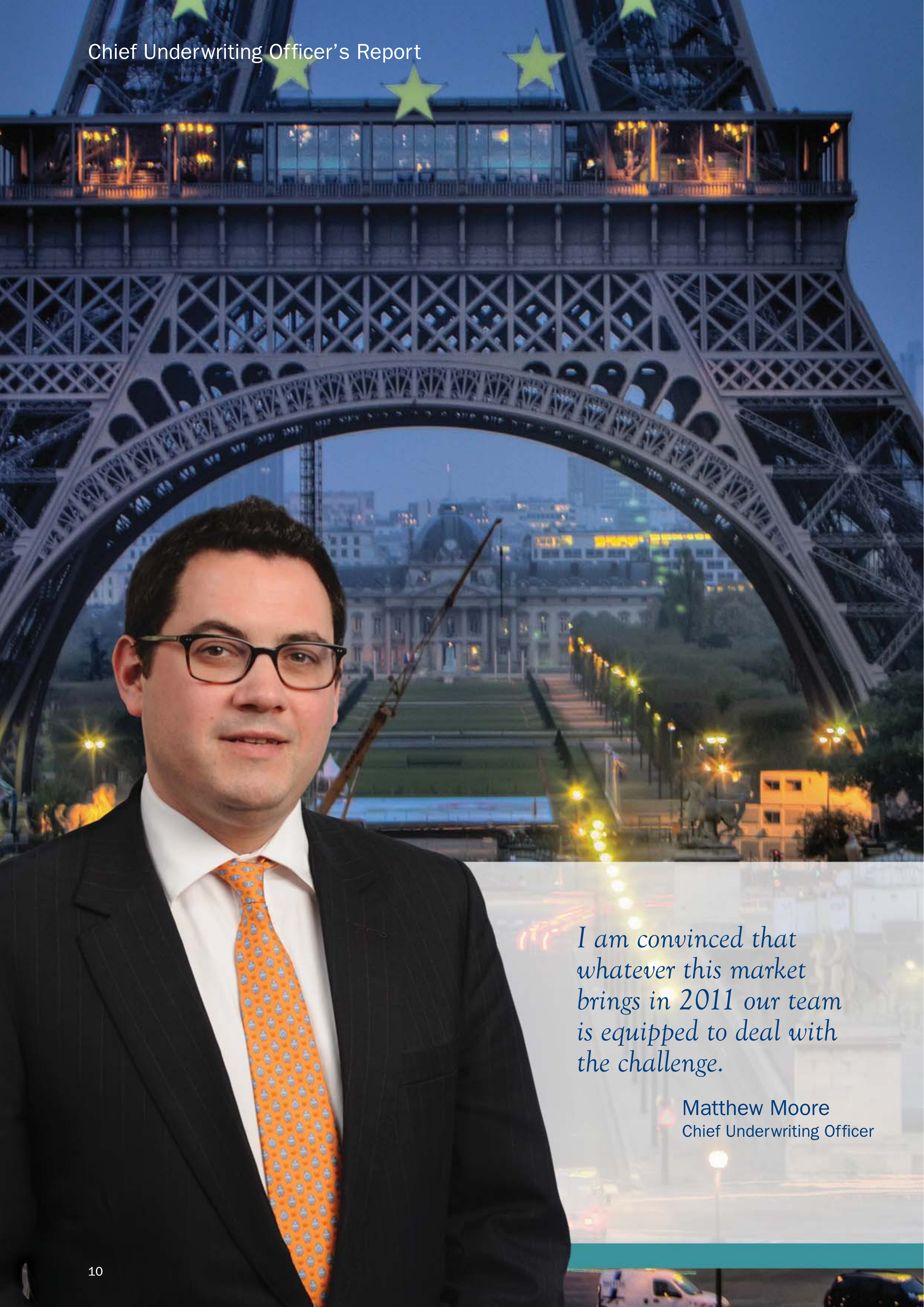
Liberty Syndicates underwrites a broad portfolio of specialist insurance and reinsurance products. Our client-focused business operates to a mantra of exacting service standards provided via market-leading underwriting combined with claims and risk management expertise. Liberty Syndicates has built up a strong reputation for providing bespoke underwriting solutions to our clients and the speed of response when dealing with broker requests has further cemented our position as a must see market.

Liberty Syndicates enjoys a truly global reach to underwriting, as being at Lloyd's, it lies at the heart of the London market where a concentration of specialist insurance and reinsurance expertise will continue to attract the most complex and large international business. Access to our trading partners around the world is key to the success of our business model and the Lloyd's platform with its global licenses and strong rating, combined with a sophisticated broker network continues to be our prime distribution channel.

Liberty Syndicates' presence in local markets continued to strengthen over the past twelve months and I look forward to building upon the progress made via our hubs across Europe and Latin America during 2011.

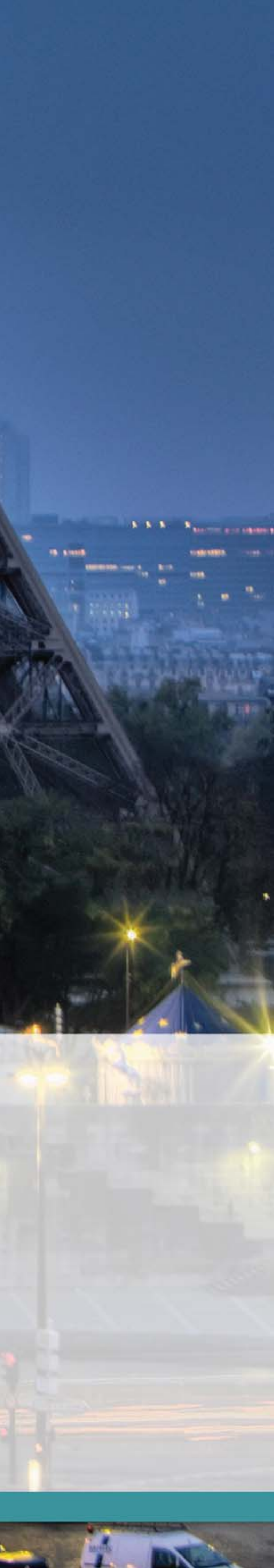
Nick Metcalf

Nick Metcalf
Chief Executive Officer
17 March 2011



I am convinced that whatever this market brings in 2011 our team is equipped to deal with the challenge.

Matthew Moore
Chief Underwriting Officer



The fact that the Syndicate has become a sought-after location for many of the most respected names in our market has been a source of satisfaction and ongoing optimism for me in 2010.

2010 demonstrated that the strategic decisions made in recent years have produced a profitable, resourceful and stable business. Neither higher than average natural catastrophe loss activity nor continued softening in market rates prevented our underwriters from delivering a very successful result.

The Syndicate continued to benefit from increased diversity of risks and brokers sought to rely more heavily on our expertise and sound capital base. Our acquisitions in 2009 – in Marine Liability, Terrorism, Specie, Cargo – continued to successfully build their books and have earned great respect; both in the Syndicate and the market at large.

Supported by core, high profit accounts such as Property, Personal Accident, Space and business acquired via agency networks, our Insurance business justified its reputation in the front rank of the Lloyd's market.

Increased diversity of risks

I am delighted that we were able to augment our Insurance offering by the addition of a Specialty Motor team, led by Julian Cashen and the Marine Hull capability of Rob Henbury.

The fact that the Syndicate has become a sought after location for many of the most respected names in our market has been a source of satisfaction and ongoing optimism for me in 2010. This was reinforced with the acquisition of Jean-Christophe Garaix and his team to write our Agriculture Reinsurance book. The addition of this class is not only

Chief Underwriting Officer's Report

exciting in the short term, but also introduces the business to revenue streams connected with natural resource management and concerns about the effects of changing climate. All indications suggest this will become even more important in 21st century markets.

Agriculture Reinsurance took its place alongside Trade Credit Reinsurance and Aviation Reinsurance as global market leads in these niche Reinsurance classes, all of which were successful in 2010 in generating both significant profits and balance to the book.

> *The strategy to diversify the business applies geographically as well as across classes and to this end, I am satisfied with the progress the Syndicate made during 2010 to augment its international trading position via its underwriting hubs in Europe and Latin America.*

Market losses

The losses the market faced in Chile, New Zealand, Thailand and the BP oil spill were all well within the risk appetite of our underwriters and were digested in a fashion which gave comfort to our cedants. The Reinsurance business, led by Dieter Winkel, continued to be a sought-after source of capital and expertise in 2010 and its results do it great credit.

A word of recognition for my Casualty Reinsurance underwriters. In a difficult market, with rating pressures and a resolutely unhelpful investment environment, they performed thoughtfully and inventively in 2010. I am convinced that whatever this market brings in 2011 our team is equipped to deal with the challenge to the benefit of both the Syndicate and to our cedants and brokers.

Global reach

The strategy to diversify the business applies geographically as well as across classes and to this end, I am satisfied with the progress the Syndicate made during 2010 to augment its international trading position via its underwriting hubs in Europe and Latin America. That we had to move into new offices in Paris, Madrid and São Paulo bears testament to the significant growth in business transacted by the Syndicate in local markets. I want to build upon the success of local office networks to access new and exciting opportunities to the Syndicate and the Lloyd's market.

> *I want to build upon the success of local office networks to access new and exciting opportunities to the Syndicate and the Lloyd's market.*

2011 will no doubt be tough. I am concerned about the potential for global economic recovery and reduced margins in specialist Reinsurance and Insurance will make significant demands on our business. I also have no doubt however that we can navigate profitably through this part of the cycle.

Our record in 2010 demonstrates that we have the team to do it and we look forward to 2011 with enthusiasm.

Matthew Moore
Chief Underwriting Officer
17 March 2011

The improvement in profitability was driven by better claims experience in the year.

John Dunn
Director of Finance

The Syndicate's underlying profit increased from £81.7m to £121.1m, while total recognised gains increased from £137.4m to £140.5m.

The Syndicate's underlying profit increased from £81.7m to £121.1m, while total recognised gains increased from £137.4m to £140.5m. The lower increase in total recognised gains was as a result of reduced unrealised investment gains, as market yields stabilised after the significant reductions in 2009.

The highlights from our technical and non-technical accounts are detailed below:

£m	**2010**	**2009**
Gross premiums written	1,035.3	1,024.6
Premiums earned, net of reinsurance	825.2	846.8
Claims incurred, net of reinsurance	(468.9)	(519.1)
Net operating expenses	(292.0)	(304.0)
Investment return	65.3	123.2
Profit for the financial year	**129.6**	**146.9**
Foreign exchange translation	10.9	(9.4)
Total recognised gains for the year	**140.5**	**137.4**

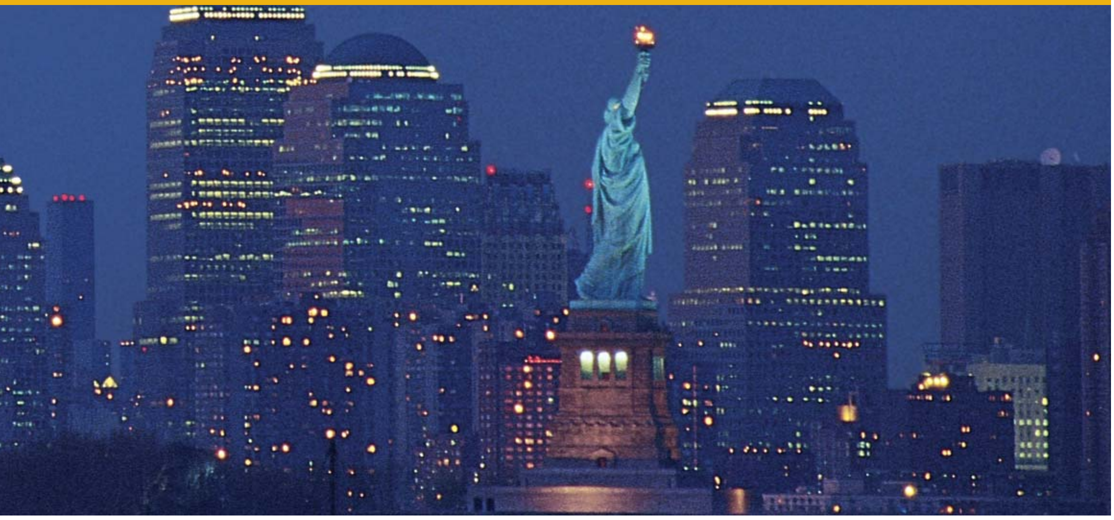
The component parts of the Syndicate's underlying profit are detailed below:

Underlying profit:		
Total recognised gains for the year	140.5	137.4
Foreign exchange translation	(10.9)	9.4
Investment return under UK GAAP[1]	(65.3)	(123.2)
Investment income under US GAAP[1]	56.9	58.1
Underlying profit for the financial year	**121.2**	**81.7**
Combined ratio[2]	**92%**	**97%**

The Syndicate manages its investments under US GAAP accounting principles and thus measures its underlying profit by removing the UK GAAP investment return and replacing it with its US GAAP investment income. The unrealised gains/losses recognised under UK GAAP may reverse in later years for those investments that the Syndicate holds until maturity.

[1] Investment return under UK GAAP includes net unrealised gains/losses on investments as calculated using UK GAAP. Investment income under US GAAP does not include net unrealised gains/losses as calculated under US GAAP.

[2] The combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to premiums earned, net of reinsurance. It excludes investment income and realised and unrealised gains/losses.



The improvement in profitability was driven by better claims experience in the year. This resulted from both a reduction in prior year reserves, as a result of the low emergence of large and attritional losses on the recent years of account, and also from a lower incidence of attritional and large losses incurred during the year, though partially offset by the current year catastrophe losses.

Gross written premium was marginally higher in 2010 compared to 2009, however, this masks significant growth in a number of areas. We have grown our diversifying classes and added new business classes and distribution channels during 2010. However, as a result, we have taken the opportunity to reduce our less profitable but non-correlating personal lines quota share reinsurance, resulting in the one percent growth overall in gross written premium from 2009.

We have grown our diversifying classes and added new business classes and distribution channels during 2010.

Net operating expenses were lower in 2010 with a continuing planned increase in personnel to meet our strategy of profitable growth, offset by reductions in acquisition costs.

Investment income

Our underlying investment income reduced from £58.1m to £56.9m. While the investment base increased, the significant reduction in market yields and spreads in 2009 and 2010 required us to invest new premiums at lower yields which reduced our underlying investment income.

Unrealised gains/(losses) on investments were significantly lower than the prior year as yields remained broadly level at historically low rates during the year.

Foreign exchange

The majority of the Syndicate's premium income is underwritten in US dollars. We are also a fully aligned Syndicate with a US parent and report internally in US dollars. However, for the purpose of this report, the net assets in each individual currency are converted back to Sterling resulting in a currency translation movement of £10.9m.

> *The Syndicate continues to embrace Solvency II, believing that this will enhance both our and the Lloyd's market's risk reward and capital management decisions.*

Solvency II

The Syndicate continues to embrace Solvency II, believing that this will enhance both our and the Lloyd's market's risk reward and capital management decisions. This can only add to the stability of the Lloyd's platform and enhance Lloyd's, and therefore the Syndicate's global trading position. We are well advanced in our preparedness for Solvency II, a fact that has been recognised by Lloyd's. The preparation for the introduction of Solvency II continues to incur significant one-off and ongoing costs and we are working closely with Lloyd's and the FSA in order to ensure that the Syndicate both meets and benefits from the challenges.

Syndicate operations

Supporting the business is an important element of achieving our strategy of profitable growth and as such the Syndicate continues to strengthen its operational team to meet the challenges that arise from supporting one of the largest underwriting businesses at Lloyd's. This is especially important as we continue to grow our international footprint and meet the challenges of a continuing softening phase of the rating cycle.

John Dunn

John Dunn
Director of Finance
17 March 2011

Underwriting Structure

Our Underwriting team is divided between Insurance, including Property, Contingent Lines, Marine and Reinsurance, which is split between Worldwide, London and Casualty.

Matthew Moore
Chief Underwriting Officer

Dean Pitts
Head of Insurance

Nigel Tatlock
Property Division

North American Property
International Property
Speciality US
Speciality International

David Morris
Contingent Lines Division

Personal Accident
Contingency
Global Financial Risks
Latent Defects
Legal Indemnities
Specialty Motor
Strike Risk Management

Simon Clapham
Marine Division

Marine War
Marine Liability
Aviation War
Cargo
Fine Art & Specie
Space
Terrorism
Marine Hull

Dieter Winkel
Head of Reinsurance

Eric Sugier
Worldwide Division

Treaty Property
Trade Credit Reinsurance
Non-Proportional Catastrophe & Per Risk
Proportional Catastrophe
Agriculture

Chris Rudd
London Division

London Market Risks
Aviation XL
Miscellaneous Reinsurance

Kevin Ritchie
Casualty Reinsurance Division

General Treaty Casualty
Medical Malpractice
London Market Treaty Casualty
Motor Third Party Liability

Syndicate 4472 Annual Report 2010

Directors and administration

Managing Agent:
Liberty Syndicate Management Limited

Directors

Brian FitzGerald	Chairman
Nick Metcalf	Chief Executive Officer
John Dunn	Director of Finance
Matthew Moore	Active Underwriter and Chief Underwriting Officer
Danny Forsythe (USA)	Non-Executive
Gordon McBurney (USA)	Non-Executive
Richard Youell	Non-Executive
Derek Scott	Non-Executive

Company secretary
Rachael Trist

Managing agent's registered office
Plantation Place South
60 Great Tower Street
London
EC3R 5AZ

Managing agent's registered number
3003606

SYNDICATE:
Active underwriter
Matthew Moore

Investment managers
BlackRock Investment Management (UK) Limited
General Re – New England Asset Management, Inc.
Payden & Rygel Global Ltd.

Registered auditors
Ernst & Young LLP, London

Managing agent's report

The directors of Liberty Syndicate Management Limited present their report for the year ended 31 December 2010.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for calendar year 2010 is a profit of £129,552,000 (2009 – £146,867,000). Profits will be distributed by reference to the results of individual underwriting years.

Principal activity and review of the business

The Syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business. The Syndicate's key financial performance indicators during the year were as follows:

	2010 £'000	2009 £'000	Change %
Gross premiums written	1,035,254	1,024,565	1%
Profit for the financial year	129,552	146,867	(12)%
Total recognised gains and losses relating to year	140,482	137,429	2%
Combined ratio (i)	92%	97%	

Notes:

(i) The combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to premiums earned, net of reinsurance. It excludes investment income and realised and unrealised gains and losses.

The Syndicate's profit for the financial year was lower than that of 2009. This reduction was largely driven by reduced realised and unrealised gains, but also by lower income resulting from the low interest rate environment as market yields stabilised after the significant reductions in 2009.

The underwriting result (balance on the general business technical account less allocated investment return) has increased from £23.7m to £64.2m. This is reflected in the Syndicate's combined ratio which improved from 97% in 2009 to 92% in 2010. The improvement in the combined ratio was mainly driven by a lower loss ratio, marginally impacted by higher net operating expenses due to an increase in premises and employee costs as the Syndicate plans for growth and incurs the additional costs of Solvency II.

The lower loss ratio resulted from both a reduction in prior year reserves as a result of the low emergence of large and attritional losses on the recent years of account and also from a lower incidence of attritional and large losses incurred during the year, though partially offset by the current year catastrophe losses.

The Syndicate incurred net claims for a number of market losses in 2010, the largest of these being from the Chile earthquake, the 2010 New Zealand earthquake, Calgary hailstorm and the Bangkok riots. Various other current year losses were also incurred. There was a net release from reserves in respect of prior years related to large losses for such events as Gustav, Buncefield and Winterstorm Klaus as these claims developed.

Managing agent's report (continued)

Principal risks and uncertainties

Insurance risk

Insurance risk is defined as the risk of loss arising from inherent uncertainties about the occurrence, amount and timing of insurance liabilities, premiums and related reinsurance recoveries. This risk is viewed in the following constituent parts:

- Pricing risk: the risk that a policy will be written for too low a premium;
- Aggregate exposure risk: the risk that the frequency or severity of insured events will be higher than expected;
- Reinsurance structure risk: the risk that reinsurance contracts in place to reduce gross insurance risk do not perform appropriately; and
- Reserving risk: the risk that estimates of the ultimate claims costs subsequently prove to be insufficient.

The principal controls to mitigate these risks are:

- The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volume, pricing, line size and retention by class of business. The Board then monitors performance against the business plan on an ongoing basis throughout the year;
- Benchmark pricing methodologies and rate change monitoring are in place for all classes of business;
- Risk tolerances are defined for major underwriting risk exposures, including from catastrophe loss events. Exposures are monitored and controlled through internal and external tools which estimate maximum probable losses, including stochastic modelling where appropriate; and
- Reserve adequacy is monitored by the Board's regular assessment of reserve strength in comparison to its risk appetite. Underwriting, claims and actuarial analysis all inform the level at which reserves are set and an annual actuarial review of the Syndicate's reserves provides additional assurance in this area.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers, brokers or coverholders. Board approved criteria have been set for reinsurance purchases based on internal assessment, major credit rating agency benchmarks, and maximum exposure to each counterparty. The agency also maintains strict conditions for broker and coverholder appointments.

Market risk

Market risk is defined as the potential for financial losses from adverse movements in the value of investments due to such factors as interest rate movements, credit spreads, market liquidity and exchange rate fluctuations. Foreign exchange movements can result from mismatches between the currencies in which assets and liabilities are denominated.

The main risks of capital losses to the invested assets are that interest rates rise or that credit spreads widen, leading to the capital value of bonds falling. To mitigate these risks, the agency sets appropriate duration ranges for the portfolio with reference to the maturity profile of the Syndicate's claims liabilities and sets limits on the individual and aggregate credit exposure for each portfolio.

The agency mitigates foreign exchange rate risk by managing the currency weightings of the investment portfolios in GBP, USD, EUR and CAD against the Syndicate's principal currency exposures. The Syndicate's investment portfolio is predominantly USD fixed interest securities.

Managing agent's report (continued)

Liquidity risk
This is the risk that the Syndicate will not be able to meet its liabilities as they fall due. To mitigate this risk weekly cash flow projections are prepared and the Syndicate maintains a portfolio of liquid investments that could reasonably be expected to realise near total market value on any particular day in order to accommodate the liquidity requirements following an extreme insurance loss.

Operational risk
This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The agency maintains a control environment that includes operations procedures manuals covering all aspects of the business as well as the continual maintenance of a risk register by the agency's Chief Risk Officer. Risk mitigation plans are prepared and implemented to treat operational risks. An Internal Audit team also prepare and execute a risk-based internal audit programme to test the effectiveness of internal controls.

The agency also has a detailed programme in place to identify and analyse risks to the integrity of certain financial information used and reported in the business. Key controls identified as part of this programme, many of which address people, process or system risk, are subject to regular internal review and the majority are also subject to independent testing.

Regulatory risk
Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to change in regulations. The agency is required to comply, inter alia, with the requirements of the Financial Services Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The agency's overseas operations are also subject to local laws. The agency has a dedicated Compliance Officer who monitors regulatory developments and assesses the impact on the agency's policies and procedures.

Future developments
The Syndicate will continue to transact general insurance and reinsurance business via the Lloyd's underwriting platform. Our philosophy of profitable growth drives our appetite for development of diversification in our insurance and reinsurance books of business through new product lines and entry into new geographical markets.

The relatively benign loss experience in recent years, combined with a general strengthening of insurer and reinsurer balance sheets is expected to drive increased capacity in most classes of business during 2011. As a result, further deterioration in the premium rating environment is forecast as the year unfolds. Strict underwriting discipline remains a priority at the Syndicate and will be instrumental in maximizing underwriting profitability as markets soften. We have robust underwriting management and support processes that are designed to warn of any prospective strain upon our capital position and are advanced in our preparations for the implementation of Solvency II in 2012.

Worldwide economic conditions remain potentially volatile and the agency has implemented measures to minimise the effects on the underwriting or investment portfolios of any further deterioration. The Syndicate's claims management processes were enhanced during 2010 and further improvements are scheduled during 2011.

Catastrophe aggregates will continue to be monitored rigorously and modelled in conjunction with an effective reinsurance programme to protect capital in line with the Board's risk appetite.

Managing agent's report (continued)

Significant flooding in Queensland, Australia dominated the end of 2010 and the beginning of 2011. The start of 2011 also saw tropical cyclone Yasi in Queensland, Australia, and the earthquakes in Christchurch, New Zealand and Japan. While the 2010 floods did not result in material losses to the Syndicate, the Syndicate is still in the process of estimating the impact of the 2011 events. The 2011 events are non-adjusting events and therefore are not reflected in the financial statements for the year ended 31 December 2010.

Directors

The Directors of the managing agent who served during the year ended 31 December 2010 were as follows:

Brian FitzGerald
Chairman

Nick Metcalf
Chief Executive Officer

John Dunn
Director of Finance

Matthew Moore
Active Underwriter and Chief Underwriting Officer

Danny Forsythe (USA)
Non-Executive

Gordon McBurney (USA)
Non-Executive

Richard Youell
Non-Executive

Derek Scott
Non-Executive

None of the directors has any participation on the Syndicate.

Disclosure of information to the auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the Syndicate's auditor, 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

The Syndicate's sole member, Liberty Corporate Capital Limited, has resolved to reappoint Ernst & Young LLP as the recognised auditors for 2011. Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Ernst & Young LLP will be deemed to be reappointed as auditors for future years unless the member formally advises Liberty Syndicate Management Limited otherwise.

By order of the Board

Nick Metcalf.

Nick Metcalf
Chief Executive Officer
London

17 March 2011

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records which 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 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditors' report

to the member of Syndicate 4472

We have audited the Syndicate annual accounts of Syndicate 4472 for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Statement of Cash Flows and the related notes 1 to 20. 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).

This report is made solely to the Syndicate's member, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 25, 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 Ethical Standards for Auditors.

Scope of the audit of the Syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts.

Opinion on Syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2010 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 other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Headline Financials, Chairman's Statement, Chief Executive Officer's Report, Chief Underwriting Officer's Report, Financial Report, Underwriting Structure, Directors and administration, Managing agent's report and Statement of managing agent's responsibilities for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Independent auditors' report (continued)

to the member of Syndicate 4472

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.

Ernst & Young LLP

Stuart Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

17 March 2011

Profit and loss account: Technical account – general business

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Gross premiums written	3	1,035,254	1,024,565
Outward reinsurance premiums		(132,255)	(185,989)
Net premiums written		902,999	838,576
Change in the provision for unearned premiums:			
Gross amount		(56,350)	5,535
Reinsurers' share		(21,463)	2,703
Change in the net provision for unearned premiums		(77,813)	8,238
Earned premiums, net of reinsurance		825,186	846,814
Allocated investment return transferred from the non-technical account		50,895	109,361
Claims incurred, net of reinsurance:			
Claims paid			
Gross amount		(438,648)	(571,421)
Reinsurers' share		48,469	49,468
Net claims paid		(390,179)	(521,953)
Change in the provision for claims			
Gross amount		(54,249)	9,483
Reinsurers' share		(24,484)	(6,632)
Change in the net provision for claims		(78,733)	2,851
Claims incurred, net of reinsurance		(468,912)	(519,102)
Net operating expenses	4	(292,034)	(304,016)
Balance on the general business technical account		115,135	133,057

All the amounts above are in respect of continuing operations.

Profit and loss account: Non-technical account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Balance on the general business technical account		115,135	133,057
Investment income	7	69,729	86,554
Unrealised (losses) / gains on investments		(1,534)	39,254
Investment expenses and charges	7	(2,883)	(2,637)
Allocated investment return transferred to general business technical account		(50,895)	(109,361)
Profit for the financial year		129,552	146,867

All operations are continuing.

Statement of total recognised gains and losses

for the year ended 31 December 2010

	2010 £000	2009 £000
Profit for the financial year	129,552	146,867
Effect of foreign exchange translation	10,930	(9,438)
Total recognised gains relating to the year	140,482	137,429

Balance sheet – assets

at 31 December 2010

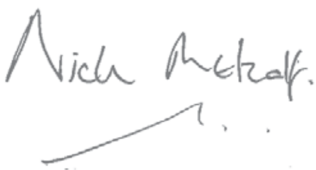
	Notes	2010 £000	2009 £000
Investments			
Financial investments	8	2,082,245	1,868,132
Reinsurers' share of technical provisions			
Provision for unearned premiums		10,509	23,601
Claims outstanding		189,477	205,600
		199,986	229,201
Debtors			
Debtors arising out of direct insurance operations	9	7,925	6,172
Debtors arising out of reinsurance operations		222,725	224,907
		230,650	231,079
Other assets			
Cash at bank and in hand		30,207	44,082
Other	10	33,786	25,206
Prepayments and accrued income			
Accrued interest		20,177	16,699
Deferred acquisition costs		98,078	77,736
Other prepayments and accrued income		742	10,222
		118,997	104,657
Total assets		2,695,871	2,502,357

Balance sheet – liabilities

at 31 December 2010

	Notes	2010 £000	2009 £000
Capital and reserves			
Member's balance	11, 19	490,142	397,443
Technical provisions			
Provision for unearned premiums		411,460	343,614
Claims outstanding		1,695,480	1,635,865
		2,106,940	1,979,479
Creditors			
Creditors arising out of direct insurance operations	12	1,805	124
Creditors arising out of reinsurance operations	13	75,015	101,393
Other creditors		16,255	18,979
		93,075	120,496
Accruals and deferred income		5,714	4,939
Total liabilities		2,695,871	2,502,357

The annual accounts on pages 28 to 44 were approved by the Board of Liberty Syndicate Management Limited and were signed on its behalf by



Nick Metcalf
Liberty Syndicate Management Limited

17 March 2011

Statement of cash flows

at 31 December 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	14	102,807	258,311
Transfers to members in respect of underwriting participations	11	(64,645)	–
	15	38,162	258,311
Cash flows were invested as follows:			
Decrease in cash holdings	15	(19,124)	(19,233)
Increase in overseas deposits	15	7,709	2,094
Increase in net portfolio investments	15	49,577	275,450
Net investment of cash flows		38,162	258,311

Notes to the annual accounts

at 31 December 2010

1. Basis of preparation

These financial statements have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account as there are no non-technical items.

2. Accounting policies

Premiums written

Premiums written and outward reinsurance premiums comprise the total premiums receivable and payable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years. All premiums are shown inclusive of commissions and exclusive of duties and taxes thereon. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

Premiums written are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

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.

Claims provisions and related recoveries

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than or greater than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later years.

The reinsurers' share of provisions for claims is based on the 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.

Notes to the annual accounts

at 31 December 2010

2. Accounting policies (continued)

The two most critical assumptions regarding 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.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other 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.

Foreign currencies

Monetary assets and liabilities are translated into Sterling at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rate prevailing at the date of transactions or an appropriate average rate. The Syndicate maintains separate currency ledgers for US dollar, Canadian dollar and Euro business. These non-sterling businesses are considered by management to represent foreign branches. Exchange gains and losses arising from the retranslation into Sterling of the balance sheets of these branches using the rates of exchange prevailing at the balance sheet date, and the retranslation into sterling of the profit and loss accounts of these branches using the average rates of exchange for the year have been recorded in the statement of total recognised gains and losses.

Exchange gains and losses arising from other foreign currencies are included in the technical account.

Undistributed profits on closed years of account plus investment return earned on those undistributed profits plus cash calls received from the member, less any transfers to the member in respect of underwriting participations, are included within member’s balances. This accumulated component of the member’s balance is held in Sterling and US dollars for future distribution. The US dollar balance is retranslated at the year-end exchange rates for each balance sheet date resulting in a movement in the reconciliation of member’s balances. The corresponding foreign exchange gain / (loss) is recorded directly in the statement of recognised gains and losses, as part of the overall foreign exchange translation recorded there.

Notes to the annual accounts

at 31 December 2010

2. Accounting policies (continued)

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market 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 are traded on the balance sheet date or the last trading day before that date.

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 are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, 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 general business technical account. Investment return has been allocated to the technical account in respect of actual investment return on investments supporting the general insurance technical provisions and members balances. Any investment return on investments that relate to undistributed profits on closed years remain in the non-technical account.

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 or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by the corporate member on underwriting results.

Pension costs

Liberty Syndicate Management Limited operates a defined contribution pension scheme. Pension contributions relating to Managing Agency staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

Liberty Syndicate Management Limited also operates a defined benefits pension scheme, which provides benefits based on final pensionable pay for all qualifying employees. Costs in respect of the scheme relating to Managing Agency staff working on behalf of the Syndicate are charged to the Syndicate.

Notes to the annual accounts

at 31 December 2010

3. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

2010	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Direct insurance:							
Accident & health	79,547	69,387	(40,857)	(20,700)	(1,821)	6,009	77,066
Motor (third-party liability)	11,771	5,512	(7,636)	(1,644)	(1,378)	(5,146)	5,327
Marine aviation & transport	96,001	90,629	(1,392)	(27,037)	(38,248)	23,952	89,023
Fire & other damage to property	148,772	132,547	(77,939)	(39,542)	(29,916)	(14,850)	180,286
Third party liability	61,756	60,538	(24,056)	(18,060)	(2,015)	16,407	175,161
Miscellaneous	98,850	85,838	(60,074)	(25,608)	1,165	1,321	267,050
	496,697	444,451	(211,954)	(132,591)	(72,213)	27,693	793,913
Reinsurance	538,557	534,453	(280,943)	(159,295)	(57,668)	36,547	1,113,041
	1,035,254	978,904	(492,897)	(291,886)	(129,881)	64,240	1,906,954

2009	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Direct insurance:							
Accident & health	54,600	53,258	(23,096)	(23,041)	(3,101)	4,020	(51,461)
Motor (third-party liability)	–	–	–	–	–	–	–
Marine aviation & transport	82,963	83,049	(26,825)	(25,736)	(28,400)	2,088	(64,444)
Fire & other damage to property	135,569	129,540	(59,330)	(41,701)	(27,000)	1,509	(152,463)
Third party liability	36,252	34,659	(19,284)	(10,086)	(1,973)	3,316	(150,054)
Miscellaneous	68,005	84,765	(112,919)	(34,189)	11,635	(50,708)	(213,311)
	377,389	385,271	(241,454)	(134,753)	(48,839)	(39,775)	(631,733)
Reinsurance	647,176	644,829	(320,484)	(175,654)	(85,220)	63,471	(1,118,545)
	1,024,565	1,030,100	(561,938)	(310,407)	(134,059)	23,696	(1,750,278)

Reinsurers' commissions and profit participations are included in the reinsurance balance.

Notes to the annual accounts

at 31 December 2010

3. Segmental analysis (continued)

Included within net claims incurred in the Technical Account – General Business is a release of £90,505,017 (2009 – deterioration of £7,397,870) being the difference between the provision for claims outstanding at the beginning of the year less payments made during the year on account of claims incurred in previous years and the provision for claims outstanding at the end of the year for such claims. The release in 2010 was driven by the low emergence of large and attritional losses on the recent years of account coupled with the release of reserves held on certain prior year market events.

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2010 £000	2009 £000
UK	202,290	227,044
Other EU Countries	166,516	152,865
Americas	488,763	511,258
Worldwide	177,685	133,398
Total	1,035,254	1,024,565

4. Net operating expenses

	2010 £000	2009 £000
Acquisition costs	(227,475)	(246,219)
Change in deferred acquisition costs	18,372	(4,681)
Administrative expenses	(83,940)	(61,219)
Profit on exchange	1,157	1,712
Gross operating expenses	(291,886)	(310,407)
Reinsurance commissions (payable) / receivable	(148)	6,391
Net operating expenses	(292,034)	(304,016)
Administrative expenses include:		
Auditors' remuneration:		
– Audit services	416	371
– Non audit services	241	240
	657	611

The member's standard personal expenses are included within administrative expenses.

Notes to the annual accounts

at 31 December 2010

5. Staff numbers and costs

All staff are employed by the managing agency. The following amounts were recharged from the managing agency to Syndicate 4472 in respect of salary costs:

	2010 £000	2009 £000
Wages and salaries	29,853	27,849
Social security costs	2,941	3,470
Other pension costs	2,762	1,763
Other	778	646
	36,334	33,728

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

	2010 Number	2009 Number
Administration and finance	118	95
Underwriting	83	74
Claims	16	13
Investments	2	1
	219	183

6. Emoluments of the directors of Liberty Syndicate Management Limited

The directors of Liberty Syndicate Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2010 £000	2009 £000
Emoluments	1,896	2,206

The Active Underwriters received the following remuneration charged to the Syndicate and included within net operating expenses.

Emoluments		
Tom Corfield (until March 31, 2009)	–	126
Matthew Moore (effective April 1, 2009)	434	267
	434	393

During the year the directors of the managing agency provided services to Syndicate 4472. The amounts shown above are the full amount recharged to Syndicate 4472 in respect of director emoluments for these services.

Notes to the annual accounts

at 31 December 2010

7. Investment return

	2010 £000	2009 £000
Income from investments	71,749	73,708
(Losses) / gains on the realisation of investments	(2,020)	12,846
	69,729	86,554
Investment management expenses, including interest	(2,883)	(2,637)

8. Financial investments

	2010 Market Value £000	2010 Cost £000	2009 Market Value £000	2009 Cost £000
Shares and other variable yield securities and units in unit trusts	19,382	19,382	45,469	45,469
Debt securities and other fixed income securities	1,775,249	1,781,499	1,418,144	1,383,401
Loans secured by mortgage	276,492	269,437	387,428	379,536
Deposits with credit institutions	11,122	11,122	17,091	17,091
	2,082,245	2,081,440	1,868,132	1,825,497

9. Debtors arising out of direct insurance operations

	2010 £000	2009 £000
Intermediaries	7,925	6,172

10. Other assets

Other assets comprises overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

Notes to the annual accounts

at 31 December 2010

11. Reconciliation of member's balance

	2010 £000	2009 £000
Balance due to member brought forward at 1 January	397,443	294,415
Foreign exchange on funds in Syndicate – 2006 and 2007 years of account undistributed result	16,862	(34,401)
Profit for the financial year	129,552	146,867
Effect of foreign exchange translation	10,930	(9,438)
Payment of profit to member – partial distribution of 2006 year of account	(64,645)	–
Balance due to member carried forward at 31 December	490,142	397,443

The Member participates on the Syndicate by reference to years of account and its ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year. The balance due to the Member is payable when the years of account close, usually after three years or when called if earlier. The balance of the 2006 year of account was retained within the Syndicate at the time of closure. However, during 2010, £64,645 of this balance was distributed to the Member. There still remains a balance owing to the Member for the 2006 year of account. In addition, the balance of the 2007 year of account was also retained within the Syndicate at the time of closure.

12. Creditors arising out of direct insurance operations

	2010 £000	2009 £000
Intermediaries	1,805	124

13. Creditors arising out of reinsurance operations

	2010 £000	2009 £000
Reinsurance accepted	16	426
Reinsurance ceded	74,999	100,967
	75,015	101,393

Notes to the annual accounts

at 31 December 2010

14. Reconciliation of operating profit to net cash inflow from operating activities

	2010 £000	2009 £000
Operating profit on ordinary activities	129,552	146,867
Changes to market values and currencies on cash, portfolio investments and financing	(170,656)	112,925
Effect of foreign exchange translation	10,930	(9,438)
Increase / (decrease) in net technical provisions	156,676	(175,980)
(Increase) / decrease in debtors, prepayments and accrued income	(13,911)	231,491
Decrease in creditors, accruals and deferred income	(26,645)	(13,153)
Foreign exchange movement on funds in Syndicate – 2006 and 2007 years of account undistributed result	16,861	(34,401)
Net cash inflow from operating activities	102,807	258,311

15. Movement in opening and closing portfolio investments net of financing

	2010 £000	2009 £000
Net cash outflow for the year	(19,124)	(19,233)
Cash flow		
Increase in overseas deposits	7,709	2,094
Increase in portfolio investments	49,577	275,450
Movement arising from cash flows	38,162	258,311
Changes to market values and currencies on cash, portfolio investments and financing	170,656	(112,925)
Total movement in cash, portfolio investments and financing	208,818	145,386
Portfolio at 1 January	1,937,420	1,792,034
Portfolio at 31 December	2,146,238	1,937,420

Notes to the annual accounts

at 31 December 2010

16. Movement in opening and closing portfolio investments net of financing (continued)

Movement in cash, portfolio investments and financing

	At 1 Jan 2009 £000	Cash flow £000	Changes to market value and currencies £000	At 31 Dec 2010 £000
Cash and deposits:				
Cash at bank and in hand	44,082	(19,124)	5,249	30,207
Overseas deposits	25,206	7,709	871	33,786
Total cash and deposits	69,288	(11,415)	6,120	63,993
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	45,469	(25,190)	(897)	19,382
Debt securities and other fixed income securities	1,418,144	207,960	149,145	1,775,249
Loans secured by mortgage	387,428	(126,535)	15,599	276,492
Deposits with credit institutions	17,091	(6,658)	689	11,122
Total portfolio investments	1,868,132	49,577	164,536	2,082,245
Total cash, portfolio investments and financing	1,937,420	38,162	170,656	2,146,238

17. Net cash outflow on portfolio investments

	2010 £000	2009 £000
Purchase of debt securities and other fixed income securities	(1,982,655)	(1,932,046)
Loans secured by mortgage	6,658	8,708
Deposits with credit institutions	126,535	44,703
Sale of shares and other variable yield securities	25,190	52,795
Sale of debt securities and other fixed income securities	1,774,695	1,550,390
Net cash outflow on portfolio investments	(49,577)	(275,450)

Notes to the annual accounts

at 31 December 2010

18. Related parties

Liberty Corporate Capital Limited is the corporate member of Syndicate 4472. Liberty Corporate Capital's immediate parent company is Liberty International Holdings Incorporated.

The ultimate parent company is Liberty Mutual Holding Company Incorporated of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A. a company incorporated in the United States of America. The smallest higher group of companies for which group accounts are drawn up and of which this company is a member of is Liberty International Holdings LLC.

Copies of the group accounts of Liberty International Holdings Inc. and Liberty Mutual Holding Company Incorporated are available from the company's office, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A.

Syndicate 4472 has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' and not disclosed transactions with entities that are part of the Liberty Mutual Holding Company Incorporated Group.

Notes to the annual accounts

at 31 December 2010

19. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

20. Post balance sheet events

Significant flooding in Queensland, Australia dominated the end of 2010 and beginning of 2011. The start of 2011 also saw tropical cyclone Yasi in Queensland, Australia, and the earthquakes in Christchurch, New Zealand and Japan. While the 2010 floods did not result in material losses to the Syndicate, the Syndicate is still in the process of estimating the impact of the 2011 events. The 2011 events are non-adjusting events and therefore are not reflected in the financial statements for the year ended 31 December 2010.

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Notes

Must See Market

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