CATHEDRAL

SYNDICATE 2010

MMX

Annual Report

31 December 2013

Contents

Chairman's Statement

As usual, these accounts have been produced on both an annual accounting basis and on the traditional three year basis in respect of the closing of the 2011 Year of Account.

The good news is that Syndicate 2010 has produced a profit of £70.6 million for the 2013 calendar year before loss on currency translation of £4.8 million which is accounted for through the Statement of Recognised Gains and Losses ("STRGL"). The Syndicate's combined ratio is 64.2% (taking account of all managing agency related personal expenses, other than profit commission). Notwithstanding 2013 being generally a benign year it was not without loss incidence including a number of sizeable flood and storm related events during the year affecting areas such as Canada, Northern and Central Europe and Mexico so this outcome is very satisfactory and once again reflects the efforts and quality of our underwriting team.

Based on the traditional basis of reporting, I am extremely pleased to say that Syndicate 2010 has closed the 2011 Year of Account with a profit of 3.4% for a participant paying standard managing agency fee and profit commission. This is a better result than we expected this time last year and exceeds the mid-point of our latest published forecast even though the dollar weakened somewhat since that last forecast was made.

The 2012 Year of Account still has some way to run but clearly we have every reason to believe that a good return is in prospect, notwithstanding the effects of Hurricane Sandy just over a year ago.

The 2013 Year of Account at this early stage looks as though a worthwhile return is in prospect although, needless to say at this time it still has some considerable time to run before all live exposures have expired.

The downside of the good news emanating from the past two years is that premium rating in many areas has and continues to fall, with even loss affected accounts struggling to maintain rates as before. Once again there is a surfeit of premium hungry capacity in the traditional insurance markets, providing the background for the most competitive market for many years. This capacity is now augmented by that increasingly being injected into the insurance arena by the capital markets through various forms of alternative vehicles. The race to the bottom has begun and it will need the discipline and skill of our underwriters to navigate us through possibly the most difficult underwriting scenario for over ten years.

As always we have to be grateful for to our underwriting, claims, reinsurance, modelling, I.T, actuarial, finance, management teams and those who support them for their successful efforts in both good and bad times. They deserve all our thanks.

Ownership of the Cathedral Group formally passed to the Lancashire Group in November 2013 following receipt of all necessary regulatory consents to the acquisition announced in August. We warmly welcome to the Cathedral Board from January of this year Alex Maloney, Lancashire's Group Chief Underwriting Officer and look forward to the next stage of Cathedral's development within the wider Lancashire Group. We also appointed Ernst and Young as Syndicate Auditors in place of Mazars for this year end.

Finally I extend my thanks once again to my non-executive colleagues, Michael Andrews, Tony Minns, Robin Oakes, Elvin Patrick and John Tilling for their important contributions over the past year. I would like to give a special "thank you" to Michael Andrews who retired from the Board on 31st December 2013, having joined us as non-executive director in 2000 as we prepared for the then "start-up" Syndicate 2010 to commence trading for the 2001 year of account. His wisdom and straight-forward approach will be missed by all of us.

A. I. G. C. South
Chairman

4 March 2014

Underwriter's Report

Introduction

On an annual accounting basis, the result of the Syndicate for calendar year 2013 is a profit of £70.6 million (combined ratio 64.2%) before a loss of £4.8 million on currency re-translation, producing a net gain for the year of £65.8 million. On the traditional Lloyd's basis of reporting, the 2011 year of account has closed with a profit for a Natural Name with standard personal expenses, of 3.4% of capacity, before members' agency fees.

2011 Account

I am pleased to report that the year has closed with a profit of £19.7 million, inclusive of currency retranslation but before personal expenses. For a Natural Name with standard personal expenses, this equates to a profit of 3.4% of capacity, before members' agency fees.

The capacity for the 2011 underwriting year was approximately £350 million. The gross signed premium income, net of brokerage, was some 68% of capacity at year-end rates of exchange.

In last year's report I summarised the underwriting conditions and loss activity that affected the 2011 year of account. You will remember that it was a year which saw a significant frequency of catastrophe losses, both internationally and in the US, including earthquakes in New Zealand and Japan and severe flooding in Thailand. Those losses ran off within our reserve provisions and within our reinsurance protections where these were engaged. Prior years continue to run off satisfactorily with most years contributing releases to the closing year result. In addition, the closing year benefitted from the receipt of a large payment in respect of a reinsurance recovery that had previously been written off following the successful conclusion of a court sanctioned scheme of arrangement.

2012 Account

For 2012, we maintained our capacity at approximately £350 million.

The issues surrounding the account written for the 2012 year were discussed in last year's report but, in summary, rates firmed in many of our property lines as the market digested the loss frequency seen over the previous couple of years. Hurricane Sandy made landfall in the North Eastern United States in October causing significant damage and some uncertainty within the market going into the yearend reinsurance renewal season. For our part, as we expected in last year's report, Sandy is well contained within our reinsurance arrangements. Elsewhere, loss activity was relatively low which leads to some optimism as to the level of the result for this year of account.

As mentioned last year, we regard the likely result of this year as being profitable. Our forecast is for a result in the range +10% to +15% of capacity.

2013 Account

For 2013 we maintained capacity at approximately £350 million and wrote the same classes of business as we have in the past.

In spite of global overcapacity in most markets, the effect of Hurricane Sandy so late in 2012 caused enough uncertainty in the US catastrophe market to push rates still higher across our renewal book at the beginning of the year. This was in spite of the increasing presence of capital markets in the marketplace. Pension and hedge funds have committed billions of dollars to the catastrophe market in the last eighteen months or so in search of profit and diversification from an otherwise lacklustre investment environment. Some of these markets are desperately naive, some are not. Some will be with us for the long term while some will disappear as quickly as they arrived, either because of losses, or because they see a better, less volatile return elsewhere. Either way, they are with us now and caused a downward "correction" in pricing during the middle of 2013, in the Florida market in particular, but also in other areas of the US renewal book. International reinsurance conditions were more stable during the year as the losses of 2011 were still fresh in the minds of traditional markets and the capital markets were less attracted to non US exposures. In the USA, Midwestern losses were light during the spring and no hurricanes made landfall during the wind season, although we did see some catastrophic loss activity in the form of wind and flood losses in Germany, Canada and Scandinavia during the year, as well as two very large individual fire events.

In our commercial property account we saw rising rates in the first half of the year but these quickly flattened. We expanded this account a little during 2012 to take advantage of market dislocation in loss affected areas such as New Zealand and Mexico and continued this position into 2013. While the delegated underwriting authority book, which is principally for small commercial business, saw small rate increases in most areas and stronger increases in Sandy affected areas, the balance of our account saw rates which were broadly flat across the book.

The aerospace reinsurance business softened slightly during 2013 with loss activity remaining low. The exception to this was the loss of an Asiana Boeing 777 at San Francisco which caused three deaths and a number of serious injuries. The original airline insurers, who make up our client base, have now reduced their rates to unsustainably low levels and almost any loss of a catastrophic nature will either drive the rates up or force weaker players out of the market. Our satellite business has performed well once again but, as with other areas of aerospace, rates have been softening which has led to us taking a smaller position on this account for the time being.

Our contingency account, although small, has produced decent results to date in spite of a very competitive environment in recent times. 2013 though, proved to be a very active year for the market in terms of loss activity and we were no exception in this regard. Losses from the non-appearance of Lady Ga Ga, Fleetwood Mac as well as the loss of a festival in Texas due to heavy rains, all conspired to produce a loss to this account for the year. Due to the relatively small size of the account this will have a minimal effect on our overall 2013 result and this is one of the few areas of the market where we have seen rate and deductible increases in the last few months.

Overall, the 2013 year of account is running reasonably to date, although there is still a large amount of business still on risk and the outcome of the year will be determined by how this runs off.

2013 Calendar Year Result

The 2013 calendar year result is made up of contributions from all open years of account (2011, 2012 and 2013) together with movements on the closed years of account (2001 to 2010) that occurred during the year. The result for the calendar year is a profit of £70.6 million (2012: profit of £49.6 million). There was a loss on currency translation for the year of £4.8 million (2012: loss of £0.9 million), which has been accounted for through the Statement of Total Recognised Gains and Losses ("STRGL").

The total recognised gain for the 2013 calendar year is therefore £65.8 million (2012: gain of £48.7 million). The combined ratio for the 2013 calendar year is 64.2%, including all managing agency related expenses, other than profit commission (2012: 77.1%).

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

Future Prospects

The January 2014 renewal season for catastrophe treaty business in the US saw prices fall almost across the board as the downward trend for renewal pricing seen in the middle of 2013 continued into 2014. This has been driven by the oldest economic curve in the book, that of supply and demand. Excess capital in the traditional insurance and reinsurance markets, coupled with the fresh capital from pension and hedge funds, has led to an excess of supply which will continue until these capital markets find somewhere else to deploy their funds. To date they have concentrated their capacity at what might be described as the commodity end of the US catastrophe and retrocessional markets but this may of course change as they raise ever increasing amounts of money from investors. Running alongside this increased capacity we are seeing many of the larger US insurance companies retaining more of their risk as their capital positions strengthen. This has removed, for the time being at least, a large chunk of reinsurance premium from traditional reinsurers who have begun to move into new areas of business in an effort to prop up their top lines and replace lost income. As time goes on, this will result in rates softening in the wider market as other classes begin to feel the full effect of the overcapacity in our industry.

Are these markets here for the long term? There is no doubt that some are and some are not. For the most part, their business models are constructed almost entirely on the same models as are widely used in the traditional market but where they differ is in the complete and utter faith they place in them. One can only hope, for the sake of their investors, that they have more success with this venture than they did with the models they used for calculating their exposures to mortgage backed securities, credit derivatives and the like. Time will tell.

Where does this leave us? As we had expected and planned for, our 2014 top line income will be down but savings we have made in our reinsurance costs, for all the reasons described above, should ensure that net income remains similar. We have been able to buy wider, more effective cover in all lines this year to protect the account in what will become an increasingly difficult environment.

We expect some additional weakening in all the markets in which we operate, with the possible exception of our small contingency account where some firming is taking place. Also, in spite of very low returns on our funds, we do not intend to alter our conservative approach to investments in an attempt to chase small but more risky additional upside.

As you will be aware, Cathedral was acquired by the Lancashire Group in November 2013. We are delighted with this new partnership as, like us, our new owners run a short tail, nimble and underwriter driven business which will have long term benefits for both businesses.

Underwriter's Report

continued

Concluding Comments

While the 2012 and 2013 years of account have the potential to deliver decent results to names, those same results are fuelling increased competition from an increasingly diverse group of capital providers. As if overcapacity and rampant competition weren't enough, we're also operating in a world of ultra low interest rates and in an ever tighter, more demanding and time consuming regulatory environment. Solvency II has cost Lloyd's and the UK insurance market a scandalously large amount of money and resource, with the implementation of it having been delayed on more than one occasion, all of which is a drain on time and distraction from the job in hand.

Our strategy for the time being will be largely defensive, a position we've had to take in the past although we will of course take opportunities should they arise. We are lucky to have one of the most experienced teams in the market and, as a result, are better placed than most to weather the storm.

A successful syndicate is a team effort and that applies to all staff, from the underwriters and management, to our reception. My particular thanks go to my underwriting colleagues, Mark Wilson, Nick Destro and Simon Dean (our non-marine treaty underwriters), Richard Williams and Dan Warburg (our aviation underwriters), Simon King, Richard Wood and Nick Adams (our direct and facultative property underwriters), Justin Burns and Jane Todd (our contingency underwriters), Steve Gentili our aggregation manager and Grant Williams our claims manager, together with the Syndicate's entire support team to whom we all owe a great deal.

J C Hamblin
Active Underwriter

4 March 2014

Managing Agent's Report
At 31 December 2013

Introduction

The Directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2013, together with the Chairman's Statement and the Underwriter's Report. The Syndicate commenced trading for the 2001 year of account.

This Annual Report includes the Annual Accounts for the year ended 31 December 2013 and the Underwriting Year Accounts for the 2011 Year of Account. The annual accounting result for the 2013 calendar year was a profit of £70.6 million before a currency loss of £4.8 million (2012: profit of £49.6 million). This consists of a contribution from all open years of account (2011, 2012 and 2013) together with all movements on the closed years of account (2001 to 2010) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2011 year of account closed at 31 December 2013 with a profit of £19.7 million, inclusive of currency translation losses but before standard personal expenses. This includes movement on the closed years of account.

The auditors, Ernst & Young LLP, have included two separate "True and Fair" audit opinions with the Annual Report – one covering the annual accounting result for 2013 and the other the closing 2011 year of account result.

The Managing Agent

Cathedral Underwriting Limited is the managing agent for Syndicate 2010. It also acts as managing agent for Syndicate 3010. Cathedral Underwriting Limited is subject to the dual regulation of the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), as well as Lloyd's.

Syndicate	Principal class of business	Active underwriter	2013 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	349,673
3010	Marine cargo	J C Hamblin	30,000

On 7th November 2013 Lancashire Holdings Limited, a company that is incorporated in Bermuda, acquired the entire issued share capital of Cathedral Capital Limited to become the ultimate parent company of Cathedral Underwriting Limited, and is deemed to be the controller of the managing agency and has been approved as such by Lloyd's, the PRA and the FCA.

Multiple syndicates consent

On 25 July 2007 Lloyd's confirmed that Alasdair Butler and Lee Aspinall of Syndicate 3010 were approved under the Multiple Syndicates Byelaws (No.5 of 1989) to underwrite for Syndicates 2010 and 3010. This approval is given only in respect of Fire, Theft and Collision (FTC) business that is to be written into Syndicate 2010.

Directors' shareholdings

The Directors of Cathedral Underwriting Limited who served during the year and their interests and that of their families in the share capital of Cathedral Capital Limited as at 31 December 2013, were as follows:

		31 December 2013			31 December 2012		
		B1 Ordinary 1 pence Shares	**B Ordinary 1 pence Shares**	**Ordinary 1 pence Shares**	B1 Ordinary 1 pence Shares	B Ordinary 1 pence Shares	Ordinary 1 pence Shares
D C Grainger	Compliance Director	-	-	-	-	12,798	7,779
J C Hamblin	Director	-	-	-	18,686	-	22,002
L A Holder	Managing Director	-	-	-	18,686	-	22,002
J A Lynch	Finance Director	-	-	-	19,213	-	22,002
E E Patrick	Non-Executive Director	-	-	-	-	8,337	6,445
P D Scales	Director	-	-	-	19,213	-	22,002

The other Directors of Cathedral Underwriting Limited who served during the year were J M G Andrews, A S Minns, R G Oakes, A I G C South and J P Tilling, none of whom had interests in the share capital of Cathedral Capital Limited at this or last year end. None of the Directors as at 31 December 2013 had an interest in the share capital of Lancashire Holdings Limited. However on 7th January 2014, A T Maloney joined the board of Directors of Cathedral Underwriting Limited. Mr Maloney owns shares in the ultimate parent company Lancashire Holdings Limited, which are disclosed in the Annual Report and Accounts of Lancashire Holdings Limited.

All of the Directors disposed of their interests in Cathedral Capital Limited to Lancashire Holdings Limited on the completion of its takeover of the Cathedral Group on 7 November 2013.

Managing Agent's Report
At 31 December 2013

continued

The following Directors (including their families) had an interest in the Preference shares issued by Cathedral Capital Limited and the Manager Loan Notes issued by Cathedral Capital (Investments) Limited, an intermediate holding company.

	31 December 2013		31 December 2012	
	Preference £1 Shares	**Loan Notes £**	Preference £1 Shares	Loan Notes £
D C Grainger	-	-	548,005	1,096,179
J C Hamblin	-	-	800,104	1,600,454
L A Holder	-	-	800,104	1,600,454
J A Lynch	-	-	822,639	1,645,531
E E Patrick	-	-	357,211	714,533
P D Scales	-	-	822,639	1,645,531

As part of the acquisition of Cathedral by Lancashire, Lancashire Holdings Limited acquired all of the Preference shares issued by Cathedral Capital Limited and all of the loan notes issued by both Cathedral Capital (Investments) Limited and Cathedral Capital Limited.

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.

During 2013, the ESOP holdings of "A" ordinary shares, "B" ordinary shares and Preference shares of Cathedral Capital Limited and Investor Loan Notes and Manager Loan Notes of Cathedral Capital (Investments) Limited were purchased by Lancashire Holdings Limited. The ESOP then distributed its surplus to the employees of the Cathedral Group. All of the Executive Directors as at 31 December 2013 as well as Messrs South and Patrick received a distribution from the ESOP during the year.

The ESOP holdings at 31 December were as follows:

	31 December 2013	31 December 2012
Cathedral Capital Limited	**number**	number
A Ordinary shares	-	751
B Ordinary shares	-	12,212
Preference £1 shares	-	684,374
Cathedral Capital (Investments) Limited	**£**	£
Investor Loan Notes	-	64,469
Manager Loan Notes	-	1,304,524

Directors and their participations in Syndicate 2010

None of the Directors of Cathedral Underwriting Limited participated directly as Names on the Syndicate. However the corporate member company Cathedral Capital (1998) Limited has a £202.3 million participation in the 2012, 2013 and 2014 years of account. Up until 7th November 2013, certain of the Directors owned shares in Cathedral Capital Limited which owns 100% of the interest in Cathedral Capital (1998) Limited. Lancashire Holdings Limited has now replaced Cathedral Capital Limited as the ultimate parent company of Cathedral Capital (1998) Limited. In addition, Mr South, one of the Directors, is a director of a number of corporate names which had in aggregate £1.3 million participation on the 2012 year of account, £1.3 million participation on the 2013 year of account, and £1.2 million participation on the 2014 year of account.

Active Underwriter

John Hamblin was appointed active underwriter on 30 November 2001 having joined the Syndicate on 1 January 2001 as deputy underwriter. He had previously been active underwriter for Syndicate 566.

Registered Office/accounting records

The registered office and principal place of business of Cathedral Underwriting Limited is 5th Floor, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8BF. Telephone 020 7170 9000; Fax 020 7170 9001; Email info@cathedralcapital.com; Website www.cathedralcapital.com. The accounting records are kept at the registered office.

Management of Syndicate 2010

The Board of Cathedral Underwriting Limited is ultimately responsible for the management of the Syndicate and has delegated responsibilities for its day-to-day management to the active underwriter and a management board which includes senior management and underwriting representatives of Syndicate 2010 together with representatives of the Managing Agent's Board.

2013 Calendar Year

The Annual Report includes the results for the calendar year on an annual accounting basis and is prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards. The accounting policies that have been adopted to produce the annual accounting results are set out in full on pages 27 to 29.

Results

The overall calendar year result is the aggregate of the calendar year results of all years of account. The results are all from continuing operations. The annual accounting result is a profit of £70.6 million in the year (2012: profit £49.6 million) and this can be analysed as follows:

	2011* account £'000	2012 account £'000	2013 account £'000	31 December 2013 £'000	31 December 2012 £'000
Gross earned premium	1,514	99,698	173,936	275,148	282,785
Reinsurers' share	132	(10,397)	(57,400)	(67,665)	(75,633)
Net earned premium	1,646	89,301	116,536	207,483	207,152
Gross claims incurred	22,104	(27,426)	(74,923)	(80,245)	(145,984)
Reinsurers' share	1,842	(886)	8,581	9,537	43,134
Net claims incurred	23,946	(28,312)	(66,342)	(70,708)	(102,850)
Net operating expenses	(3,990)	(25,861)	(38,252)	(68,103)	(58,297)
Balance on Technical Account before investment return	21,602	35,128	11,942	68,672	46,005
Net investment return	1,239	604	116	1,959	3,562
Profit for the financial year	22,841	35,732	12,058	70,631	49,567

* The 2011 account includes the movement in the 2001 to 2010 accounts which have closed into the 2011 account.

Premiums above are grossed up for brokerage.

The insurance and reinsurance contracts underwritten by the Syndicate are earned over the life of the policy, normally commencing at the inception of the policy. An earnings pattern is established for each class of business written by the Syndicate and these earnings patterns are applied at the policy level. The earning patterns aim to reflect the underlying exposures of the business written. Thus net earned premiums during 2013 include premiums on policies incepting during 2013 together with estimates for premiums and adjustments to premiums on policies incepting in prior periods. The gross and net earned premiums can be analysed as follows:

Earned premiums by underwriting team

	31 December 2013		31 December 2012	
	Gross £'000	Net £'000	Gross £'000	Net £'000
Non-marine reinsurance	128,402	92,920	139,917	96,697
Aviation	27,118	19,177	29,317	22,128
Satellite	3,264	2,558	2,767	1,981
Direct & facultative property	110,688	88,992	105,470	81,270
Contingency	5,691	3,851	5,316	5,080
Other	(15)	(15)	(4)	(4)
Total	275,148	207,483	282,785	207,152

At the year end the Syndicate had net unearned premiums of £72.8 million (2012: £76.5 million) on the balance sheet.

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

The annual accounting result includes the impact of any losses identified with a date of loss in 2013 regardless of the year of account when the cover incepted. When a loss occurs, the full impact of that loss (gross and net) is recognised at that time. The Underwriter's Report contains further detail of loss activity during calendar year 2013.

The 2013 net combined ratio is 64.2% (2012: 77.1%). This combined ratio is expressed as a percentage of Net Earned Premiums and excludes investment return, profit commission and any other gains and losses that have been accounted for through the Statement of Total Recognised Gains and Losses. The combined ratio is analysed as follows:

	31 December 2013		31 December 2012	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**28.0**	**32.9**	74.9	65.1
Aviation	**19.1**	**20.0**	3.0	9.0
Satellite	**123.8**	**137.6**	38.7	34.8
Direct & facultative property	**25.5**	**32.9**	35.5	41.7
Contingency	**121.2**	**90.2**	41.4	73.4
Other	**66.7**	**66.7**	-	-
Total	**29.2**	**34.1**	51.6	49.7
Expense Ratio	**22.7**	**30.1**	20.1	27.4
Combined Ratio	**51.9**	**64.2**	71.7	77.1

The combined ratio excludes managing agent's profit commission and is the basis used throughout these financial statements.

The expense ratio includes brokerage on inwards business which accounts for approximately 70.4% of the net operating expenses. The operating expenses are set out in more detail in Note 4 on page 32.

The Annual Report includes a Statement of Total Recognised Gains and Losses. The purpose of this statement is to show the extent to which members' funds have increased or decreased following the recognition of all gains and losses in the period, including currency retranslations.

Statement of Managing Agent's Responsibilities

Cathedral Underwriting Limited as managing agent is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Insurance Accounts Directive (Lloyd's Syndicate Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare annual accounts for the Syndicate at 31 December each year which give a true and fair view of the state of affairs of the Syndicate and the profit or loss of the Syndicate for that period.

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

a) select suitable accounting policies which are applied consistently, with the exception of any changes arising on the adoption of new accounting standards in the year;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material differences disclosed and explained in the financial statements; and
d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that there will be future years of account of the syndicate.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year of Account

Members' Agents

The following members' agent has provided more than 20% of the Syndicate's allocated capacity for the 2012, 2013 and 2014 years of account.

	2014 account		2013 account		2012 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**270,679**	**77.3**	269,989	77.1	270,738	77.5

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group Company, provided £202.3 million of the capacity for the 2012, 2013 and 2014 years of account through Hampden Agencies Limited.

Capacity by member type and year of account

	2014 account		2013 account		2012 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**323,639**	**92.5**	320,020	91.5	315,206	90.2
External members	**23,565**	**6.7**	27,520	7.9	32,170	9.2
Working members (none of whom are employed by the managing agency)	**2,812**	**0.8**	2,133	0.6	2,136	0.6
	350,016	**100.0**	349,673	100.0	349,512	100.0

Result

The 2011 account closed with a profit of £19.7 million inclusive of currency translation losses but before standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 3.4% of capacity, before members' agency fees.

This result is in excess of the result range forecast by the managing agent at last year end. The losses that impacted the 2011 account, which were reported on in detail in last year's Annual Report, ran off as expected during 2013 and there were releases from the favourable run off of the earlier years of account that had closed into the 2011 account at 31 December 2012. The analysis of the 2011 closed year result, before personal expenses, by member type is as set out below:

	2011 account	
	£'000	%
Result attributable to:		
Corporate members	17,538	89.1
External members	2,027	10.3
Working members *(none of whom are employed by the managing agency)*	119	0.6
	19,684	100.0

Managing Agent's Report
At 31 December 2013

continued

2012 account forecast

The forecast 2012 year of account result at 31 December 2013, on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees, is in the range of +10% to +15% of Syndicate capacity.

This forecast has been based on the following assumptions:

- Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or in the ability of the Syndicate's reinsurers to respond to potential recoveries will not materially diverge from expectations based on developments to date;
- No material changes occur in estimates as to ultimate income levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close of the 2011 year of account;
- There will be no significant changes in the regulatory or legislative policies which will affect the activities of the Syndicate; and
- Interest, inflation and exchange rates as at 31 December 2014 will not differ significantly from those taken into account in the forecast.

Historical summary of results

A summary of results for all of the closed years of account of the Syndicate is set out on page 57 of this annual report.

Description of business and methods of acceptance

The Syndicate commenced underwriting for the 2001 year of account. For the 2001 and 2002 underwriting years, the Syndicate's account was made up of two main pillars, those of aviation and non-marine reinsurance. In 2003, a direct and facultative property account was introduced which was developed during 2004 to constitute the third major pillar of the Syndicate's business.

Since its inception for the 2001 underwriting year, Syndicate 2010 has not been regarded as a new venture by customers and brokers but as a new home for established underwriting teams. This has enabled the Syndicate to build its books of business based on long standing relationships with clients and their brokers and not on pricing considerations alone.

The non-marine reinsurance account is built around a core book comprising catastrophe reinsurances of regional North American companies. These companies generally write in a tightly defined geographical area. Their underlying accounts are largely made up of domestic properties, cars and small commercial risks. Where we write accounts in the US with more nationwide exposures, these tend to protect more specialist companies writing the likes of churches, agricultural risks, farms or similar risks which are spread by their nature. These companies have proved very loyal and continue to value their relationships with London underwriters.

The Syndicate also writes an international book which is largely focused on companies in developed regions including Canada, Europe, Australasia and Japan. We do write in other areas of the world but these exposures are more modest.

Often, hand in hand with the catastrophe programme, comes the risk excess programme. This protects companies from exposure to large individual risk losses. We have built a more modest portfolio of this business which includes US national as well as US regional and international cedants.

We also write a small book of retrocession business, which is reinsurance of other reinsurers. There are no spiral exposures in this account.

The aviation account is built around a core book which protects insurers of airlines or major aviation manufacturers against catastrophic loss. In general this account requires a market loss of $400-$500 million or more to involve us to any material degree but we will accept business at lower levels if the price is attractive. Again, we have a small amount of retrocessional business which, as with non-marine, contains no spiral exposure.

We are also involved in the aviation war market and the general aviation (light aircraft) market.

We have continued our long involvement with SATEC, a specialist Venice based satellite underwriting agency, to which we delegate underwriting authority. The Syndicate also writes satellite excess of loss.

From 2003, the Syndicate began writing a direct and facultative property account. The account written covers a broad spectrum of commercial property business with a global spread of business, but with a leaning towards the United States. It falls into two main areas:

(i) Open market business which encompasses the whole range of risk sizes from large complex property schedules down to small single locations; and
(ii) Delegated binding authority business which targets small property risks principally in the US, Canada, Australasia and Europe.

From mid-2003 the Syndicate wrote a fire theft and collision account (FTC). This was largely discontinued in the second half of 2006, although a modest account continues to be written.

From the final quarter of 2005 the Syndicate has written a contingency account focused on non appearance insurance.

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

Going forward, Syndicate 2010 intends to retain its focus on these accounts and will continue to seek opportunities within these classes.

Reinsurance protection

The non-marine reinsurance portfolio is protected by separate catastrophe and risk excess programmes. Original loss warranty (“OLW”) and proportional treaties are also employed.

On the aviation account, separate excess of loss protections are purchased for the main reinsurance account, the general aviation account and the war account. As with the non-marine account, OLW and proportional treaties are also employed.

The direct and facultative property account has separate catastrophe and risk excess programmes.

The satellite account has proportional treaty protection.

The contingency account also has separate excess of loss protection.

Every effort is made to ensure that the security from which cover is purchased is of good quality but it must be emphasised that even the most scrupulous approach in this area does not obviate the potential for reinsurance failure to occur.

Syndicate investments

Investment policy

The majority of the Syndicate funds were managed on a day-to-day basis by investment managers who in turn are monitored by the Syndicate investment committee in accordance with the policy and terms of reference agreed by the Board of Cathedral Underwriting Limited. This investment committee has formal procedures for monitoring investments in line with guidance from Lloyd’s.

The investment policy adopted with respect to the Syndicate funds is to balance liquidity, security and investment risk so as to enable the Syndicate to meet its commitments as and when they fall due.

Conning Asset Management Limited (“Conning”) manage the syndicate funds. The other funds held in the Syndicate Trust Funds are managed directly by the finance department of Cathedral Underwriting Limited.

The investment policy adopted with respect to the Syndicate funds is to balance liquidity, security and investment risk so as to enable the Syndicate to meet its commitments as and when they fall due.

The investment objective for the syndicate investment manager is to invest the Premium Trust Funds in a manner calculated to maximise return within agreed restraints and in line with policies approved by the Board of Cathedral Underwriting Limited. In the light of this, portfolios are predominantly invested in short-term, high quality fixed income securities.

The syndicate investment manager has been instructed to invest for the highest total return consistent with maintaining adequate liquidity and security and has discretion to invest in private sector securities within diversity limits for individual credits. Limiting the target duration of the overall portfolio aids controling the exposure of the investments to adverse price conditions.

The syndicate investment manager's performance is measured against the Bank of America Merrill Lynch 1-3 year Government Index of the domestic Government bond market for each Premium Trust Fund, which are the benchmarks defined by the investment committee. Funds not managed by the Syndicate investment manager were held predominantly in cash throughout the year. Portfolio management is delegated to Conning Asset Management Limited.

Investment performance

With economic growth prospects subdued at the start of 2013, the Federal Reserve was expanding its balance sheet at a rate of $85bn a month through its asset purchase programme. The FOMC maintained this rate of purchase throughout the year, but finally in December announced plans to taper asset purchases by around $10bn a month starting in January 2014. These first steps to taper were driven by the improvement in economic activity and in the labour market during the year. The FOMC left the Federal Funds target unchanged at 0-0.25% throughout the year, and maintained forward guidance set in late 2012 that rates would not increase until at least 2015. In the UK economic growth comfortably exceeded expectations for the year, even following upward mid-year revisions, as a domestic recovery took hold, largely driven by household spending. The Bank of England's MPC left the base rate unchanged at 0.5% and the asset purchase programme at £375 billion, and in August introduced explicit forward guidance that the base rate would remain unchanged providing specific inflation and unemployment targets were not breached. Whilst inflationary pressures have subsided, unemployment has fallen sharply with unemployment levels close to the MPCs guidance target of 7%. Expectations of a base rate increase have moved forwards but the MPC remain adamant that a reasonable degree of spare capacity exists in the UK economy and that rates should remain supportively low. With both the Bank of England and Federal Reserve maintaining policy rates, news of improving growth prospects has led to a steepening in both the UK and US yield curves. In the US yields of 1-3 year maturity issues increased over the summer months then traded in a range, with yields at the end of the year similar to those at the end of August. In the UK yields of 1-3 year maturity issues gradually drifted higher throughout the year. In Europe a year of relative stability was achieved; the economy emerged from its six-quarter recession, but economic growth remains subdued. However unemployment appears to be stabilising, albeit at high levels, and forward looking indicators are improving. Low inflation in the Euro-area remains a concern and this was a key factor in the ECB's decision to cut the main refinancing rate from 0.75% to 0.50% in May and again to 0.25% in November, a reduction of 50bp over the year. Further policy easing remains possible. The yield on 3-year German Government bonds started the year close to zero and closed the year yielding 0.33%. With talk of a Euro-zone break-up having sharply receded, progress on reforms and market participants looking for yield, peripheral bond markets performed strongly. The Bank of Canada's benchmark rate remained at 1% throughout the year, though the Bank moved from a tightening bias to a neutral bias. Although the Bank remains concerned about the risks from household imbalances, the downside risks to inflation have assumed increasing importance over recent months.

The main driver of investment returns over the year was the tightening of credit spreads. Similar to 2012 there was noticeable compression within the lower-rated, higher yielding, issuers. Performance was reasonably well distributed between sectors with Financials the best performing sector over the year.

The Syndicate's investment returns on the funds managed by Conning of 0.59% in US Dollars, 0.48% in Euros and 1.37% in Canadian dollars were all close to the middle of the ranges estimated at the beginning of 2013. Performance in US Dollars and Euros was largely driven by the tightening of credit spreads, while that in Canada was mainly driven by portfolio yield and capital gains from falling yields. The US Dollar and Euro portfolio returns were both above those of the relevant guideline Bank of America Merrill Lynch 1-3 year Government bond index whilst the Canadian Dollar portfolio under-performed as a result of a lower than benchmark duration.

Investment strategy

The ability to generate investment income for short-maturity portfolios remains limited, given the low bond yields and tight credit spreads. The yield curve steepened over the year in the major markets for 1-3 year maturities.

At these historically low bond yields the risks remain skewed to the downside; while central banks are unlikely to increase their benchmark rates quickly and risk choking off a sustained recovery, any temporary inflation increases or unexpectedly low unemployment numbers will quickly lead to higher bond yields and the potential for capital losses. Portfolios currently have short duration, relative to benchmark, bias and this is likely to be maintained in the medium term, since the investment objectives are currently biased towards protecting the syndicate against Capital losses, though the extent of this short duration position will be limited by the relative steepness of yield curves, giving additional yield for longer maturity issues, and the potential for "rolling down the yield curve" giving extra returns. Portfolio returns will also be enhanced by the exposure to Corporate bonds and other "spread" products, carefully selected by sector and individual issuer to limit risks. Whilst credit spreads have returned to their post crisis lows and there is potential for these spreads to widen, they remain attractive for shorter maturity portfolios such as the Syndicate portfolios. The additional income that these issues generate act to offset any short term losses generated by spread widening, which is naturally limited to some extent by the short dated nature of these positions. For this reason the exposure to spread products is likely to remain high, and will be increased opportunistically.

Stock lending

The Board of Cathedral Underwriting Limited prohibits Conning from entering into any stock lending arrangements on behalf of the Syndicate.

Foreign exchange hedging

The managing agency, in so far as possible, matches assets and liabilities by currency within the Syndicate. To date, the managing agency has not entered into any transaction to hedge the foreign exchange exposure to the non-sterling (US Dollars, Canadian Dollars or Euro) currencies held within the Syndicate's premium trust funds. The managing agency will continue to keep this possibility under review and may at some future date enter into such transactions.

Bank facilities

The Syndicate has arranged a United States $80 million catastrophe facility with Barclays Bank plc. This facility is there to assist in paying claims and gross funding of exceptional catastrophes. Up to United States $50 million can be utilised by way of Letter of Credit to assist the Syndicate's US gross funding requirements.

The facility was not utilised during calendar 2013 and was renewed for another year in December 2013.

Syndicate capital requirement

The capital framework at Lloyd's requires each managing agent in the market to calculate the capital requirement for each syndicate they manage. Despite the continuing uncertainty over the start date of Solvency II (a proposed EU-wide solvency and risk management regime that is intended to apply to all EU insurers) the PRA and FCA (formerly FSA) indicated that it would allow firms to use Solvency II models under an enhanced ICA regime known as ICA+. Solvency II internal models and the ultimate Solvency Capital Requirement ("uSCR") have been used since 2013 to determine capital. This approach is similar to but not the same as the old ICA calculation and will also apply in 2014 for the 2015 year of account.

The uSCR of each syndicate at Lloyd's is regarded as the minimum Regulatory Capital Requirement for the business. Lloyd's has the discretion to take into account other factors at Syndicate level to uplift the calculated uSCR (including the need to maintain the market's overall security rating). This produces a Syndicate Economic Capital Assessment ("ECA").

The table below summarises Syndicate 2010's ICA return for the 2012 year of account and the uSCR return for the 2013 and 2014 years of account. These figures are as agreed with Lloyd's. The ECA reflects the capital loadings that were a market-wide 35% for 2012 and 2014. Lloyd's loading for the 2013 year of account was based on the final uplift applied to the 2012 mid-year Coming-into-Line exercise.

		2014		2013		2012
	£m	**%***	£m	%*	£m	%*
ICA/uSCR	**171.2**	**48.9**	162.9	46.6	143.1	40.9
Lloyd's Loading	**59.9**	**17.1**	51.5	14.7	50.1	14.3
ECA	**231.1**	**66.0**	214.4	61.3	193.2	55.2

* Note: % = percentage of stamp capacity

Principal risks impacting the Syndicate

The Syndicate is exposed to a variety of risks when undertaking its activities all of which are taken into account when setting the ICA/uSCR of the Syndicate. The Board has policies and procedures in place to identify and manage the key risks in accordance with its risk appetite. These largely relate to:

- Insurance risk;
- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Insurance risk

The Syndicate has exposure to insurance risk (including reserving risk). Key areas where it is exposed to insurance risk are:

- Frequency of claims – the risk that the business written is subject to an unexpected frequency of claims;
- Severity of claims – the risk that the Syndicate is subject to an unexpected severity of claim;
- Inadequate pricing – the risk that business written is under-priced for the risk assumed;
- Lack of reinsurance cover – the risk that reinsurance of a type or quantum necessary to effectively manage the gross exposures assumed is either unavailable or unavailable at a viable cost;
- Inappropriate reinsurance – the risk that the Syndicate assumes gross exposures on the basis that effective reinsurance protection of a type or quantum is available and for that to prove not to be the case;
- Reserving risk – the risk that provisions in respect of already incurred claims prove inadequate.
- Accumulative loss including unknown/unexpected accumulations – the risk that risks accumulate including the extent or manner to which this is unexpected; and
- Wording issues – the risk that wordings are interpreted to provide coverage in a manner or to an extent which is beyond that intended.

The loss development tables that follow provide information about historical claims development.

Underwriting year - Gross	2007	2008	2009	2010	2011	2012	2013
12 months	41%	74%	39%	63%	79%	53%	43%
24 months	46%	69%	52%	94%	76%	44%	-
36 months	47%	69%	48%	96%	71%	-	-
48 months	46%	68%	46%	95%	-	-	-
60 months	45%	67%	45%	-	-	-	-
72 months	44%	67%	-	-	-	-	-
84 months	44%	-	-	-	-	-	-

Underwriting year - Net	2007	2008	2009	2010	2011	2012	2013
12 months	59%	66%	51%	74%	86%	61%	57%
24 months	57%	60%	57%	82%	77%	49%	-
36 months	57%	59%	51%	79%	73%	-	-
48 months	55%	56%	48%	77%	-	-	-
60 months	54%	55%	48%	-	-	-	-
72 months	53%	53%	-	-	-	-	-
84 months	53%	-	-	-	-	-	-

The loss ratios above are in respect of the pure year of account and are cumulative annually accounted loss ratios at each stage. In effect, the table highlights the Syndicate's ability to provide a robust estimate of the claims costs. It should be noted that any losses in year two onwards will not be recognised at the 12 months stage under annual accounting.

Credit risk

The Syndicate has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where it is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries; and
- Assets held as financial investments.

Liquidity risk

The Syndicate has exposure to liquidity risk. Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis. Where insufficient liquid funds exist, the Managing Agent can cash call the Names supporting the Syndicate and can ultimately drawdown from Names' Funds at Lloyd's.

Market risk

The Syndicate has exposure to market risk. This includes the risks associated with interest rate and currency movements which can alter the value of funds invested and the Sterling translated value of its assets and liabilities.

Operational risk

The Syndicate has exposure to operational risk. This includes risks that are associated with:

- the failure of the management controls;
- loss, failure or corruption of information technology systems;
- loss of key management and underwriting personnel;
- legal and regulatory issues; and
- other operational disruption.

Risk Management

All areas of risk are subject to the managing agency's risk management framework and enterprise wide risk management practices and controls.

Sub contracted functions

The managing agent has sub contracted the following functions:

Investment management:	Conning Asset Management Limited
Software support:	Agencyport Limited

Actuaries

Towers Watson Limited acted as reporting actuaries to the Syndicate for the period under review.

Statement as to disclosure of information to auditors

The Directors of the managing agent at the date of this report have individually taken all necessary steps to make themselves aware, as Directors, of any relevant audit information and to establish that the Syndicate auditors are aware of that information. As far as the Directors are aware, there is no relevant audit information of which the auditors are unaware.

Managing Agent's Report At 31 December 2013

continued

Advanced consents procedure notifications

Names Annual General Meeting Notice

In line with the conditions and requirements prescribed under paragraph 2(3) of the Syndicate Meetings Byelaw, notice is hereby given that the managing agent does not propose to hold an annual general meeting of the members of the Syndicate.

Agency and Syndicate Auditor

Ernst & Young LLP are the independent auditors to all of the Cathedral Group Companies and the Syndicate. Ernst & Young LLP has signified its willingness to continue in office as the independent auditor to both the managing agent and the Syndicate and will continue as company auditors for a further year with effect from 12 November2013 onwards.

Appointment as Syndicate auditor will be addressed in accordance with the "deemed reappointment of auditor" provisions under the Insurance Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 unless the deemed reappointment is prevented by members in accordance with Schedule 1 Part 3 (paragraph 14(2) of the Regulations 2008).

The safeguards against conflicts of interests arising from the same audit firm being auditors to both the managing agent and the Syndicate remain the same as stated in our memorandum dated 22 June 2004, as amended by that of 21 September 2006, addressed to Members' Agents and Direct Corporate Capital Providers, copies of which are available on request to all Syndicate members.

Names have until 30 April 2014 to advise the compliance director of Cathedral Underwriting Limited at the address below of any objections in relation to any of the above matters.

By order of the Board

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

4 March 2014

SYNDICATE ANNUAL ACCOUNTS

For the year ended 31 December 2013

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Independent Auditor's Report to the Members of Syndicate 2010

We have audited the syndicate annual accounts of Syndicate 2010 for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 26. 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 members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an 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 10, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the syndicate annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

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

Matters on which we are required to report by exception

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

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

Angus Millar *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

4 March 2014

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**272,591**	285,119
Outward reinsurance premiums		**(67,486)**	(75,426)
Net premiums written		**205,105**	209,693
Change in the provision for unearned premiums:			
Gross amount		**2,557**	(2,334)
Reinsurers' share		**(179)**	(207)
Earned premiums, net of reinsurance		**207,483**	207,152
Allocated investment return transferred from the non-technical account		**1,959**	3,562
Claims paid:			
Gross amount		**(156,851)**	(187,772)
Reinsurers' share		**56,352**	66,606
		(100,499)	(121,166)
Change in the provision for claims:			
Gross amount		**76,606**	41,788
Reinsurers' share		**(46,815)**	(23,472)
		29,791	18,316
Claims incurred, net of reinsurance		**(70,708)**	(102,850)
Net operating expenses	4	**(68,103)**	(58,297)
Balance on the technical account for general business		**70,631**	49,567

All items relate to continuing operations only.

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

Profit and Loss Account
Non-Technical Account
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Balance on the general business technical account		**70,631**	49,567
Investment income	8	**3,967**	4,534
Unrealised gains on investments		**202**	631
Investment expenses and charges	9	**(954)**	(927)
Unrealised losses on investments		**(1,256)**	(676)
Allocated investment return transferred to the general business technical account		**(1,959)**	(3,562)
Profit for the financial year	17	**70,631**	**49,567**

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the financial year	17	**70,631**	49,567
Currency translation differences	17	**(4,840)**	(894)
Total recognised gains since last annual report		**65,791**	48,673

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

Balance Sheet
As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Investments:			
Financial investments	11	**236,773**	195,416
		236,773	195,416
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**7,172**	7,470
Claims outstanding	12	**96,477**	143,816
		103,649	151,286
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**14,704**	13,578
Debtors arising out of reinsurance operations	14	**67,985**	81,489
Other debtors	15	**4,734**	5,190
		87,423	100,257
Other assets:			
Cash at bank and in hand		**2,908**	4,979
Other	16	**25,540**	35,470
		28,448	40,449
Prepayments and accrued income:			
Deferred acquisition costs		**14,501**	15,043
Other prepayments and accrued income		**1,031**	758
		15,532	15,801
Total assets		**471,825**	503,209

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

	Notes	2013 £'000	2012 £'000
Capital and reserves:			
Members' balances	17	**67,837**	10,919
		67,837	10,919
Technical provisions:			
Provision for unearned premiums		**79,985**	83,992
Claims outstanding		**295,177**	374,627
		375,162	458,619
Creditors:			
Creditors arising out of direct insurance operations	18	**1,003**	838
Creditors arising out of reinsurance operations	19	**20,898**	30,593
Other creditors including taxation and social security	20	**6,508**	1,886
		28,409	33,317
Accruals and deferred income		**417**	354
Total liabilities		**471,825**	503,209

The Syndicate annual accounts on pages 22 to 38 were approved by the Board of Cathedral Underwriting Limited on 4 March 2014 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

4 March 2014

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

CATHEDRAL
SYNDICATE 2010

Statement of Cash Flows
For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**70,631**	49,567
Realised and unrealised investments losses on cash and investments, including currency movements		**6,236**	11,306
Income from investments		**(3,802)**	(4,297)
Decrease in debtors, prepayments and accrued income		**13,103**	7,316
(Decrease) in net technical provisions		**(35,820)**	(26,708)
(Decrease) in creditors, accruals and deferred income		**(4,845)**	(6,830)
Exchange (losses)		**(4,840)**	(894)
Net cash inflow from operating activities		**40,663**	29,460
Returns on investment and servicing of finance:			
Interest received		**3,802**	4,297
Transfer to members in respect of underwriting participations		**(8,873)**	(55,222)
Increase/(decrease) in cash and portfolio investments in the year	21	**35,592**	(21,465)
Cash flows were invested as follows:			
(Decrease) in cash holdings	21	**(2,167)**	(2,435)
Net portfolio investments	22	**37,759**	(19,030)
Net investment of cash flows		**35,592**	(21,465)

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

1 Basis of Preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (revised in December 2006) ("the ABI SORP").

2 Accounting Policies

(a) *Basis of accounting*

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(b) *Underwriting*

(i) *Premiums written*

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

(ii) *Reinsurance premium ceded*

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(iii) *Unearned premiums*

Written premium is earned according to the risk profile of the policy which is calculated on the basis of established earnings patterns or time apportionment as appropriate. Unearned premiums represent the proportion of premiums written in the year or earlier years that relate to the unexpired terms of policies in force at the balance sheet date.

(iv) *Claims incurred*

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

(v) *Claims provisions and related recoveries*

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

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

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

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

The Syndicate uses a number of statistical and other techniques to assist in making the above estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(vi) *Unexpired risks provision*

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

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together. No account is taken of any future investment return.

(vii) *Acquisition costs*

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(c) *Foreign currencies*

Transactions in US dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date of the transaction or at an appropriate average rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used. Differences arising on the re-translation of foreign currency amounts are included in the Statement of Total Recognised Gains and Losses.

Realised exchange differences are included in the technical account within net operating expenses.

(d) *Investments*

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid price value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date. The Syndicate holds cash balances, some of which are swept overnight into pooled arrangements. These balances have been classified as investments.

(e) *Investment return*

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account. A transfer is made from the Non-Technical Account to the Technical Account - General Business to reflect the investment return on funds supporting underwriting business. All investment return is deemed to arise on such funds.

(f) *Taxation*

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

No provision has been made for any other overseas tax payable by members on underwriting results.

(g) *Pension costs*

Cathedral Underwriting Limited operates a defined contribution pension scheme and it recharges to the Syndicate staff costs which include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

(h) *Operating lease rentals*

Amounts recharged by Cathedral Underwriting Limited include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2013

continued

3 Particulars of business written

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

					Year ended 31 December 2013	
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Motor (third party liability)	**150**	**153**	**(101)**	**(46)**	**(19)**	**(13)**
Motor (other classes)	**146**	**177**	**(123)**	**(58)**	**(7)**	**(11)**
Marine, aviation and transport	**2,068**	**2,628**	**(2,032)**	**(502)**	**(78)**	**16**
Fire and other damage to property	**82,850**	**82,463**	**(25,371)**	**(26,166)**	**(13,338)**	**17,588**
Third party liability	**654**	**629**	**(620)**	**(332)**	**(11)**	**(334)**
Credit and suretyship	**5,130**	**5,688**	**(6,901)**	**(1,400)**	**1,660**	**(953)**
	90,998	**91,738**	**(35,148)**	**(28,504)**	**(11,793)**	**16,293**
Reinsurance acceptances	**181,593**	**183,410**	**(45,097)**	**(39,599)**	**(46,335)**	**52,379**
Total	**272,591**	**275,148**	**(80,245)**	**(68,103)**	**(58,128)**	**68,672**

					Year ended 31 December 2012	
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Motor (third party liability)	214	291	(20)	(101)	(15)	155
Motor (other classes)	252	295	(27)	(92)	(37)	139
Marine, aviation and transport	2,107	2,152	(1,023)	(401)	44	772
Fire and other damage to property	77,931	75,764	(34,692)	(19,178)	(12,453)	9,441
Third party liability	770	801	(613)	(275)	(64)	(151)
Credit and suretyship	5,761	5,268	(2,164)	(1,365)	(1,770)	(31)
	87,035	84,571	(38,539)	(21,412)	(14,295)	10,325
Reinsurance acceptances	198,084	198,214	(107,445)	(36,885)	(18,204)	35,680
Total	285,119	282,785	(145,984)	(58,297)	(32,499)	46,005

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit		Net assets	
	2013	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Direct	**90,998**	87,035	**19,799**	10,410	**17,965**	261
Reinsurance	**181,593**	198,084	**50,832**	39,157	**49,872**	10,658
	272,591	285,119	**70,631**	49,567	**67,837**	10,919

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2013 £'000	Gross written premiums 2012 £'000
UK	**39,307**	41,576
US	**126,461**	122,824
Other EU member states	**21,053**	22,813
Rest of the world	**85,770**	97,906
	272,591	285,119

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2013

continued

4 Net operating expenses

	2013 £'000	2012 £'000
Acquisition costs	**45,202**	44,674
Change in deferred acquisition costs	**245**	(1,006)
Administrative expenses	**9,577**	8,975
Reinsurance commissions and profit participation	**(398)**	(832)
Loss on exchange	**3,092**	430
Personal expenses	**10,385**	6,056
	68,103	58,297

Administrative expenses include:

	2013 £'000	2012 £'000
Auditors' remuneration:		
- Audit of accounts - Ernst & Young LLP	**91**	-
- Audit-related assurance services - Ernst & Young LLP	**38**	-
- Audit of accounts - Mazars LLP	**-**	84
- Audit-related assurance services - Mazars LLP	**19**	58
- Taxation compliance services - Mazars LLP	**2**	1
- Taxation advisory services - Mazars LLP	**-**	2
- Other assurance services - Mazars LLP	**-**	60
- Other non-audit services - Mazars LLP	**5**	20

Total commissions for direct insurance accounted for in the year amounted to £21,305,443 (2012: £19,732,245).

5 Staff numbers and costs

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

	2013 £'000	2012 £'000
Wages and salaries	**4,514**	4,209
Social security costs	**558**	518
Other pension costs	**726**	677
	5,798	5,404

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

	2013	2012
Operations, administration and finance	**19**	18
Underwriting and claims	**30**	29
	49	47

6 Emoluments of the Directors of Cathedral Underwriting Limited

Cathedral Underwriting Limited charged the Syndicate the following amounts in respect of emoluments paid to its Directors, including the active underwriter of the Syndicate:

	2013 £'000	2012 £'000
Emoluments	**793**	757

7 Active underwriter's emoluments

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

	2013 £'000	2012 £'000
Emoluments	**256**	256

8 Investment income

	2013 £'000	2012 £'000
Income from investments	**3,966**	4,359
Gains on the realisation of investments	**1**	175
	3,967	4,534

9 Investment expenses and charges

	2013 £'000	2012 £'000
Investment management expenses, including interest payable	**230**	190
Losses on realisation of investments	**724**	737
	954	927

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2013

continued

10 Investment return

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

	31 December 2013		31 December 2012	
	Average funds '000*	**Investment yield %**	Average funds '000*	Investment yield %
Sterling	**24,708**	**3.2**	31,288	4.3
Euro	**29,279**	**0.4**	26,986	1.6
US Dollars	**278,992**	**0.5**	248,190	1.1
Canadian Dollars	**46,074**	**1.3**	43,892	1.1
All currencies converted	**243,354**	**0.9**	237,102	1.6

Investment return includes investment income, realised investment gains and losses and movements on unrealised investment gains and losses.

* Average funds are shown in original currencies.

11 Financial investments

	Market value		**Cost**	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Shares and other variable yield securities	**22,199**	13,372	**22,199**	13,372
Debt securities and other fixed income securities	**208,160**	177,067	**209,027**	176,990
Participation in investment pools	**6,317**	4,879	**6,317**	4,879
Deposits with approved credit institutions	**97**	98	**97**	98
	236,773	195,416	**237,640**	195,339

Debt securities and other fixed income securities are all listed on recognised stock exchanges. All investments, other than deposits with approved credit institutions, are stated at bid price value. Furthermore, though the majority of investments were rated AAA to A by external ratings agencies as at the Balance Sheet date securities rated below A, but no lower than BBB had a value of £5 million.

12 Reinsurers' share of claims outstanding

The year end assessment of the recoverability of the Syndicate's reinsurance assets is a subjective one. The managing agent considers that the provision is fairly stated based on the current information available. However, the ultimate amount recoverable may be different as a result of subsequent information and future events.

The table below analyses the exposure to reinsurers by credit quality: The grading refers to the year end grade of the relevant reinsurer by reference to their A. M. Best and/or S&P rating. These ratings will not necessarily be the same as when the relevant reinsurances were purchased.

	2013 £'000	2012 £'000
A grade security	**78,468**	119,171
Other*	**19,726**	28,215
	98,194	147,386
Less provision for bad debt	**(1,717)**	(3,570)
	96,477	143,816

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

13 Debtors arising out of direct insurance operations

	2013 £'000	2012 £'000
Due within one year - intermediaries	**14,704**	13,578

14 Debtors arising out of reinsurance operations

	2013 £'000	2012 £'000
Due within one year	**67,985**	81,489

15 Other debtors

	2013 £'000	2012 £'000
Due within one year:		
Amounts due from members	**1,406**	1,870
Other	**111**	88
Due after one year:		
Amounts due from members	**3,217**	3,232
	4,734	5,190

16 Other assets - overseas deposits

	2013 £'000	2012 £'000
Amounts advanced in other countries as a condition of carrying on business there	**25,540**	35,470

17 Reconciliation of members' balances

	2013 £'000	2012 £'000
Members' balances at 1 January	**10,919**	17,468
Profit for the financial year	**70,631**	49,567
Exchange (loss) for the financial year	**(4,840)**	(894)
Transfers to members' personal reserve funds	**(8,873)**	(55,222)
Members' balances carried forward at 31 December	**67,837**	10,919

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

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of that particular year.

Transfers to members' personal funds comprise the 2010 (2009) closed year of account profit.

18 Creditors arising out of direct insurance operations

	2013 £'000	2012 £'000
Due within one year	**1,003**	838

19 Creditors arising out of reinsurance operations

	2013 £'000	2012 £'000
Due within one year	**20,898**	30,593

20 Other creditors including taxation and social security

	2013 £'000	2012 £'000
Due within one year:		
Profit commission owed to managing agent	**1,256**	817
Expenses owed to managing agent	**257**	418
Other	**8**	14
	1,521	1,249
Due after one year:		
Profit commission owed to managing agent	**4,987**	637
	6,508	1,886

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

	2013 £'000	2012 £'000
Net cash (outflow) for the year	**(2,167)**	(2,435)
Cash flow – portfolio investments	**37,759**	(19,030)
Movement arising from cash flows	**35,592**	(21,465)
Changes in market value and exchange rates	**(6,236)**	(11,306)
Total movement in portfolio investments net of financing	**29,356**	(32,771)
Balance brought forward at 1 January	**235,865**	268,636
Balance carried forward at 31 December	**265,221**	235,865

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

	At 1 January 2013 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2013 £'000
Cash at bank and in hand	**4,979**	**(2,167)**	**96**	**2,908**
Overseas deposits	**35,470**	**(9,540)**	**(390)**	**25,540**
Shares and other variable yield securities	**13,372**	**9,067**	**(240)**	**22,199**
Debt securities and other fixed income securities	**177,067**	**36,431**	**(5,338)**	**208,160**
Participation in investment pools	**4,879**	**1,801**	**(363)**	**6,317**
Deposits with approved credit institutions	**98**	**-**	**(1)**	**97**
Total portfolio investments	**230,886**	**37,759**	**(6,332)**	**262,313**
Total cash at bank and in hand and portfolio investments	**235,865**	**35,592**	**(6,236)**	**265,221**

22 Net cash inflow on portfolio investments

	2013 £'000	2012 £'000
Purchase of debt securities and other fixed income securities	**(112,168)**	(114,828)
Sale of debt securities and other fixed income securities	**75,737**	120,901
Movement of shares and other variable yield securities	**(9,067)**	9,780
Movement of participation in investment pools	**(1,801)**	2,712
Movement of overseas deposits	**9,540**	465
Net cash (outflow)/inflow on portfolio investments	**(37,759)**	19,030

23 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital (2000) Limited and the ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest group and Cathedral Capital Holdings Limited is the smallest group which includes the Company and for which consolidated financial statements are prepared. Cathedral Capital Holdings Limited is registered in England & Wales. Lancashire Holdings Limited is incorporated Bermuda.

Total managing agency fees paid during calendar year 2013 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £2,275,104 (2012: £2,271,827).

Profit commission of £1,256,265 (2012: £817,280) is also due to the managing agent in respect of the profit on the 2011 (2010) closed year.

Profit commission of £3,936,496 (2012: £nil) has also been accrued in respect of the 2012 (2011) year of account, with £1,050,412 (2012: £636,860) accrued in respect of the 2013 (2012) year of account.

A number of non-executive directors are also directors of other Lloyd's entities. The syndicates managed by those entities may from time to time transact business with the syndicates managed by Cathedral Underwriting Limited. All such insurance contracts will have been dealt with on an arm's length basis.

23 Related parties *continued*

Expenses totalling £9,842,577 (2012: £9,734,795) were recharged to the Syndicate by Cathedral Underwriting Limited. Where expenses were incurred jointly by the managing agent and the Syndicate, they were apportioned as follows:

Salaries and related costs	- according to the estimated time of each individual spent on syndicate matters
Accommodation costs	- according to the number of personnel
Other costs	- as appropriate in each case

Amounts owed to Cathedral Underwriting Limited at 31 December 2013 totalled £6,500,365 (2012: £1,872,249) and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided capacity to the 2011, 2012 and 2013 underwriting years. Cathedral Capital (1998) Limited's share of the result for the 2013 calendar year is a profit of £44,117,458 (2012: £29,504,436 profit).

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 10 April 2014:

2011 year of account	US$20,584,245

On the same date, outstanding profit commission of £1,256,265 will be paid to Cathedral Underwriting Limited on the 2011 closed year of account.

25 Funds at Lloyd's

In case syndicate assets prove insufficient to meet members' underwriting liabilities, every member is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL").

The level of FAL Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. FAL is not hypothecated to any specific syndicate participation of a member. Therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

26 Quota share reinsurance

In accordance with Lloyd's consent, the following quota share reinsurance contracts have been ceded by Syndicate 2010 to Cathedral managed Syndicate 3010.

	Account	2011 account	2012 account	2013 account
1.	Satellite Account (SATEC)	16.67%	16.67%	-%
2.	North East USA Treaty Account	5.00%	5.00%	5.00%

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

For the 2014 year of account, the North East USA Treaty Account quota share arrangement with Syndicate 3010 has been not been renewed, but replaced by an equivalent arrangement with Lancashire Insurance Company Limited.

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2011 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2013

Independent Auditor's Report to the Members of Syndicate 2010 – 2011 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2011 year of account of syndicate 2010 for the three years ended 31 December 2013 which comprise Statement of Managing Agent's Responsibilities, the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 22. 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 members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an 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 auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year 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 syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2011 Closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Matters on which we are required to report by exception

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

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

Angus Millar *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

4 March 2014

Statement of Managing Agent's Responsibilities

Cathedral Underwriting Limited as managing agent is responsible for preparing syndicate underwriting year accounts in accordance with applicable law and the Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 (the "Lloyd's Regulations") require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. These syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing these syndicate underwriting year accounts, the managing agent is required to:

(i) select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;

(ii) take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

(iii) make judgements and estimates that are reasonable and prudent; and

(iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year of accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited

4 March 2014

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
2011 Year of Account
For the 36 months ended 31 December 2013

		Notes	36 months ended 31 December 2013 £'000
Earned premiums, net of reinsurance			
Gross premiums written		3	**292,480**
Outward reinsurance premiums			**(77,206)**
Net premiums written			**215,274**
Change in the provision for unearned premiums			
Gross amount			**330**
Reinsurers' share			**(46)**
Earned premiums, net of reinsurance			**215,558**
Reinsurance to close premiums received, net of reinsurance		3	**95,638**
Allocated investment return transferred from the non-technical account			**3,031**
Claims incurred, net of reinsurance			
Claims paid	Gross amount		**(211,881)**
	Reinsurers' share		**71,729**
			(140,152)
Reinsurance to close premium payable, net of reinsurance		8	**(94,924)**
Claims incurred net of reinsurance			**(235,076)**
Net operating expenses		5	**(61,534)**
Balance on the technical account for general business			**17,617**

The underwriting year has closed; all items therefore relate to discontinued operations.

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

Profit and Loss Account
Non-Technical Account
2011 Year of Account
For the 36 months ended 31 December 2013

	Notes	36 months ended 31 December 2013 £'000
Balance on the general business technical account		**17,617**
Investment income	6	**4,665**
Unrealised gains on investments		**397**
Investment expenses and charges	7	**(1,019)**
Unrealised losses on investments		**(1,012)**
Allocated investment return transferred to the general business technical account		**(3,031)**
Profit for the closed year of account	14	**17,617**

Statement of Total Recognised Gains and Losses
2011 Year of Account
For the 36 months ended 31 December 2013

	Notes	36 months ended 31 December 2013 £'000
Profit for the financial year	14	**17,617**
Currency translation differences	14	**(3,972)**
Total recognised gains and losses		**13,645**

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
2011 Year of Account
For the 36 months ended 31 December 2013

	Notes	31 December 2013 £'000
Assets		
Investments	9	**125,703**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**33**
Debtors arising out of reinsurance operations	11	**22,326**
Other debtors	12	**1,416**
		23,775
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**77,525**
Other assets:		
Cash at bank and in hand		**108**
Other	13	**15,781**
		15,889
Prepayments and accrued income		**190**
Total assets		**243,082**
Liabilities		
Amounts due to members	14	**13,645**
Reinsurance to close premiums payable to close the account – gross amount	8	**179,403**
Creditors:		
Creditors arising out of direct insurance operations	15	**115**
Creditors arising out of reinsurance operations	16	**10,530**
Other creditors including taxation and social security	17	**39,324**
		49,969
Accruals and deferred income		**65**
Total liabilities		**243,082**

The Syndicate underwriting year accounts on pages 41 to 56 were approved by the Board of Cathedral Underwriting Limited on 4 March 2014 and were signed on its behalf by:

L A Holder
Managing Director

J A Lynch
Finance Director

4 March 2014

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

Statement of Cash Flows
2011 Year of Account
For the 36 months ended 31 December 2013

	Notes	36 months ended 31 December 2013 £'000
Profit for the closed year of account		**17,617**
Realised and unrealised investment losses, including currency movements		**1,272**
Income from investments		**(4,618)**
Net reinsurance to close premium payable		**94,924**
(Increase) in debtors		**(8,271)**
(Increase) in prepayments and accrued income		**(190)**
Increase in creditors		**41,983**
Increase in accruals and deferred income		**65**
Exchange (loss)		**(3,972)**
Net cash inflow from operating activities		**138,810**
Returns on investment and servicing of finance:		
Interest received		**4,618**
Increase in cash and portfolio investments in the period	18	**143,428**
Cash flows were invested as follows:		
Movement in cash holdings	18	**108**
Net portfolio investments	19	**143,320**
Net investment of cash flows	18	**143,428**

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

Notes to the Syndicate Underwriting Year Accounts
2011 Year of Account
For the 36 months ended 31 December 2013

1 Basis of Preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw and applicable accounting standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (revised December 2006) ("the ABI SORP").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2011 year of account which has been closed by reinsurance to close at 31 December 2013; consequently the balance sheet represents the assets and liabilities of the 2011 year of account and the profit and loss account, the statement of total recognised gains and losses and the statement of cash flows reflect the transactions for that year of account during the 36 month period until closure.

As each Syndicate year of account is a separate annual venture, there are no comparative figures.

2 Accounting Policies

Underwriting transactions

(a) The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

(b) The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, IBNR, unearned premiums, net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

(c) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the Syndicate year of account.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

Written premium is earned according to the risk profile of the policy which is calculated on the basis of established earnings patterns or time apportionment as appropriate. Unearned premiums represent the balance of premiums written in the period to the balance sheet date that relate to unexpired terms of policies in force at that date.

(d) Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

(e) Outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by management and further reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions.

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

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

(f) Acquisition costs comprise commission and other internal and external costs related to the acquisition of new insurance contracts. These are recognised in line with gross earned premiums.

Investments and investment return

(g) Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account. A transfer is made from the Non-Technical Account to the Technical Account General Business to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid price value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Notes to the Syndicate Underwriting Year Accounts
2011 Year of Account
For the 36 months ended 31 December 2013

continued

Syndicate operating expenses

(h) Costs incurred by the managing agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the managing agent and the Syndicate, they are apportioned as follows:

Salaries and related costs - according to the estimated time of each individual spent on syndicate matters
Accommodation costs - according to the number of personnel
Other costs - as appropriate in each case

The managing agent operates a defined contribution pension scheme and it recharges to the Syndicate staff costs which include an element for pension costs. These pension costs are expensed in full in the period to which the recharge relates.

Amounts recharged by the managing agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Taxation

(i) Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Basis of currency translation

(j) Transactions in US dollars, Canadian dollars and Euros are translated at the rate of exchange at the date of the transaction or at an approximate average rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into sterling at the rate of exchange at the balance sheet date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used.

Although transactions are translated as described above, the final result for the year of account is calculated with US dollars, Canadian dollars and Euros translated at the balance sheet date rates of exchange.

Differences arising on the re-translation of foreign currency amounts are included in the Statement of Total Recognised Gains and Losses.

Realised exchange differences are included in the technical account within net operating expenses.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Notes to the Syndicate Underwriting Year Accounts
2011 Year of Account
For the 36 months ended 31 December 2013

continued

3 Particulars of business written

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

						36 months ended 31 December 2013
Type of business	**Gross premiums written £'000**	**Gross premiums earned £'000**	**Gross claims incurred £'000**	**Gross operating expenses £'000**	**Reinsurance balance £'000**	**Total £'000**
Direct insurance:						
Motor (third party liability)	482	481	(322)	(110)	(38)	11
Motor (other classes)	458	459	(248)	(107)	(70)	34
Marine aviation and transport	2,944	2,940	(1,496)	(333)	(2)	1,109
Fire and other damage to property	96,793	96,963	(50,951)	(21,808)	(10,875)	13,329
Third party liability	1,285	1,287	(1,305)	(306)	(4)	(328)
Credit and suretyship	7,227	7,224	(9,390)	(1,439)	3,891	286
	109,189	109,354	(63,712)	(24,103)	(7,098)	14,441
Reinsurance acceptances*	278,929	279,094	(312,632)	(37,431)	71,114	145
Total	388,118	388,448	(376,344)	(61,534)	64,016	14,586

* Reinsurance acceptances include the reinsurance to close premium of £95,638,123 received from the 2010 year of account.

Geographical analysis by origin	**Gross written premiums £'000**	**Profit/ (loss) £'000**	**Net assets £'000**
Direct	109,189	21,061	16,313
Reinsurance	278,929	(3,444)	(2,668)
	388,118	17,617	13,645

All business originates in the UK.

Geographical analysis by destination	**Gross written premiums £'000**
UK	61,968
US	163,754
Other EU member states	35,278
Rest of the world	127,118
	388,118

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

	36 months ended 31 December 2013 £'000
Balance attributable to business allocated to the 2011 year of account	62,081
Balance attributable to the reinsurance to close of the 2010 year of account	14,039
	76,120

5 Net operating expenses

	36 months ended 31 December 2013 £'000
Acquisition costs	44,706
Change in deferred acquisition costs	56
Administrative expenses	8,985
Reinsurers' commissions and profit participation	(729)
Loss on exchange	2,477
Personal expenses	6,039
	61,534

The closed year profit is stated after charging:

	36 months ended 31 December 2013 £'000
Auditors' remuneration:	
- Audit of accounts - Ernst & Young LLP	5
- Audit of accounts - Mazars LLP	58
- Audit-related assurance services - Mazars LLP	20
- Taxation compliance services - Mazars LLP	2
- Other assurance services - Mazars LLP	25
- Other non-audit services - Mazars LLP	10
Staff pension costs	643

6 Investment income

	36 months ended 31 December 2013 £'000
Income from investments	4,567
Gains on the realisation of investments	98
	4,665

7 Investment expenses and charges

	36 months ended 31 December 2013 £'000
Investment management expenses, including interest	205
Losses on realisation of investments	814
	1,019

8 Reinsurance premium payable to close the 2011 year of account

	31 December 2013 £'000
Gross outstanding claims	128,834
Reinsurance recoveries anticipated	(63,648)
Net outstanding claims	65,186
Provision for gross claims incurred but not reported	50,569
Reinsurance recoveries anticipated	(13,877)
Provision for net claims incurred but not reported	36,692
Provision for future inwards gross premiums	(14,940)
Provision for future reinsurance protection	7,986
Provision for net premiums incurred but not reported	(6,954)
Reinsurance premium payable to close the account	94,924

9 Investments

	31 December 2013 Market value £'000
Shares and other variable yield securities	10,846
Debt Securities and other fixed income securities	113,108
Participation in investment pools	1,652
Deposits with approved credit instructions and approved financial institutions	97
	125,703

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

10 Debtors arising out of direct insurance operations

	31 December 2013 £'000
Due within one year	
- intermediaries	33

11 Debtors arising out of reinsurance operations

	31 December 2013 £'000
Due within one year	**22,326**

12 Other debtors

	31 December 2013 £'000
Amount due from members	**1,407**
Other	**9**
	1,416

Amounts due from members includes members' agency fees paid by the Syndicate on behalf of members and other non-standard personal expenses.

13 Other assets – overseas deposits

	31 December 2013 £'000
Amounts advanced in other countries as a condition of carrying on business there	**15,781**

14 Amounts due to members

	31 December 2013 £'000
Profit for the closed year of account	**17,617**
Currency translation differences	**(3,972)**
Members' balances carried forward at 31 December 2013	**13,645**

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

Notes to the Syndicate Underwriting Year Accounts 2011 Year of Account For the 36 months ended 31 December 2013

continued

15 Creditors arising out of direct insurance operations

	31 December 2013 £'000
Due within one year	**115**

16 Creditors arising out of reinsurance operations

	31 December 2013 £'000
Due within one year	**10,530**

17 Other creditors including taxation and social security

	31 December 2013 £'000
Inter-year loans	**37,958**
Profit commission payable to managing agent	**1,256**
Expenses payable to managing agent	**110**
	39,324

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

	31 December 2013 £'000
Net cash movement for the period	**108**
Cash flow – portfolio investments	**143,320**
Movement arising from cash flows	**143,428**
Changes in market value and exchange rates	**(1,836)**
Total movement in portfolio investments net of financing	**141,592**
Balance brought forward at 1 January 2011	**-**
Balance carried forward at 31 December 2013	**141,592**

	At 1 January 2011 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2013 £'000
Cash at bank and in hand	-	108	-	**108**
Overseas deposits	-	16,006	(225)	**15,781**
Investments	-	127,314	(1,611)	**125,703**
Total portfolio investments	-	143,320	(1,836)	**141,484**
Total cash and portfolio investments	-	143,428	(1,836)	**141,592**

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2013 £'000
Purchase of overseas deposits	**(16,006)**
Purchase of investments	**(233,035)**
Sale of investments	**105,721**
Net cash (outflow) on portfolio investments	**(143,320)**

20 Borrowings

During the period to 31 December 2013, the Syndicate had an unsecured catastrophe facility with Barclays Bank plc to assist with the paying or funding of any significant catastrophe losses. This facility was never utilised by the 2011 year of account and accordingly the balance outstanding at the balance sheet date was £nil.

21 Related parties

The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital (2000) Limited and the ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest group and Cathedral Capital Holdings Limited is the smallest group which includes the Company and for which consolidated financial statements are prepared. Cathedral Capital Holdings Limited is registered in England & Wales. Lancashire Holdings Limited is incorporated Bermuda.

Total managing agency fees payable to Cathedral Underwriting Limited in respect of services provided to the Syndicate in respect of the 2011 year of account amounted to £2,273,228 of which £nil was outstanding at 31 December 2013. Profit commission of £1,256,265 is also due to the managing agent in respect of the profit on the 2011 Closed year. Of this, £1,256,265 was outstanding at 31 December 2013.

Expenses totalling £9,157,066 were recharged to the 2011 year of account by Cathedral Underwriting Limited. The basis on which expenses are apportioned is set out in note 2(h).

Amounts owed to Cathedral Underwriting Limited at 31 December 2013 totalled £1,365,512 and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided capacity to the underwriting years as follows:

	2011 Year of Account £	2012 Year of Account £	2013 Year of Account £
Cathedral Capital (1998) Limited	**202,310,471**	**202,310,477**	**202,310,477**

A number of non-executive directors are also directors of other Lloyd's entities. The syndicates managed by those entities may from time to time transact business with the syndicates managed by Cathedral Underwriting Limited. All such insurance contracts will have been dealt with on an arm's length basis.

22 Post balance sheet events

The reinsurance premium to close the 2011 year of account at 31 December 2013 was agreed by the managing agent on 4 March 2014. Consequently the technical provisions at 31 December 2013 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw. The actual amount of reinsurance to close premiums paid will be after deduction of unsigned premiums.

The following amounts will be transferred to members' personal reserve funds on 10 April 2014 US$20,584,245.

On the same date, outstanding profit commission, in respect of the 2011 year of account, of £1,256,265 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2011 YoA	2010 YoA	2009 YoA	2008 YoA	2007 YoA	2006 YoA	2005 YoA
Syndicate allocated capacity	£349.7m	£349.8m	£299.8m	£299.7m	£299.7m	£249.7m	£199.7m
Gross capacity utilised (i)	83.6%	80.8%	93.5%	77.6%	71.3%	87.2%	107.0%
Number of underwriting members	1,118	1,058	1,024	1,003	1,023	1,035	1,004
Aggregate net written premiums (i)	£215.3m	£197.2m	£202.7m	£168.7m	£159.6m	£169.6m	£157.5m
Net capacity utilised (i)	61.6%	56.4%	67.6%	56.3%	53.3%	67.9%	78.8%
Loss ratio (ii)	75.5%	77.4%	61.7%	71.0%	68.8%	65.7%	67.7%
Results for an illustrative share of £10,000							
Gross written premiums	8,364	8,076	9,349	7,756	7,133	8,715	10,699
Net earned premiums	6,164	5,585	6,798	5,993	5,515	6,608	7,856
Reinsurance to close received from an earlier account	2,735	2,704	2,799	2,347	2,194	1,812	1,519
Net claims paid	(4,008)	(3,682)	(2,762)	(3,125)	(2,956)	(2,896)	(4,085)
Reinsurance to close payable	(2,714)	(2,734)	(3,155)	(2,799)	(2,347)	(2,633)	(2,266)
Profit/(loss) on exchange	(71)	(8)	13	65	7	54	5
Acquisition costs	(1,280)	(1,219)	(1,457)	(1,266)	(1,199)	(1,400)	(1,733)
Syndicate operating expenses	(236)	(208)	(234)	(225)	(214)	(261)	(323)
Balance on technical account before investment return	590	438	2,002	990	1,000	1,284	973
Investment income and gains less losses, less expenses & charges	87	108	125	166	313	439	317
Profit for closed year of account before personal expenses	677	546	2,127	1,156	1,313	1,723	1,290
Currency translation differences	(114)	(134)	31	306	281	1,191	(152)
Total recognised gains and losses before personal expenses	563	412	2,158	1,462	1,594	2,914	1,138
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	(36)	(35)	(41)	(34)	(100)	(100)	(50)
- Lloyd's subscription	(36)	(35)	(41)	(34)	(50)	(50)	(50)
- Profit commission	(85)	(55)	(402)	(266)	(241)	(472)	(170)
Total illustrative personal expenses for a traditional Name	(222)	(190)	(549)	(399)	(456)	(687)	(335)
Total result after illustrative personal expenses	**341**	**222**	**1,609**	**1,063**	**1,138**	**2,227**	**803**

Notes

(i) Premiums above are gross of brokerage. Therefore, it is possible that the capacity utilisation could exceed 100%, as the traditional way of monitoring utilisation is net of brokerage.

(ii) The loss ratio is claims paid plus the reinsurance to close divided into net earned premiums plus reinsurance to close received.

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