CATHEDRAL

SYNDICATE 2010

MMX

Annual Report

31 December 2014

Contents

Chairman's Statement

These accounts have been produced on both an annual accounting basis for the 2014 calendar year and on the traditional three year basis in respect of the closure of the 2012 Year of Account.

I am pleased to say that Syndicate 2010 has produced a profit of £39.6m for the 2014 calendar year before a gain on currency translation of £5.9m which is accounted for through the statement of recognised gains and losses ("STRGL"). The Syndicate combined ratio is 76.4% (after taking into account all Managing Agency related personal expenses, except for Profit Commission).

Although calendar year 2014 remained free of major losses, there were some notable exceptions such as the two Malaysian Airways losses and a major tornado system that caused widespread damage in Nebraska, so that the overall profit achieved by Syndicate 2010 reflects great credit on our underwriting team.

On the traditional basis of reporting, I am delighted to say that Syndicate 2010 has closed the 2012 Year of Account with a profit of 17.6% for a participant paying Standard Managing Agency Fees and Profit Commission. This is better than we expected twelve months ago and exceeds the upper-point of our latest published forecast.

The 2013 Year of Account still has some months to run but at this early stage a satisfactory profit is in prospect. The 2014 Year of Account has got off to a reasonably good start but is in its infancy.

I reported last year that the rating environment was falling and it has continued to do so in almost every class of business. In addition pressure to widen terms and conditions to the detriment of underwriters continues to build despite best efforts of most of the market to push back.

The current conditions are the worst since the late 1990's. The underwriting world has had an exceptional run since "9/11" in 2001 and it seems that many underwriters /capital providers seem to think this is normal and that losses do not happen; sadly they do and it will be interesting to see reactions when the reality returns and the "fear" factor comes into play!

Fortunately we have an outstanding team of underwriters who have seen it all before and will guide us through these exceptionally challenging market conditions.

Once again I would like to thank our underwriting, claims, reinsurance, modelling, I.T., actuarial, finance, management teams and all those who support them for their successful efforts in difficult times. They are worthy of our gratitude.

As mentioned last year, following our acquisition by the Lancashire Group, Alex Maloney their Chief Executive Officer, has joined our Board and his contribution is very much welcomed as are the valuable contributions of all my other Non Executive colleagues, namely Tony Minns, Robin Oakes, Elvin Patrick and John Tilling. They have my thanks, as do all the Executive Members of the Board.

A I G C South
Chairman
16 March 2015

Underwriter's Report

Introduction

On an annual accounting basis, the result of the Syndicate for calendar year 2014 is a profit of £39.6 million (combined ratio 76.4%) before a gain of £5.9 million on currency re-translation, producing a net gain for the year of £45.5 million. On the traditional Lloyd's basis of reporting, the 2012 year of account has closed with a profit for a Natural Name with standard personal expenses, of 17.6% of capacity, before members' agency fees.

2012 Account

I am pleased to report that the year has closed with a profit of £81.1 million, inclusive of currency retranslation but before standard personal expenses. For a Natural Name with standard personal expenses, this equates to a profit of 17.6% of capacity, before members' agency fees.

The capacity for the 2012 underwriting year was approximately £350 million. The gross signed premium income, net of brokerage, was some 61% of capacity at year-end rates of exchange.

In last year's report I summarised the underwriting conditions and loss activity that affected the 2012 year of account. Following the string of losses in the international arena during 2011 the only significant event in 2012 was Hurricane Sandy which made landfall in the North Eastern United States in October. As discussed in earlier reports, Sandy is well contained within our reinsurance arrangements. Prior closed years continue to run off satisfactorily both in the aggregate and individually, with all years but one contributing releases to the closing year result.

2013 Account

For 2013, we maintained our capacity at £350 million.

The issues surrounding the account written for the 2013 year were detailed in last year's report but, in summary, firming rates in our US property lines following Hurricane Sandy in 2012 maintained their momentum throughout the year. An active summer storm season in Northern Europe caused some losses but a lack of major events in the US and elsewhere has produced the likelihood of a positive result for this year of account.

Our forecast for the 2013 account is for a result in the range +7.5% to +12.5% of capacity.

2014 Account

For 2014 we maintained capacity at £350 million and wrote the same classes of business as we have in the past.

You will remember from previous reports the comments about the entrance of "alternative capital" into the catastrophe reinsurance market and the impact that this would have on pricing and terms and conditions for "traditional" reinsurers such as us. 2014 was a record year for the deployment of this alternative capital into the reinsurance arena, as pension funds in particular looked for ways to increase their returns. While only investing a tiny portion of their available funds, their impact on the supply side of our business has been quite remarkable.

Underwriter's Report

continued

For the most part, these new sources of capital concentrated their attention on the larger insurance companies who buy the bigger limits of cover enabling these funds to do fewer, larger deals without deploying an undue amount of expensive infrastructure. As you will know, Cathedral's core catastrophe portfolio consists of small US regional companies which require greater understanding of the risk and a closer working relationship with clients, many of whom have been with us for more than 25 years. The issue for us, in terms of competition, is not so much the new capital competing directly with us, but other traditional reinsurers losing market share on their larger accounts and seeking to replace income elsewhere. As a result, global catastrophe rates fell pretty much across the board during 2014, partly driven by a couple of years of good results for reinsurers, but mostly driven by overcapacity. The contagion has now spread to most other lines in both the London market and in the wider market beyond, as "excess" capital from insurers and the new funds themselves seek additional premium, in any form, to replace the income they've lost through price reductions and loss of market share. A truly vicious circle.

The absence of a hurricane making landfall in the United States during 2014 gives us a positive start to the development of the underwriting year, but, as always, our business is not all about hurricanes. Two notable tornadoes in the US Mid West which caused significant damage to large parts of Nebraska in particular and another round of German storms during the summer were the most notable events of the year to affect our catastrophe account; in a more active year these events would probably not have merited specific mention. As discussed above, rates fell in most territories by varying degrees. On the business we have chosen to renew, our client base continues to be loyal with our shares being maintained as most of them remember how quickly an apparently abundant supply of capacity can dry up.

Our commercial property account also saw the impact of the capital markets as rates for wind and earthquake business began to drop during the year. For smaller, or delegated underwriting business, which represents around 35% of the commercial property account, rates were trending slightly upwards for the first half of the year before flattening. Rates were still strong in areas such as New Zealand and Mexico, the latter being spurred on during the late summer by the landfall of Hurricane Odile, but opportunities such as these, driven as they are by market dislocation, are becoming fewer as time goes on.

The aerospace insurance and reinsurance markets had been soft for many years up to, and including, 2014 which saw more loss activity than we have seen for quite some time. The tragic losses of two Malaysian Airlines aircraft, an Air Asia A320 and a substantial and complex war loss at Tripoli Airport have hit the market quite hard this year. These losses affect both our 2013 and 2014 years of account which have the benefit of comprehensive reinsurance to protect our net position. The impact on the market in terms of rate increases has been muted with increases which are modest when compared to the level of loss activity and the low levels of premium which were being charged before the losses. Once again overcapacity in the insurance market coupled with the race for diversification away from catastrophe business means rates will take some time to return to realistic levels. That said, at least they are on the rise. Our satellite business has performed well once again, but, as with other areas of the wider market, rates have continued to soften which has led to us retaining less on this account for the time being.

Our contingency account grew slightly during 2014 but it is small. A string of losses during 2013, most of which we were not on, pushed rates a little higher and saw terms and conditions tighten somewhat. The most noteworthy losses of the year were the cancellations of part of the Rolling Stones tour and of the Far Eastern leg of Paul McCartney's tour in the early part of the year. Happily, there has been little else since and a firmer market, although competitive, gives grounds for a degree of optimism. We continue to focus our growth on smaller business in this area of the account.

Overall, the 2014 year of account is running reasonably to date, although there is a large amount of business still on risk and the outcome of the year will be determined by how this runs off.

2014 Calendar Year Result

The 2014 calendar year result is made up of contributions from all open years of account (2012, 2013 and 2014) together with movements on the closed years of account (2001 to 2011) that occurred during the year. The result for the calendar year is a profit of £39.6 million (2013: profit of £70.6 million). There was a gain on currency translation for the year of £5.9 million (2013: a loss of £4.8 million), which has been accounted for through the Statement of Total Recognised Gains and Losses ("STRGL").

The total recognised gain for the 2014 calendar year is therefore £45.5 million (2013: profit of £65.8 million). The combined ratio for the 2014 calendar year is 76.4%, including all managing agency related expenses, other than profit commission (2013: 64.2%).

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

Future Prospects

In the light of anticipated market conditions we decided to de-empt the capacity of Syndicate 2010 to approximately £306 million for the 2015 underwriting year of account.

The January 2015 renewal season for catastrophe treaty business in the US saw prices continue to fall almost across the board. The lack of a US hurricane has once again heartened the new capacity which is likely to reach record levels once again. The imbalance in the supply and demand curve will continue until the new capital finds something more rewarding to do with its money, which seems unlikely in the short to medium terms. Catastrophe losses alone will not drive this capacity away. In fact they may encourage it. More likely it is a destruction of capital elsewhere in the financial world as we saw in 2008 that will act to divert attention. Either way, we are planning on the more sophisticated of the "alternative capital" being part of the market for a very long time. We also expect their desire to grow will see them spread their wings into the wider insurance market, including direct property and casualty insurance, as well as life business.

The impact on our Syndicate is that our top line income will continue to shrink but with the softening market, we have been able to buy more effective reinsurance protections than we have had for many years so achieving a relatively flat net income. This should enable us to weather the immediate storm but we will have to pedal fast to stand still. Our client base remains consistent.

We expect continued weakening in our property lines, with some increases in our aviation account following the loss activity in 2014. Our conservative investment policy remains in place in spite of very low returns. We continue to believe that the risk to our business should come from the premiums we write rather than the risk we take with that premium after it has been received.

Underwriter's Report

continued

Concluding Comments

Our 2013 and 2014 years of account have the potential to deliver decent profits to Names, but that's history. The challenges ahead will be more demanding. We continue to adopt a defensive positon in the amount of risk we are prepared to retain and are well aware that we can't rely on investment income to bail us out. Expenses will only ever rise and regulatory burdens continue to be onerous with more time and expense being lavished on red tape, to less effect, than ever before. Merger and acquisition in the industry points towards fewer, bigger competitors but with size comes lack of mobility and it is our nimbleness and consistency which are and will be our strengths.

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, Simon Dean and Geraldine McMillan (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) and Justin Burns and Jane Todd (our contingency underwriters), I would also thank 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

16 March 2015

Managing Agent's Report
At 31 December 2014

Introduction

The Directors of Cathedral Underwriting Limited, the managing agency for Syndicate 2010, present the Annual Report for the Syndicate at 31 December 2014, 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 2014 and the Underwriting Year Accounts for the 2012 Year of Account. The annual accounting result for the 2014 calendar year was a profit of £39.6 million before a currency gain of £5.9 million (2013: profit of £70.6 million before a currency loss of £4.8 million). This consists of a contribution from all open years of account (2012, 2013 and 2014) together with all movements on the closed years of account (2001 to 2011) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2012 year of account closed at 31 December 2014 with a profit of £81.1 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 2014 and the other the closing 2012 year of account result.

The Managing Agent

Principal activity

The principal activity of Syndicate 2010 remains the transaction of general insurance and reinsurance business in the United Kingdom.

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	2014 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	350,016
3010	Marine cargo, and from 2014, energy, aviation all risks and hull war and terrorism	J C Hamblin	60,000

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.

Directors

The Directors of Cathedral Underwriting Limited who served during the year (and their date or appointment if within last 3 years) were as follows:

A I G C South	Chairman
J M G Andrews	Non-Executive Director (resigned 31st December 2013)
D C Grainger	Compliance Director
J C Hamblin	Director
L A Holder	Managing Director
J A Lynch	Finance Director
A T Maloney	Non-Executive Director (appointed 7th January 2014)
A S Minns	Non-Executive Director
R G Oakes	Non-Executive Director
E E Patrick	Non-Executive Director
P D Scales	Director
J P Tilling	Non-Executive Director

A T 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 (at the time the ultimate parent of Cathedral Underwriting Ltd) to Lancashire Holdings Limited on completion of its takeover of the Cathedral Group on 7 November 2013.

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 and their participations in Syndicate 2010

None of the Directors of Cathedral Underwriting Limited participated directly as Names on the Syndicate. However the group's corporate member company Cathedral Capital (1998) Limited has a £202.3 million participation on the 2013 and 2014 years of account and £177.0 million on the 2015 year of account. Up until 7th November 2013, certain of the Directors owned shares in Cathedral Capital Limited which owned and continues to own 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, A I G C South, one of the Directors, is a director of a number of corporate names which had in aggregate £1.3 million participation on the 2013 year of account, £1.2 million participation on the 2014 year of account, and £1.1 million participation on the 2015 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 and is active underwriter of Syndicate 3010.

Registered Office/accounting records

The registered office and principal place of business of Cathedral Underwriting Limited is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY. 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.

2014 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 £39.6 million in the year (2013: profit £70.6 million) and this can be analysed as follows:

	2012* account £'000	2013 account £'000	2014 account £'000	31 December 2014 £'000	31 December 2013 £'000
Gross earned premium	**(759)**	**88,127**	**145,059**	**232,427**	275,148
Reinsurers' share	**(95)**	**(12,109)**	**(43,018)**	**(55,222)**	(67,665)
Net earned premium	**(854)**	**76,018**	**102,041**	**177,205**	207,483
Gross claims incurred	**28,140**	**(42,402)**	**(81,132)**	**(95,394)**	(80,245)
Reinsurers' share	**(3,392)**	**3,181**	**12,112**	**11,901**	9,537
Net claims incurred	**24,748**	**(39,221)**	**(69,020)**	**(83,493)**	(70,708)
Net operating expenses	**(2,089)**	**(20,069)**	**(34,085)**	**(56,243)**	(68,103)
Balance on Technical Account before investment return	**21,805**	**16,728**	**(1,064)**	**37,469**	68,672
Net investment return	**1,463**	**617**	**93**	**2,173**	1,959
Profit for the financial year	**23,268**	**17,345**	**(971)**	**39,642**	70,631

* The 2012 account includes the movement in the 2001 to 2011 accounts which have closed into the 2012 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 2014 include premiums on policies incepting during 2014 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 2014 Gross £'000	31 December 2014 Net £'000	31 December 2013 Gross £'000	31 December 2013 Net £'000
Non-marine reinsurance	**110,886**	**84,326**	128,402	92,920
Aviation	**23,358**	**16,513**	27,118	19,177
Satellite	**2,046**	**1,500**	3,264	2,558
Direct & facultative property	**91,349**	**71,732**	110,688	88,992
Contingency	**4,799**	**3,145**	5,691	3,851
Other	**(11)**	**(11)**	(15)	(15)
Total	**232,427**	**177,205**	275,148	207,483

At the year end the Syndicate had net unearned premiums of £64.9 million (2013: £72.8 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 2014 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 2014.

The 2014 net combined ratio is 76.4% (2013: 64.2%). 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 2014		31 December 2013	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**43.7**	**51.8**	28.0	32.9
Aviation	**67.4**	**70.5**	19.1	20.0
Satellite	**26.8**	**(23.3)**	123.8	137.6
Direct & facultative property	**30.0**	**34.3**	25.5	32.9
Contingency	**69.4**	**126.5**	121.2	90.2
Other	**-**	**-**	66.7	66.7
Total	**41.0**	**47.1**	29.2	34.1
Expense Ratio	**22.3**	**29.3**	22.7	30.1
Combined Ratio	**63.3**	**76.4**	51.9	64.2

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 69.8% 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 2013, 2014 and 2015 years of account.

	2015 account		2014 account		2013 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**237,276**	**77.5**	270,679	77.3	269,989	77.1

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Cathedral Group Company, provided £202.3 million of the capacity for the 2013 and 2014 years of account and £177.0 million for the 2015 year of account through Hampden Agencies Limited.

Capacity by member type and year of account

	2015 account		2014 account		2013 account	
	£'000	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**287,382**	**93.8**	323,639	92.5	320,020	91.5
External members	**16,106**	**5.3**	23,565	6.7	27,520	7.9
Working members (none of whom are employed by the managing agency)	**2,776**	**0.9**	2,812	0.8	2,133	0.6
	306,264	**100.0**	350,016	100.0	349,673	100.0

Result

The 2012 account closed with a profit of £81.1 million inclusive of currency retranslation but before standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 17.6% 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 2012 account, which were reported on in detail in the last two years Annual Reports, ran off as expected during 2014 and there were releases from the favourable run off of the earlier years of account that had closed into the 2012 account at 31 December 2013. The analysis of the 2012 closed year result, before personal expenses, by member type is as set out below:

	2012 account	
	£'000	%
Result attributable to:		
Corporate members	73,122	90.2
External members	7,458	9.2
Working members *(none of whom are employed by the managing agency)*	486	0.6
	81,066	100.0

2013 account forecast

The forecast 2013 year of account result at 31 December 2014, 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 +7.5% to +12.5% 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 2012 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 2015 will not differ significantly from those taken into account in the forecast.

Historical summary of results

A summary of results for 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 the Syndicate writes 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. The Syndicate does 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.

The Syndicate also writes 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.

The Syndicate is also involved in the aviation war market and the general aviation (light aircraft) market, including from the latter part of 2014 as a participant in three direct aviation war consortia which are led by Cathedral Syndicate 3010 and for each of which Cathedral Underwriting Limited is the consortium manager.

The Syndicate has continued its 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 since 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. 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, 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.

The Syndicate also purchases facultative reinsurance on individual risks.

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 investment objective for the syndicate investment manager is to invest the Premium Trust Funds in a manner calculated to maximise returns within agreed restraints and in line with policies approved by the Board of Cathedral Underwriting Limited. In 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 for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls 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 investment manager were held predominantly in cash throughout the year. Portfolio management is delegated to Conning Asset Management Limited.

Investment performance

While there were significant variations between some of the major economies during 2014, none of the major central banks increased benchmark rates and the European Central Bank ("ECB") cut its benchmark rates twice during the year. Inflation rates fell sharply in the second half of the year as oil prices fell significantly; Brent crude, which has reached a price of over $110 per barrel in June, finished the year priced below $60. In the US, despite a weak weather-affected first quarter, the economy expanded by 2.5% during the year and the unemployment rate fell from 6.7% to 5.6%. The FOMC, which had been purchasing assets at a rate of $85 billion per month, steadily reduced these purchases through the year, ending the programme in October. In addition it changed its guidance from stating that "a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens" to stating "that it can be patient in beginning to normalize the stance of monetary policy". In the UK economic growth continued, with the economy expanding by 2.7% during the year. The Bank of England's MPC left the bank rate unchanged at 0.5% and the asset purchase programme at £375 billion, although two members of the committee voted for an immediate 0.25% increase in bank rate at each meeting from July onward. In the Euro-zone the recovery remained muted, with growth during 2014 likely to have been below 1%. Faced with a slow recovery with risks to its growth forecasts deemed to be to the downside and inflation well below target, the ECB cut its benchmark rate by 0.1% in June, introducing a negative deposit rate for the first time, and by another 0.1% in September, in what was termed a technical adjustment bringing rates to their "lower bound". At year-end the refinancing rate was 0.05% and the deposit rate was -0.2%. In addition during the autumn the ECB introduced two new asset purchase programmes for covered bonds and asset-backed securities and hinted strongly that a government bond buying programme would be announced early in 2015. The yield on 3-year German Government bonds started the year at 0.33% and closed the year at -0.08%. With the increasing accommodation of the ECB, peripheral bond markets performed strongly apart from the Greek market, which came under pressure at the end of the year on renewed political concerns. The Bank of Canada's benchmark rate remained at 1% through-out the year. Although Canadian inflation increased by more than expected and the Bank remained concerned about household imbalances presenting risks to financial stability, by the end of the year the Bank was highlighting the important downside risk to the inflation profile from weaker oil prices.

The Syndicate's investment returns were 0.78% in US Dollars, 1.11% in Euros and 1.42% in Canadian dollars; the US dollar and Canadian dollar returns were in the top 25% of the ranges estimated at the beginning of 2014, while the Euro return was above the estimated range. 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 marginally under-performed as a result of a lower than benchmark duration. Performance in US Dollars was largely driven by the portfolio yield and the portfolio's credit holdings, while that in Euros and Canadian was driven by portfolio yield and capital gains from falling yields.

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 US for 1-3 year maturities, but flattened in Canada and the Euro-zone. At these historically low bond yields the risks to performance remain skewed to the downside; while the US market is discounting an interest rate increase in 2015 it does not appear to be pricing in the likely subsequent path of interest rates, and the Canadian and Euro-zone markets are implying that interest rates in those countries will remain at current or lower levels for the foreseeable future. Portfolios currently have a short duration stance, relative to benchmark, 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. The extent of this short duration position will be limited in the US market by the relative steepness of the yield curve, giving additional yield for longer maturity issues, and the potential for "rolling down the yield curve" giving extra returns. The yield curves in Canada and the Euro-zone are relatively flat in the 1-3 year maturities, so there is less incentive to limit the short duration stance. 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. Despite some spread widening in the US during the second half of 2014, credit spreads are close to their post crisis lows and there is potential for these spreads to widen; however they remain attractive for shorter maturity portfolios such as the Syndicate portfolios. The additional income that these issues generate acts 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 catastrophe facility (minimum of $60 million to maximum of $80 million) with Barclays Bank plc. This facility is there to assist in paying claims and gross funding of catastrophes. Up to United States $50 million can be utilised by way of Letter of Credit to assist the Syndicate's gross funding requirements.

The facility was not utilised during calendar 2014 and was renewed for another year in December 2014.

Syndicate capital requirement

The capital framework at Lloyd's requires each managing agent to calculate the capital requirement for each syndicate it manages. Since 2013 Solvency II internal models have been used to determine this requirement. Lloyd's requires the submission of an ultimate SCR ("uSCR"); the uSCR takes account of one year of new business in full, attaching to the next underwriting year, and the risks over the lifetime of the liabilities ("to ultimate") assessed at 1:200 confidence level. The uSCR continues to be used in the member capital setting process, as, together with the Solvency II balance sheet, it provides equivalent policyholder protection to the mandatory ICAS regime.

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 2013 year of account and the uSCR return for the 2014 and 2015 years of account. These figures are as agreed with Lloyd's.The ECA reflects the capital loadings that were a market-wide 35% for 2014 and 2015. 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.

		2015		2014		2013
	£m	**%***	£m	%*	£m	%*
ICA/uSCR	**160.9**	**52.5**	171.2	48.9	162.9	46.6
Lloyd's Loading	**56.3**	**18.4**	59.9	17.1	51.5	14.7
ECA	**217.2**	**70.9**	231.1	66.0	214.4	61.3

* Note: % = percentage of stamp capacity

Managing Agent's Report
At 31 December 2014

continued

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 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	2008	2009	2010	2011	2012	2013	2014
12 months	74%	39%	63%	79%	53%	43%	39%
24 months	69%	52%	94%	76%	44%	44%	-
36 months	69%	48%	96%	71%	40%	-	-
48 months	68%	46%	95%	68%	-	-	-
60 months	67%	45%	94%	-	-	-	-
72 months	67%	43%	-	-	-	-	-
84 months	66%	-	-	-	-	-	-

Underwriting year - Net	2008	2009	2010	2011	2012	2013	2014
12 months	66%	51%	74%	86%	61%	57%	68%
24 months	60%	57%	82%	77%	49%	54%	-
36 months	59%	51%	79%	73%	43%	-	-
48 months	56%	48%	77%	69%	-	-	-
60 months	55%	48%	77%	-	-	-	-
72 months	53%	46%	-	-	-	-	-
84 months	52%	-	-	-	-	-	-

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 2014

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.

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 28 days from 31st March 2015 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
29th Floor, 20 Fenchurch Street
London EC3M 3BY

16 March 2015

SYNDICATE ANNUAL ACCOUNTS

For the year ended 31 December 2014

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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 2014 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 25. 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 2014 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 (Lloyd'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

17 March 2015

Profit and Loss Account
Technical Account - General Business
For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**219,465**	272,591
Outward reinsurance premiums		**(53,192)**	(67,486)
Net premiums written		**166,273**	205,105
Change in the provision for unearned premiums:			
Gross amount		**12,962**	2,557
Reinsurers' share		**(2,029)**	(179)
Earned premiums, net of reinsurance		**177,206**	207,483
Allocated investment return transferred from the non-technical account		**2,173**	1,959
Claims paid:			
Gross amount		**(128,960)**	(156,851)
Reinsurers' share		**33,694**	56,352
		(95,266)	(100,499)
Change in the provision for claims:			
Gross amount		**33,565**	76,606
Reinsurers' share		**(21,793)**	(46,815)
		11,772	29,791
Claims incurred, net of reinsurance		**(83,494)**	(70,708)
Net operating expenses	4	**(56,243)**	(68,103)
Balance on the technical account for general business		**39,642**	70,631

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 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Balance on the general business technical account		**39,642**	70,631
Investment income	8	**3,525**	3,967
Unrealised gains on investments		**283**	202
Investment expenses and charges	9	**(814)**	(954)
Unrealised losses on investments		**(821)**	(1,256)
Allocated investment return transferred to the general business technical account		**(2,173)**	(1,959)
Profit for the financial year	17	**39,642**	70,631

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit for the financial year	17	**39,642**	70,631
Currency translation differences	17	**5,889**	(4,840)
Total recognised gains since last annual report		**45,531**	65,791

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Investments:			
Financial investments	11	**273,061**	236,773
		273,061	236,773
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**5,495**	7,172
Claims outstanding	12	**78,976**	96,477
		84,471	103,649
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**12,976**	14,704
Debtors arising out of reinsurance operations	14	**59,525**	67,985
Other debtors	15	**4,507**	4,734
		77,008	87,423
Other assets:			
Cash at bank and in hand		**8,733**	2,908
Other	16	**15,303**	25,540
		24,036	28,448
Prepayments and accrued income:			
Deferred acquisition costs		**12,834**	14,501
Other prepayments and accrued income		**802**	1,031
		13,636	15,532
Total assets		**472,212**	471,825

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

	Notes	2014 £'000	2013 £'000
Capital and reserves:			
Members' balances	17	**99,724**	67,837
		99,724	67,837
Technical provisions:			
Provision for unearned premiums		**70,365**	79,985
Claims outstanding		**272,135**	295,177
		342,500	375,162
Creditors:			
Creditors arising out of direct insurance operations	18	**1,216**	1,003
Creditors arising out of reinsurance operations	19	**17,251**	20,898
Other creditors including taxation and social security	20	**10,988**	6,508
		29,455	28,409
Accruals and deferred income		**533**	417
Total liabilities		**472,212**	471,825

The Syndicate annual accounts on pages 22 to 38 were approved by the Board of Cathedral Underwriting Limited on 16 March 2015 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

16 March 2015

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

Statement of Cash Flows
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**39,642**	70,631
Realised and unrealised investments (gains)/losses on cash and investments, including currency movements		**(10,609)**	6,236
Income from investments		**(3,557)**	(3,802)
Decrease in debtors, prepayments and accrued income		**12,311**	13,103
(Decrease) in net technical provisions		**(13,484)**	(35,820)
Increase/(decrease) in creditors, accruals and deferred income		**1,163**	(4,845)
Exchange gain/(loss)		**5,889**	(4,840)
Net cash inflow from operating activities		**31,355**	40,663
Returns on investment and servicing of finance:			
Interest received		**3,557**	3,802
Transfer (to) members in respect of underwriting participations		**(13,644)**	(8,873)
Increase in cash and portfolio investments in the year	21	**21,268**	35,592
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	21	**5,978**	(2,167)
Net portfolio investments	22	**15,290**	37,759
Net investment of cash flows		**21,268**	35,592

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.

CATHEDRAL
SYNDICATE 2010

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2014

continued

3 Particulars of business written

An analysis of the technical account balance before investment return for the year and the net technical provisions at the year end are set out below:

Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	31 December 2014 Net technical provisions £'000
Direct insurance:							
Motor (third party liability)	**29**	**82**	**(61)**	**(29)**	**-**	**(8)**	**112**
Motor (other classes)	**203**	**155**	**(64)**	**(60)**	**(15)**	**16**	**202**
Marine, aviation and transport	**2,179**	**1,865**	**(1,373)**	**(369)**	**191**	**314**	**1,816**
Fire and other damage to property	**63,549**	**67,730**	**(12,536)**	**(21,732)**	**(11,658)**	**21,804**	**58,771**
Third party liability	**698**	**690**	**(412)**	**(290)**	**(69)**	**(81)**	**1,280**
Credit and suretyship	**5,049**	**4,792**	**(3,327)**	**(1,233)**	**(2,249)**	**(2,017)**	**2,239**
	71,707	**75,314**	**(17,773)**	**(23,713)**	**(13,800)**	**20,028**	**64,420**
Reinsurance acceptances	**147,758**	**157,113**	**(77,622)**	**(32,530)**	**(29,520)**	**17,441**	**180,775**
Total	**219,465**	**232,427**	**(95,395)**	**(56,243)**	**(43,320)**	**37,469**	**245,195**

Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	31 December 2013 Net technical provisions £'000
Direct insurance:							
Motor (third party liability)	150	153	(101)	(46)	(19)	(13)	161
Motor (other classes)	146	177	(123)	(58)	(7)	(11)	180
Marine, aviation and transport	2,068	2,628	(2,032)	(502)	(78)	16	1,452
Fire and other damage to property	82,850	82,463	(25,371)	(26,166)	(13,338)	17,588	70,417
Third party liability	654	629	(620)	(332)	(11)	(334)	1,296
Credit and suretyship	5,130	5,688	(6,901)	(1,400)	1,660	(953)	1,990
	90,998	91,738	(35,148)	(28,504)	(11,793)	16,293	75,496
Reinsurance acceptances	181,593	183,410	(45,097)	(39,599)	(46,335)	52,379	181,516
Total	272,591	275,148	(80,245)	(68,103)	(58,128)	68,672	257,012

Net technical provisions are net of deferred acquisition costs.

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums 2014 £'000	Gross written premiums 2013 £'000	Profit 2014 £'000	Profit 2013 £'000	Net assets 2014 £'000	Net assets 2013 £'000
Direct	**71,707**	90,998	**23,926**	19,799	**24,834**	17,965
Reinsurance	**147,758**	181,593	**15,716**	50,832	**74,890**	49,872
	219,465	272,591	**39,642**	70,631	**99,724**	67,837

All premiums written are for contracts with external customers and are concluded in the UK.

Geographical analysis by destination

	Gross written premiums 2014 £'000	Gross written premiums 2013 £'000
UK	**30,091**	39,307
US	**98,925**	126,461
Other EU member states	**18,966**	21,053
Rest of the world	**71,483**	85,770
	219,465	272,591

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2014

continued

4 Net operating expenses

	2014 £'000	2013 £'000
Acquisition costs	**35,516**	45,202
Change in deferred acquisition costs	**2,210**	245
Administrative expenses	**10,349**	9,577
Reinsurance commissions and profit participation	**(191)**	(398)
Loss on exchange	**188**	3,092
Personal expenses	**8,171**	10,385
	56,243	68,103

Administrative expenses include:

	2014 £'000	2013 £'000
Auditors' remuneration:		
- Audit of accounts - Ernst & Young LLP	**80**	91
- Audit-related assurance services - Ernst & Young LLP	**46**	38
- Audit-related assurance services - Mazars LLP	**18**	19
- Taxation compliance services - Mazars LLP	**3**	2
- Other non-audit services - Mazars LLP	**-**	5

Total commissions for direct insurance accounted for in the year amounted to £16,157,403 (2013: £21,305,443).

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:

	2014 £'000	2013 £'000
Wages and salaries	**4,929**	4,514
Social security costs	**605**	558
Other pension costs	**675**	726
	6,209	5,798

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

	2014	2013
Operations, administration and finance	**21**	19
Underwriting and claims	**31**	30
	52	49

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:

	2014	2013
	£'000	£'000
Emoluments	**881**	793

7 Active underwriter's emoluments

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

	2014	2013
	£'000	£'000
Emoluments	**257**	256

8 Investment income

	2014	2013
	£'000	£'000
Income from investments	**3,461**	3,966
Gains on the realisation of investments	**64**	1
	3,525	3,967

9 Investment expenses and charges

	2014	2013
	£'000	£'000
Investment management expenses, including interest payable	**258**	230
Losses on realisation of investments	**556**	724
	814	954

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2014

continued

10 Investment return

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

	31 December 2014		31 December 2013	
	Average funds ’000*	**Investment yield %**	Average funds ’000*	Investment yield %
Sterling	**16,732**	**2.5**	24,708	3.2
Euro	**31,878**	**1.0**	29,279	0.4
US Dollars	**334,033**	**0.7**	278,992	0.5
Canadian Dollars	**50,147**	**1.3**	46,074	1.3
All currencies converted to Sterling	**284,847**	**0.9**	243,354	0.9

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	
	2014 £’000	2013 £’000	**2014 £’000**	2013 £’000
Shares and other variable yield securities	**21,905**	22,199	**21,905**	22,199
Debt securities and other fixed income securities	**245,023**	208,160	**245,401**	209,027
Participation in investment pools	**6,042**	6,317	**6,042**	6,317
Deposits with approved credit institutions	**91**	97	**91**	97
	273,061	236,773	**273,439**	237,640

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 £10.3 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.

	2014 £’000	2013 £’000
A grade security	**63,591**	78,468
Other*	**16,698**	19,726
	80,289	98,194
Less provision for bad debt	**(1,313)**	(1,717)
	78,976	96,477

* includes carriers within A rated groups which are no longer actively trading following acquisition 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

	2014 £'000	2013 £'000
Due within one year - intermediaries	**12,976**	14,704

14 Debtors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due within one year	**59,525**	67,985

15 Other debtors

	2014 £'000	2013 £'000
Due within one year:		
Amounts due from members	**1,411**	1,406
Other	**95**	111
Due after one year:		
Amounts due from members	**3,001**	3,217
	4,507	4,734

16 Other assets - overseas deposits

	2014 £'000	2013 £'000
Amounts advanced in other countries as a condition of carrying on business there	**15,303**	25,540

17 Reconciliation of members' balances

	2014 £'000	2013 £'000
Members' balances at 1 January	**67,837**	10,919
Profit for the financial year	**39,642**	70,631
Exchange gain/(loss) for the financial year	**5,889**	(4,840)
Transfers (to) members' personal reserve funds	**(13,644)**	(8,873)
Members' balances carried forward at 31 December	**99,724**	67,837

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 2011 (2010) closed year of account profit.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2014

continued

18 Creditors arising out of direct insurance operations

	2014 £'000	2013 £'000
Due within one year	**1,216**	1,003

19 Creditors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due within one year	**17,251**	20,898

20 Other creditors including taxation and social security

	2014 £'000	2013 £'000
Due within one year:		
Profit commission owed to managing agent	**6,485**	1,256
Expenses owed to managing agent	**1,660**	257
Other	**7**	8
	8,152	1,521
Due after one year:		
Profit commission owed to managing agent	**2,836**	4,987
	10,988	6,508

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

	2014 £'000	2013 £'000
Net cash inflow/(outflow) for the year	**5,977**	(2,167)
Cash flow – portfolio investments	**15,290**	37,759
Movement arising from cash flows	**21,267**	35,592
Changes in market value and exchange rates	**10,609**	(6,236)
Total movement in portfolio investments net of financing	**31,876**	29,356
Balance brought forward at 1 January	**265,221**	235,865
Balance carried forward at 31 December	**297,097**	265,221

	At 1 January 2014 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	**2,908**	**5,977**	**(152)**	**8,733**
Overseas deposits	**25,540**	**(10,482)**	**245**	**15,303**
Shares and other variable yield securities	**22,199**	**(1,845)**	**1,551**	**21,905**
Debt securities and other fixed income securities	**208,160**	**27,914**	**8,949**	**245,023**
Participation in investment pools	**6,317**	**(297)**	**21**	**6,041**
Deposits with approved credit institutions	**97**	**-**	**(5)**	**92**
Total portfolio investments	**262,313**	**15,290**	**10,761**	**288,364**
Total cash at bank and in hand and portfolio investments	**265,221**	**21,267**	**10,609**	**297,097**

22 Net cash inflow on portfolio investments

	2014 £'000	2013 £'000
Purchase of debt securities and other fixed income securities	**(138,896)**	(112,168)
Sale of debt securities and other fixed income securities	**110,982**	75,737
Movement of shares and other variable yield securities	**1,845**	(9,067)
Movement of participation in investment pools	**297**	(1,801)
Movement of overseas deposits	**10,482**	9,540
Net cash (outflow) on portfolio investments	**(15,290)**	(37,759)

23 Related parties

Cathedral Underwriting Limited manages Syndicates 2010 and 3010. The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings 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.

Within the Lancashire group there are two (re) insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) and Lancashire Insurance Company Limited (incorporated in Bermuda). In addition, the Lancashire group includes Kinesis Capital Management Limited (incorporated in Bermuda) which manages Kinesis Re I Limited, a special purpose insurer. There have been no transactions with this latter company.

Total managing agency fees paid during calendar year 2014 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £2,272,876 (2013: £2,275,104).

Profit commission of £6,484,704 (2013: £1,256,265) is also due to the managing agent in respect of the profit on the 2012 (2011) closed year.

Profit commission of £2,836,533 (2013: £3,936,496) has also been accrued in respect of the 2013 (2012) year of account, with £nil (2013: £1,050,412) accrued in respect of the 2014 (2013) 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.

Expenses totalling £10,370,517 (2013: £9,842,577) 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 2014 totalled £10,981,035 (2013: £6,500,365) 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 2012, 2013 and 2014 underwriting years. Cathedral Capital (1998) Limited's share of the result for the 2014 calendar year is a profit of £25,458,052 (2013: £44,117,458 profit).

In the normal course of business Syndicate 2010 has underwritten reinsurances of Syndicate 3010. These contracts were entered into and dealt with on a purely commercial arm length basis. To date no reinsurances of any Lancashire company have been written by Syndicate 2010. The following reinsurances of Syndicate 2010's business have been placed with related parties.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2014
continued

23 Related parties *continued*

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	2012 account	2013 account	2014 account
1.	Satellite Account (SATEC)	16.67%	-	-
2.	North East USA Treaty Account	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 was not renewed, but was replaced by an equivalent arrangement with Lancashire Insurance Company Limited (a subsidiary of Lancashire Holdings Ltd), which wrote a 7.5% line (estimated premium $525,000).

Facultative Reinsurance

Lancashire Insurance Company (UK) Limited has underwritten two facultative reinsurance contracts of Syndicate 2010's business in respect of Ancillary Terrorism exposures that would not normally be retained by Syndicate 2010, relating to the 2014 year of account.

Consortia Participation

Syndicate 2010 participates on the following Aviation Consortia which are led by Syndicate 3010 and managed by Cathedral Underwriting Limited. As the manager of these consortia Cathedral Underwriting Limited charges all members an annual fee at the rate of 5% of each consortium members share of the signed premium income and profit commission equal to 22.5% of any net profit. A continuous deficit clause for renewing members exists within each consortia agreement.

Year of Account	Consortium Number and Name	Syndicate 2010's participation	*Estimated fee payable by Syndicate 2010
2014	9381 Airline/Large GA Consortium	7.33%	$31,152
2014	9383 Small GA Consortium	10%	$6,250
2015	9381 Airline	8%	$28,000
2015	9383 Small GA Consortium	10%	$30,000
2015	9720 Large GA Consortium	7.5%	$7,500

*The estimates are calculated against initial Premium Income estimates for each contract and will be updated in subsequent accounts to reflect actual amounts at maturity. Profit commission received will be reflected on the close of each underwriting year.

24 Post balance sheet events

The following amounts will be transferred to members' personal reserve funds on 10 April 2015:

2012 year of account	US$107,335,129

On the same date, outstanding profit commission of $10,051,292 will be paid to Cathedral Underwriting Limited on the 2012 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.

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2012 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2014

Independent Auditor's Report to the Members of Syndicate 2010 – 2012 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2012 year of account of syndicate 2010 for the three years ended 31 December 2014 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 41, 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 2012 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

17 March 2015

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

16 March 2015

CATHEDRAL
SYNDICATE 2010

Profit and Loss Account
Technical Account - General Business
2012 Year of Account
For the 36 months ended 31 December 2014

	Notes	36 months ended 31 December 2014 £'000
Earned premiums, net of reinsurance		
Gross premiums written	3	**280,467**
Outward reinsurance premiums		**(73,098)**
Net premiums written		**207,369**
Change in the provision for unearned premiums		
Gross amount		**882**
Reinsurers' share		**(137)**
Earned premiums, net of reinsurance		**208,114**
Reinsurance to close premiums received, net of reinsurance	3	**94,924**
Allocated investment return transferred from the non-technical account		**2,414**
Claims incurred, net of reinsurance		
Claims paid — Gross amount		**(124,587)**
Claims paid — Reinsurers' share		**36,160**
		(88,427)
Reinsurance to close premium payable, net of reinsurance	8	**(84,772)**
Claims incurred net of reinsurance		**(173,199)**
Net operating expenses	5	**(65,662)**
Balance on the technical account for general business		**66,591**

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
2012 Year of Account
For the 36 months ended 31 December 2014

	Notes	36 months ended 31 December 2014 £'000
Balance on the general business technical account		**66,591**
Investment income	6	**4,101**
Unrealised gains on investments		**329**
Investment expenses and charges	7	**(918)**
Unrealised losses on investments		**(1,098)**
Allocated investment return transferred to the general business technical account		**(2,414)**
Profit for the closed year of account	14	**66,591**

Statement of Total Recognised Gains and Losses
2012 Year of Account
For the 36 months ended 31 December 2014

	Notes	36 months ended 31 December 2014 £'000
Profit for the financial year	14	**66,591**
Currency translation differences	14	**3,910**
Total recognised gains and losses		**70,501**

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

CATHEDRAL
SYNDICATE 2010

Balance Sheet
2012 Year of Account
For the 36 months ended 31 December 2014

	Notes	31 December 2014 £'000
Assets		
Investments	9	**192,414**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**178**
Debtors arising out of reinsurance operations	11	**17,948**
Other debtors	12	**1,419**
		19,545
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**63,431**
Other assets:		
Cash at bank and in hand		**3,763**
Other	13	**9,310**
		13,073
Prepayments and accrued income		**126**
Total assets		**288,589**
Liabilities		
Amounts due to members	14	**70,501**
Reinsurance to close premiums payable to close the account – gross amount	8	**155,463**
Creditors:		
Creditors arising out of direct insurance operations	15	**123**
Creditors arising out of reinsurance operations	16	**9,193**
Other creditors including taxation and social security	17	**53,234**
		62,550
Accruals and deferred income		**75**
Total liabilities		**288,589**

The Syndicate underwriting year accounts on pages 41 to 56 were approved by the Board of Cathedral Underwriting Limited on 16 March 2015 and were signed on its behalf by:

L A Holder
Managing Director

J A Lynch
Finance Director

16 March 2015

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

Statement of Cash Flows
2012 Year of Account
For the 36 months ended 31 December 2014

	Notes	36 months ended 31 December 2014 £'000
Profit for the closed year of account		**66,591**
Realised and unrealised investment (gains)/losses, including currency movements		**1,444**
Income from investments		**(4,240)**
Net reinsurance to close premium payable		**84,772**
(Increase) in debtors		**(4,042)**
(Increase) in prepayments and accrued income		**(126)**
Increase in creditors		**54,491**
Increase in accruals and deferred income		**75**
Exchange gain		**3,910**
Net cash inflow from operating activities		**202,875**
Returns on investment and servicing of finance:		
Interest received		**4,240**
Increase in cash and portfolio investments in the period	18	**207,115**
Cash flows were invested as follows:		
Movement in cash holdings	18	**3,762**
Net portfolio investments	19	**203,353**
Net investment of cash flows	18	**207,115**

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

Notes to the Syndicate Underwriting Year Accounts
2012 Year of Account
For the 36 months ended 31 December 2014

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 2012 year of account which has been closed by reinsurance to close at 31 December 2014; consequently the balance sheet represents the assets and liabilities of the 2012 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
2012 Year of Account
For the 36 months ended 31 December 2014

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 US 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
2012 Year of Account
For the 36 months ended 31 December 2014

continued

3 Particulars of business written

An analysis of the technical account balance before investment return for the 36 months and the net technical provisions at the year and are set out below:

						31 December 2014	
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Motor (third party liability)	199	200	(192)	(72)	(17)	(81)	99
Motor (other classes)	320	319	(117)	(159)	(23)	20	105
Marine aviation and transport	2,832	2,837	(2,257)	(1,375)	(10)	(805)	653
Fire and other damage to property	100,370	100,593	(51,703)	(22,378)	(11,353)	15,159	16,194
Third party liability	1,709	1,706	(1,400)	(286)	(66)	(46)	966
Credit and suretyship	7,011	7,023	(7,211)	(682)	2,144	1,274	70
	112,441	112,678	(62,880)	(24,952)	(9,325)	15,521	18,087
Reinsurance acceptances*	262,950	263,594	(201,851)	(40,710)	27,623	48,656	73,945
Total	375,391	376,272	(264,731)	(65,662)	18,298	64,177	92,032

* Reinsurance acceptances include the reinsurance to close premium of £94,924,074 received from the 2011 year of account.

Geographical analysis by origin	Gross written premiums £'000	Profit £'000	Net assets £'000
Direct	112,441	16,105	17,050
Reinsurance	262,950	50,486	53,451
	375,391	66,591	70,501

All premiums written are for contracts with external customers and are concluded in the UK.

Geographical analysis by destination	Gross written premiums £'000
UK	54,700
US	167,948
Other EU member states	30,385
Rest of the world	122,358
	375,391

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

	36 months ended 31 December 2014 £'000
Balance attributable to business allocated to the 2012 year of account	118,242
Balance attributable to the reinsurance to close of the 2011 year of account	11,597
	129,839

5 Net operating expenses

	36 months ended 31 December 2014 £'000
Acquisition costs	45,286
Change in deferred acquisition costs	115
Administrative expenses	8,999
Reinsurers' commissions and profit participation	(366)
Loss on exchange	1,063
Personal expenses	10,565
	65,662

The closed year profit is stated after charging:

	36 months ended 31 December 2014 £'000
Auditors' remuneration:	
- Audit of accounts - Ernst & Young LLP	5
- Audit of accounts - Mazars LLP	77
- Audit-related assurance services - Mazars LLP	72
- Taxation compliance services - Mazars LLP	2
- Other assurance services - Mazars LLP	6
- Other non-audit services - Mazars LLP	7
Staff pension costs	687

6 Investment income

	36 months ended 31 December 2014 £'000
Income from investments	4,050
Gains on the realisation of investments	51
	4,101

Notes to the Syndicate Underwriting Year Accounts
2012 Year of Account
For the 36 months ended 31 December 2014

continued

7 Investment expenses and charges

	36 months ended 31 December 2014 £'000
Investment management expenses, including interest	**186**
Losses on realisation of investments	**732**
	918

8 Reinsurance premium payable to close the 2012 year of account

	31 December 2014 £'000
Gross outstanding claims	**111,913**
Reinsurance recoveries anticipated	**(50,481)**
Net outstanding claims	**61,432**
Provision for gross claims incurred but not reported	**43,550**
Reinsurance recoveries anticipated	**(12,950)**
Provision for net claims incurred but not reported	**30,600**
Provision for future inwards gross premiums	**(15,319)**
Provision for future reinsurance protection	**8,059**
Provision for net premiums incurred but not reported	**(7,260)**
Reinsurance premium payable to close the account	**84,772**

9 Investments

	31 December 2014 Market value £'000
Shares and other variable yield securities	**8,172**
Debt Securities and other fixed income securities	**181,886**
Participation in investment pools	**2,265**
Deposits with approved credit instructions and approved financial institutions	**91**
	192,414

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

10 Debtors arising out of direct insurance operations

	31 December 2014 £'000
Due within one year	
- intermediaries	**178**

11 Debtors arising out of reinsurance operations

	31 December 2014 £'000
Due within one year	**17,948**

12 Other debtors

	31 December 2014 £'000
Amount due from members	**1,411**
Other	**8**
	1,419

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

13 Other assets – overseas deposits

	31 December 2014 £'000
Amounts advanced in other countries as a condition of carrying on business there	**9,310**

14 Amounts due to members

	31 December 2014 £'000
Profit for the closed year of account	**66,591**
Currency translation differences	**3,910**
Members' balances carried forward at 31 December 2014	**70,501**

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

Notes to the Syndicate Underwriting Year Accounts
2012 Year of Account
For the 36 months ended 31 December 2014

continued

15 Creditors arising out of direct insurance operations

	31 December 2014 £'000
Due within one year	**123**

16 Creditors arising out of reinsurance operations

	31 December 2014 £'000
Due within one year	**9,193**

17 Other creditors including taxation and social security

	31 December 2014 £'000
Inter-year loans	**46,668**
Profit commission payable to managing agent	**6,485**
Expenses payable to managing agent	**81**
	53,234

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

	31 December 2014 £'000
Net cash movement for the period	**3,762**
Cash flow – portfolio investments	**203,353**
Movement arising from cash flows	**207,115**
Changes in market value and exchange rates	**(1,629)**
Total movement in portfolio investments net of financing	**205,486**
Balance brought forward at 1 January 2012	**-**
Balance carried forward at 31 December 2014	**205,486**

	At 1 January 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2014 £'000
Cash at bank and in hand	-	3,762	-	**3,762**
Overseas deposits	-	9,549	(239)	**9,310**
Investments	-	193,804	(1,390)	**192,414**
Total portfolio investments	-	203,353	(1,629)	**201,724**
Total cash and portfolio investments	-	207,115	(1,629)	**205,486**

19 Net cash (outflow) on portfolio investments

	36 months ended 31 December 2014 £'000
Purchase of overseas deposits	(9,549)
Purchase of investments	(344,616)
Sale of investments	150,812
Net cash (outflow) on portfolio investments	(203,353)

20 Borrowings

During the period to 31 December 2014, 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 2012 year of account and accordingly the balance outstanding at the balance sheet date was £nil.

21 Related parties

Cathedral Underwriting Limited manages Syndicates 2010 and 3010. The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings 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.

Within the Lancashire group there are two (re) insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) and Lancashire Insurance Company Limited (incorporated in Bermuda). In addition, the Lancashire group includes Kinesis Capital Management Limited (incorporated in Bermuda) which manages Kinesis Re I Limited, a special purpose insurer. There have been no transactions with this latter company.

Total managing agency fees payable to Cathedral Underwriting Limited in respect of services provided to the Syndicate in respect of the 2012 year of account amounted to £2,217,827 of which £2,217,827 was outstanding at 31 December 2014. Profit commission of £6,484,784 is also due to the managing agent in respect of the profit on the 2012 Closed year. Of this, £6,484,784 was outstanding at 31 December 2014.

Expenses totalling £9,421,233 were recharged to the 2012 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 2014 totalled £6,566,104 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:

	2012 Year of Account £	2013 Year of Account £	2014 Year of Account £
Cathedral Capital (1998) Limited	202,310,477	202,310,477	202,310,479

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 2012 year of account at 31 December 2014 was agreed by the managing agent on 16 March 2015. Consequently the technical provisions at 31 December 2014 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 2015 US$107,335,122.

On the same date, outstanding profit commission, in respect of the 2012 year of account, of US$10,051,292 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2012 YoA	2011 YoA	2010 YoA	2009 YoA	2008 YoA	2007 YoA	2006 YoA
Syndicate allocated capacity	£349.5m	£349.7m	£349.8m	£299.8m	£299.7m	£299.7m	£249.7m
Gross capacity utilised (i)	80.1%	83.6%	80.8%	93.5%	77.6%	71.3%	87.2%
Number of underwriting members	1,186	1,118	1,058	1,024	1,003	1,023	1,035
Aggregate net written premiums (i)	£207.4m	£215.3m	£197.2m	£202.7m	£168.7m	£159.6m	£169.6m
Net capacity utilised (i)	59.3%	61.6%	56.4%	67.6%	56.3%	53.3%	67.9%
Loss ratio (ii)	57.2%	75.5%	77.4%	61.7%	71.0%	68.8%	65.7%
Results for an illustrative share of £10,000							
Gross written premiums	8,026	8,364	8,076	9,349	7,756	7,133	8,715
Net earned premiums	5,954	6,164	5,585	6,798	5,993	5,515	6,608
Reinsurance to close received from an earlier account	2,715	2,735	2,704	2,799	2,347	2,194	1,812
Net claims paid	(2,529)	(4,008)	(3,682)	(2,762)	(3,125)	(2,956)	(2,896)
Reinsurance to close payable	(2,426)	(2,714)	(2,734)	(3,155)	(2,799)	(2,347)	(2,633)
Profit/(loss) on exchange	(30)	(71)	(8)	13	65	7	54
Acquisition costs	(1,299)	(1,280)	(1,219)	(1,457)	(1,266)	(1,199)	(1,400)
Syndicate operating expenses	(247)	(236)	(208)	(234)	(225)	(214)	(261)
Balance on technical account before investment return	2,138	590	438	2,002	990	1,000	1,284
Investment income and gains less losses, less expenses & charges	69	87	108	125	166	313	439
Profit for closed year of account before personal expenses	2,207	677	546	2,127	1,156	1,313	1,723
Currency translation differences	112	(114)	(134)	31	306	281	1,191
Total recognised gains and losses before personal expenses	2,319	563	412	2,158	1,462	1,594	2,914
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	(17)	(36)	(35)	(41)	(34)	(100)	(100)
- Lloyd's subscription	(34)	(36)	(35)	(41)	(34)	(50)	(50)
- Profit commission	(440)	(85)	(55)	(402)	(266)	(241)	(472)
Total illustrative personal expenses for a traditional Name	(556)	(222)	(190)	(549)	(399)	(456)	(687)
Total result after illustrative personal expenses	**1,763**	**341**	**222**	**1,609**	**1,063**	**1,138**	**2,227**

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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