CATHEDRAL

SYNDICATE 3010

Annual Report

31 December 2013

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Underwriter's Report

2013 Calendar Year Result

The 2013 calendar year result is a loss of £2.2 million (combined ratio 108.8%). The calendar year result is made up of the movements we have seen during 2013 to actual or assessed earnings, claims, expenses, investment returns and the like, as they relate to all years of account, as more fully analysed in the managing agent's report. From the underwriting and claims perspective, I will comment further below by reference to the individual years of account.

Closed years

There were no issues arising from our closed years being 2007 to 2010 and they have produced an overall surplus which contributed both to the calendar year result and the closing 2011 account result.

2011 Account

At thirty-six months the account has produced both a pure and prior year underwriting profit together with a small investment gain. Overall the result is a profit of £0.25 million which is 0.8% of a stamp capacity of £30 million.

2012 Account

Capacity remained unchanged at £30 million. The account written for 2012 was the same as it has been in previous years, predominantly cargo, with a growing book of specie business together with two small books emanating from our sister syndicate, Syndicate 2010 which are written as quota share reinsurances. As expected, our loss from the cargo account for Hurricane Sandy was well contained within our reinsurance arrangements and the Sandy loss from the Syndicate 2010 quota share was around 10% less than we originally estimated.

Our forecast result for 2012 is unchanged at between -5% to +5% of capacity.

2013 Account

Capacity remained unchanged at £30 million. The book continued to be largely made up of our general cargo and specie business along with the quota share arrangement from Syndicate 2010, which is running satisfactorily at this stage. There was growth in premiums during the year, driven largely by increasing commodity values and a small increase in trade volumes. In spite of Hurricane Sandy having caused some significant flood losses to fine art business in particular, rating levels were relatively muted, although we did see some rate increases and tightening terms for renewals in the affected area.

Loss activity has been higher than normal in the early part of the year but this has settled down more recently. There is still a significant amount of business on risk so it is too early to predict the likely outcome for the year at this early stage.

You will be aware that we completed our sale of Cathedral to the Lancashire Group in November 2013 and we are now looking forward to developing new opportunities for Syndicate 3010 in conjunction with our new colleagues.

Underwriter's Report

continued

Future Prospects

Although we have continued to see some increase in world trade, recovery is still weak and patchy. Commodity prices and currency continue to be volatile in areas. Furthermore, while there is room for optimism for trade volumes to continue to rise during 2014, the wider insurance market is still dogged by overcapacity. While there has been a sharp drop in piracy off the Horn of Africa, there is increasing unrest in many parts of the world, in the Middle East in particular, which hampers both economic activity and the free movement of goods. Terms and conditions in the cargo market have remained pretty much flat going into 2014 with any growth in premium income being driven by volumes rather than rate.

We did not renew the quota share arrangement with Syndicate 2010 for 2014 but may enter new lines of business during the year.

Finally I would like to thank our underwriters Alasdair Butler and Lee Aspinall and our claims manager Martin Menzies and the entire support team for their professionalism and their hard work.

J C Hamblin
Active Underwriter

4 March 2014

Managing Agent's Report
At 31 December 2013

Introduction

The directors of Cathedral Underwriting Limited, the managing agency for Syndicate 3010, present the Annual Report for the Syndicate at 31 December 2013, together with the Underwriter's Report. The Syndicate commenced trading for the 2007 year of account on 1 July 2007.

The Managing Agent

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

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

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.

All the capacity of Syndicate 3010 is provided by Cathedral Capital (1998) Limited, a subsidiary company of the Cathedral Capital Limited Group.

Multiple syndicates consent

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

Directors' shareholdings

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

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

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

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

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

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

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

The Cathedral Group has an Employee Share Ownership Plan ("ESOP") in which all full time employees are potential beneficiaries. As such, all directors who are full time employees of the Cathedral Group have a potential interest in the shares (and other assets) held by the ESOP.

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

The ESOP holdings at 31 December were as follows:

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

Directors and their participations in Syndicate 3010

None of the Directors of Cathedral Underwriting Limited participated directly as Names on the Syndicate. However the corporate member company Cathedral Capital (1998) Limited has a £30 million participation in the 2012, 2013 and 2014 years of account. Up until 7th November 2013, certain of the Directors owned shares in Cathedral Capital Limited which owns 100% of the interest in Cathedral Capital (1998) Limited. Lancashire Holdings Limited has now replaced Cathedral Capital Limited as the ultimate parent company of Cathedral Capital (1998) Limited.

Active Underwriter

John Hamblin was appointed active underwriter from when the Syndicate commenced trading. He is also active underwriter of Syndicate 2010.

Registered Office/accounting records

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

Management of Syndicate 3010

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 3010 together with representatives of the Managing Agent's Board.

2013 Calendar Year

This 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 21 to 23.

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 loss of £2.0 million before currency translation differences in the year (2012: profit £1.3 million) and this can be analysed as follows:

	2011* account £'000	**2012 account £'000**	**2013 account £'000**	**31 December 2013 £'000**	31 December 2012 £'000
Gross earned premium	**3,870**	**15,269**	**7,713**	**26,852**	27,846
Reinsurers' share	**(255)**	**(657)**	**(2,222)**	**(3,134)**	(2,556)
Net earned premium	**3,615**	**14,612**	**5,491**	**23,718**	25,290
Gross claims incurred	**(690)**	**(7,918)**	**(11,181)**	**(19,789)**	(17,768)
Reinsurers' share	**404**	**387**	**2,215**	**3,006**	3,073
Net claims incurred	**(286)**	**(7,531)**	**(8,966)**	**(16,783)**	(14,695)
Net operating expenses	**(1,178)**	**(4,675)**	**(3,170)**	**(9,023)**	(9,346)
Balance on Technical Account before investment return	**2,151**	**2,406**	**(6,645)**	**(2,088)**	1,249
Net investment return	**33**	**12**	**2**	**47**	80
(Loss)/Profit for the financial year	**2,184**	**2,418**	**(6,643)**	**(2,041)**	1,329

* The 2011 account includes the movement in the 2007 to 2010 accounts which have closed into the 2011 account.

Premiums above are grossed up for brokerage.

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

Most of the business currently written by Syndicate 3010 is within its marine cargo account although it also wrote quota share reinsurances of certain of the accounts written by Syndicate 2010.

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 and 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 of 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; 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.

Description of business and methods of acceptance

The account currently written by the Syndicate is a broad based worldwide cargo one, including specie, fine art and war. Much of the account written is open covers but an amount is accepted by way of facultative reinsurance, cargo lineslips and binding authorities. There is a modest treaty element to the account.

Reinsurance protection

The marine cargo account written has the benefit of an excess of loss reinsurance programme which provides protection in the event of large risk or catastrophe loss.

Syndicate investments

The Syndicate funds have been kept liquid in order to meet any cash demands that arise. Some cash balances are swept overnight into pooled arrangements and therefore are classified as investments. However, none of the funds are under the management of external fund managers.

Foreign exchange hedging

The managing agent, in so far as possible, matches assets and liabilities, by currency, within the Syndicate. To date, the managing agent 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 $20 million catastrophe facility with Barclays Bank plc. This facility is there to assist in paying claims and gross funding of exceptional catastrophes. Up to United States $10 million can be utilised by way of letter of credit to assist the Syndicate's gross funding requirements.

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

Syndicate capital requirement

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

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

The table below summarises Syndicate 3010's ICA return for the 2012 year of account and the uSCR return for the 2013 and 2014 years of account. These figures are as agreed with Lloyd's.The ECA reflects the capital loadings that were a market-wide 35% for 2012 and 2014. Lloyd's loading for the 2013 year of account was based on the final uplift applied to the 2012 mid-year Coming-into-Line exercise.

Syndicate 3010 is capitalised solely by Cathedral's corporate member that has an overall premium limit of £232.3 million for the 2014 year of account.

		2014		2013		2012
	£'m	**%***	£'m	%*	£'m	%*
ICA/uSCR	**16.9**	**56.4**	13.8	46.0	12.7	42.3
Lloyd's loading	**5.9**	**19.7**	4.5	15.1	4.4	14.7
ECA	**22.8**	**76.1**	18.3	61.1	17.1	57.0

* Note: % = percentage of stamp capacity

Principal risks impacting the Syndicate

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

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

Insurance risk

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

- Frequency of claims – the risk that the business written is subject to an unexpected frequency of claims;
- Severity of claims – the risk that the Syndicate is subject to an unexpected severity of claim;
- Inadequate pricing – the risk that business written is under-priced for the risk assumed;
- Lack of reinsurance cover - the risk that reinsurance of a type or quantum necessary to effectively manage the gross exposures assumed is either unavailable or unavailable at a viable cost;
- Inappropriate reinsurance – the risk that the Syndicate assumes gross exposures on the basis that effective reinsurance protection of a type or quantum is available and for that to prove not to be the case;
- Reserving risk – the risk that provisions in respect of already incurred claims prove inadequate.

- Accumulative loss including unknown/unexpected accumulations – the risk that risks accumulate including the extent or manner to which this is unexpected; and
- Wording issues – the risk that wordings are interpreted to provide coverage in a manner or to an extent which is beyond that intended.

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

Underwriting year - Gross	2007	2008	2009	2010	2011	2012	2013
12 months	49%	69%	68%	95%	127%	103%	65%
24 months	45%	73%	63%	59%	83%	61%	-
36 months	59%	70%	58%	56%	78%	-	-
48 months	57%	56%	54%	54%	-	-	-
60 months	54%	52%	53%	-	-	-	-
72 months	54%	49%	-	-	-	-	-
84 months	55%	-	-	-	-	-	-

Underwriting year - Net	2007	2008	2009	2010	2011	2012	2013
12 months	67%	100%	88%	128%	113%	109%	166%
24 months	50%	67%	66%	62%	71%	68%	-
36 months	58%	66%	60%	58%	66%	-	-
48 months	56%	58%	56%	57%	-	-	-
60 months	53%	52%	55%	-	-	-	-
72 months	52%	49%	-	-	-	-	-
84 months	53%	-	-	-	-	-	-

The loss ratios above are in respect of the pure year of account and are cumulative annually accounted loss ratios at each stage. 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 Name supporting the Syndicate and can ultimately drawdown from the Name's Funds at Lloyd's.

Market risk

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

Operational risk

The Syndicate has exposure to operational risk. This includes risks 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 its software support to 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.

Advanced consents procedure notifications

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. 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.

By order of the Board

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

4 March 2014

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SYNDICATE ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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Independent Auditor's Report to the Member of Syndicate 3010

We have audited the syndicate annual accounts of Syndicate 3010 for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the syndicate's member, 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 member those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's member, 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 8, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the syndicate annual accounts

In our opinion the syndicate annual accounts:

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

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

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

Matters on which we are required to report by exception

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

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

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

4 March 2014

CATHEDRAL
SYNDICATE 3010

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

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**27,323**	28,664
Outward reinsurance premiums		**(3,244)**	(2,575)
Net premiums written		**24,079**	26,089
Change in the provision for unearned premiums:			
Gross amount		**(471)**	(818)
Reinsurers' share		**110**	19
Earned premiums, net of reinsurance		**23,718**	25,290
Allocated investment return transferred from the non-technical account		**47**	80
Claims paid:			
Gross amount		**(17,865)**	(11,503)
Reinsurers' share		**3,257**	293
		(14,608)	(11,210)
Change in the provision for claims:			
Gross amount		**(1,924)**	(6,265)
Reinsurers' share		**(251)**	2,780
		(2,175)	(3,485)
Claims incurred, net of reinsurance		**(16,783)**	(14,695)
Net operating expenses	4	**(9,023)**	(9,346)
Balance on the technical account for general business		**(2,041)**	1,329

All items relate to continuing operations only.

The notes on pages 21 to 31 form part of these accounts.

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

	Notes	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Balance on the general business technical account		**(2,041)**	1,329
Investment income	8	**54**	83
Losses on realisation of investments		**(7)**	(3)
Allocated investment return transferred to the general business technical account		**(47)**	(80)
(Loss)/profit for the financial year	15	**(2,041)**	1,329

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

	Notes	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
(Loss)/profit for the financial year	15	**(2,041)**	1,329
Currency translation differences	15	**(167)**	(24)
Total recognised (losses)/gains since last annual report		**(2,208)**	1,305

The notes on pages 21 to 31 form part of these accounts.

CATHEDRAL
SYNDICATE 3010

Balance Sheet
As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Investments:			
Financial investments	9	**14,522**	19,176
		14,522	19,176
Reinsurers' share of technical provisions:			
Provision for unearned premiums		**172**	70
Claims outstanding	10	**5,747**	6,029
		5,919	6,099
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	11	**3,287**	2,655
Debtors arising out of reinsurance operations	12	**3,947**	4,882
Other debtors	13	**80**	68
		7,314	7,605
Other assets:			
Cash at bank and in hand		**3,260**	3,365
Other	14	**1,054**	1,182
		4,314	4,547
Prepayments and accrued income:			
Deferred acquisition costs		**3,521**	3,410
Other prepayments and accrued income		**76**	67
		3,597	3,477
Total assets		**35,666**	40,904

The notes on pages 21 to 31 form part of these accounts.

	Notes	2013 £'000	2012 £'000
Capital and reserves:			
Member's balance	15	**(7,390)**	(2,196)
		(7,390)	(2,196)
Technical provisions:			
Provision for unearned premiums		**11,997**	11,734
Claims outstanding		**26,688**	25,025
		38,685	36,759
Creditors:			
Creditors arising out of direct insurance operations	16	**602**	636
Creditors arising out of reinsurance operations	17	**1,373**	1,511
Other creditors including taxation and social security	18	**2,216**	4,062
		4,191	6,209
Accruals and deferred income		**180**	132
Total liabilities		**35,666**	40,904

The Syndicate annual accounts on pages 16 to 31 were approved by the Board of Cathedral Underwriting Limited on 4 March 2014 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

4 March 2014

The notes on pages 21 to 31 form part of these accounts.

CATHEDRAL
SYNDICATE 3010

Statement of Cash Flows
For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Reconciliation of (loss)/profit to net cash (outflow)/inflow from operating activities			
(Loss)/profit for the financial year		**(2,041)**	1,329
Realised and unrealised investments losses on cash and investments, including currency movements		**391**	912
Income from investments		**(52)**	(76)
Decrease/(increase) in debtors, prepayments and accrued income		**171**	(877)
Increase in net technical provisions		**2,106**	3,131
(Decrease)/increase in creditors, accruals and deferred income		**(1,970)**	754
Exchange (loss)		**(167)**	(24)
Net cash (outflow)/inflow from operating activities		**(1,562)**	5,149
Returns on investment and servicing of finance:			
Interest received		**52**	76
Transfer (to) member in respect of underwriting participation		**(2,986)**	(2,808)
(Decrease)/increase in cash and portfolio investments in the year	19	**(4,496)**	2,417
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	19	**(174)**	41
Net portfolio investments	20	**(4,322)**	2,376
Net investment of cash flows		**(4,496)**	2,417

The notes on pages 21 to 31 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. Some of the Syndicate's cash balances 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 the member gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

(g) *Pension costs*

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

(h) *Operating lease rentals*

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

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

continued

3 Particulars of business written

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

						Year ended 31 December 2013
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Marine aviation and transport	**14,798**	**14,202**	**(7,418)**	**(4,972)**	**(2,804)**	**(992)**
Fire and other damage to property	**1,826**	**1,712**	**2,001**	**(406)**	**59**	**3,366**
Credit and suretyship	**15**	**13**	**-**	**(4)**	**(14)**	**(5)**
	16,639	**15,927**	**(5,417)**	**(5,382)**	**(2,759)**	**2,369**
Reinsurance acceptances	**10,684**	**10,925**	**(14,372)**	**(3,641)**	**2,631**	**(4,457)**
Total	**27,323**	**26,852**	**(19,789)**	**(9,023)**	**(128)**	**(2,088)**

						Year ended 31 December 2012
Type of business	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance:						
Marine aviation and transport	15,156	14,436	(7,086)	(4,631)	878	3,597
Fire and other damage to property	1,782	1,716	(1,732)	(376)	569	177
Credit and suretyship	10	9	(1)	(4)	3	7
	16,948	16,161	(8,819)	(5,011)	1,450	3,781
Reinsurance acceptances	11,716	11,685	(8,949)	(4,335)	(933)	(2,532)
Total	28,664	27,846	(17,768)	(9,346)	517	1,249

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		(Loss)/profit		Net liabilities	
	2013	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Direct	**16,639**	16,948	**2,402**	3,740	**(1,690)**	1,124
Reinsurance	**10,684**	11,716	**(4,443)**	(2,411)	**(5,700)**	(3,320)
	27,323	28,664	**(2,041)**	1,329	**(7,390)**	(2,196)

All business originates in the UK.

Geographical analysis by destination

	Gross written premiums 2013 £'000	Gross written premiums 2012 £'000
UK	**6,793**	9,275
US	**5,753**	4,703
Other EU member states	**5,351**	4,716
Rest of the world	**9,426**	9,970
	27,323	28,664

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

continued

4 Net operating expenses

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Acquisition costs	**7,724**	8,056
Change in deferred acquisition costs	**(172)**	(284)
Administrative expenses	**1,173**	1,063
(Profit)/loss on exchange	**(185)**	55
Personal expenses	**483**	456
	9,023	9,346

Administrative expenses include:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Auditors' remuneration: Ernst & Young LLP		
- Audit of accounts	**44**	-
- Audit-related assurance services	**17**	-
Auditors' remuneration: Mazars LLP		
- Audit of accounts	**-**	44
- Audit-related assurance services	**11**	24
- Taxation compliance services	**2**	2
- Other non-audit services	**-**	3

Total commissions for direct insurance accounted for in the year amounted to £4,506,270 (2012: £4,813,230).

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:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	**492**	453
Social security costs	**61**	56
Other pension costs	**79**	73
	632	582

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

	Year ended 31 December 2013	Year ended 31 December 2012
Operations, administration and finance	**1**	1
Underwriting and claims	**4**	4
	5	5

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:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Emoluments	**56**	50

7 Active underwriter's emoluments

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Emoluments	**14**	14

8 Investment income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Income from investments	**54**	78
Gain on the realisation of investments	**-**	5
	54	83

9 Financial investments

	Market value		Cost	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Shares and other variable yield securities	**12,060**	16,941	**12,060**	16,941
Participation in investments pools	**2,462**	2,235	**2,462**	2,235
	14,522	19,176	**14,522**	19,176

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

continued

10 Reinsurers' share of claims outstanding

The year end assessment of the recoverability of the Syndicate's reinsurance assets has taken into account the current global economic uncertainty. 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:

	2013 £'000	2012 £'000
A grade security	**5,809**	6,136
Provision for bad debt	**(62)**	(107)
	5,747	6,029

11 Debtors arising out of direct insurance operations

	2013 £'000	2012 £'000
Due within one year - intermediaries	**3,287**	2,655

12 Debtors arising out of reinsurance operations

	2013 £'000	2012 £'000
Due within one year	**3,947**	4,882

13 Other debtors

	2013 £'000	2012 £'000
Due within one year	**20**	17
Due after one year	**60**	51
	80	68

14 Other assets - overseas deposits

	2013 £'000	2012 £'000
Amounts advanced in other countries as a condition of carrying on business there	**1,054**	1,182

15 Reconciliation of member's balance

	2013 £'000	2012 £'000
Member's balance at 1 January	**(2,196)**	(693)
(Loss)/profit for the financial year	**(2,041)**	1,329
Exchange (loss) for the financial year	**(167)**	(24)
Transfer (to) member personal reserve fund	**(2,986)**	(2,808)
Member's balance carried forward at 31 December	**(7,390)**	(2,196)

The member's balance does not include members' agency fees or non-standard personal expenses.

16 Creditors arising out of direct insurance operations

	2013 £'000	2012 £'000
Due within one year	**602**	636

17 Creditors arising out of reinsurance operations

	2013 £'000	2012 £'000
Due within one year	**1,373**	1,511

18 Other creditors including taxation and social security

	2013 £'000	2012 £'000
Due within one year:		
Expenses owed to managing agent	**2,216**	2,242
Loan from Cathedral Capital (1998) Limited	**-**	1,820
	2,216	4,062

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Net cash (outflow)/inflow for the period	**(174)**	41
Cash flow – portfolio investments	**(4,322)**	2,376
Movement arising from cash flows	**(4,496)**	2,417
Changes in market value and exchange rates	**(391)**	(912)
Total movement in portfolio investments net of financing	**(4,887)**	1,505
Balance brought forward at 1 January	**23,723**	22,218
Balance carried forward at 31 December	**18,836**	23,723

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

continued

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

	At 1 January 2013 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2013 £'000
Cash at bank and in hand	**3,365**	**(174)**	**69**	**3,260**
Overseas deposits	**1,182**	**(102)**	**(26)**	**1,054**
Shares and other variable yield securities	**16,941**	**(4,576)**	**(305)**	**12,060**
Participation in investment pools	**2,235**	**356**	**(129)**	**2,462**
Total portfolio investments	**20,358**	**(4,322)**	**(460)**	**15,576**
Total cash at bank and in hand and portfolio investments	**23,723**	**(4,496)**	**(391)**	**18,836**

20 Net cash inflow/(outflow) on portfolio investments

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Movement of shares and other variable yield securities	**4,576**	(1,757)
Movement of participation in investment pools	**(356)**	(340)
Movement of overseas deposits	**102**	(279)
Net cash inflow/(outflow) on portfolio investments	**4,322**	(2,376)

21 Related parties

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

Total managing agency fees paid during calendar year 2013 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to £300,000 (2012: £300,000).

No profit commission is charged to the Syndicate.

Expenses totalling £1,031,292 (2012: £983,130) were recharged to the Syndicate by Cathedral Underwriting Limited. Where expenses were incurred jointly by the managing agent and the Syndicate, they were apportioned as follows:

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

Amounts owed to Cathedral Underwriting Limited at 31 December 2013 totalled £2,215,880 (2012: £2,241,791) and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided 100% of capacity for the 2011, 2012 and 2013 underwriting years. Therefore all profits and losses of the Syndicate are attributable to Cathedral Capital (1998) Limited. Amounts owed to Cathedral Capital (1998) Limited at 31 December 2013 totalled £nil (2012: £1,820,245) and are included in "other creditors including taxation and social security".

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 have been dealt with on an arm's length basis.

22 Post balance sheet events

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

2011 year of account	£253,817

23 Funds at Lloyd's

In case syndicate assets prove insufficient to meet the member's underwriting liabilities, the 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 the 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.

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