CATHEDRAL

SYNDICATE 3010

Annual Report

31 December 2015

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Underwriter's Report

2015 Calendar Year Result

The 2015 calendar year result is a profit of $7.8 million (combined ratio 87.0%). The calendar year result is made up of the movements we have seen during 2015 to actual or assessed premium 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 underwriting years of account.

Closed years

There were no issues arising from our closed years being 2007 to 2012 and all of these years combined produced a surplus which contributed both to the calendar year result and the closing 2013 account result.

2013 Account

At thirty-six months the account has produced a pure loss and prior year underwriting profit together with a small amount of investment income. Overall the result is a profit of $0.05 million (which equates to £0.03 million) which is 0.1% of a stamp capacity of £30 million.

2014 Account

Capacity at the start of the year remained unchanged at £30 million. The account written for the 2014 underwriting year, until April, was the same as it had been in previous years, predominantly cargo, with a smaller but growing book of specie business. Following the acquisition of Cathedral by the Lancashire Group in November 2013 we began looking to develop new opportunities for Syndicate 3010 in conjunction with our new colleagues. As a result, and with approval from Lloyd's, we increased stamp capacity to £60 million in April 2014 and began writing energy and terrorism, leveraging the strong position our parent has in these markets. We had a successful start in both of these lines with only one offshore energy loss of note, which attaches to our reinsurance programme. Although the new accounts produced less income than was originally planned, they have both been profitable and are now running off smoothly. In August 2014 we added an aviation war and aviation direct capability through the recruitment of an aviation team. We also established three Lloyd's aviation consortia which are managed by Cathedral and were well supported by the Lloyd's market and which bring welcome additional fee income to the agency. It's fair to say that we had high hopes for the aviation war market in particular following a string of losses earlier in the year but new market entrants, mostly in the form of additional capacity given to broker lineslips soon dampened the prospects of a widespread uplift in rates. The direct account took some time to become established but saw encouraging levels of support from clients and brokers.

Our forecast result for the 2014 year of account is currently at between -10% to +10% of capacity.

2015 Account

With the addition of the new accounts described above, we increased our capacity to £100 million for 2015. This was largely to allow for the first full year of trading for the new lines of business introduced during 2014. However, as the year unfolded it became clear that a number of issues in both the markets we insure as well as the wider issue of increasing global insurance capacity meant that we would not achieve the sort of income levels that were proposed in our original business plan for 2015.

The dominant issue during the year, which has affected both our cargo and offshore energy lines, has been the collapse of the global oil price during 2015. For our cargo account the drop in oil prices, and of most other bulk commodities for that matter, resulted in much lower sums insured coupled with a decline in the number of shipments. As the global economy slowed during the year, particularly in China, global trade declined with it. In the meantime insurance capacity increased which led to more markets chasing fewer, less valuable, shipments with the consequent pressure on rates.

For the offshore energy account the decline in energy prices led to a sharp decline in the number of platforms still in production which meant less exploration, less construction and a huge decline in the number of workers employed in the industry, all of which had implications for the amount of premium flowing into the energy market. At the same time, as with the cargo account, new capital entered (and continues to enter) the insurance market putting both rates and signings under still more pressure. Most observers believe that it will be some time before oil prices return to the levels of two years ago and as things stand the glut in the global oil market is likely to be with us for a while yet. Although the Group continues to see a good flow of the world's offshore business the factors noted above mean that the road ahead will be a challenging one in terms of premium volumes with no let up in the short term at least.

For our terrorism account, overcapacity in the amount of insurance available to customers also caused rates to fall during the year, particularly in the areas of our chosen risk appetite. While the terrorist threat is probably higher than at any time in recent years, the perceived threat from the terrorists, as seen by many of our competitors, has changed from that of causing large scale property damage through sophisticated operation to one that focuses on large scale loss of life through smaller, easy to plan operations. As with our other markets, we see a good flow of business but rates continue to fall as many of our competitors give their pens away to broker facilities, with higher commissions and much less control over where that capacity is being deployed on their behalf.

Our aviation direct account has built steadily during the year but is still small. The account is largely focused on smaller fleets of fixed and rotor wing craft with an emphasis on risks outside the United States. The team are respected leaders in their class, with a long track record of sound risk selection and profitability where business has followed them based on relationship rather than price. The aviation market has been dogged by overcapacity for many years now, and continues to be so, with rates continuing to be under further pressure throughout the year.

As mentioned above, the aviation hull war account is written in concert with three Lloyd's consortia all of which are managed by Cathedral. The heavy losses in 2014, which occurred before the Syndicate entered the market, were widely expected to lead to substantially higher war rates. In the event, a wave of new capacity entered the market, most of it in the form of broker lineslips, which led to much smaller increases than are needed to pay for both the losses and for the increasing threat of terrorism. On a positive note, it appears that a number of markets who had supported the broker facilities, have given notice which means that while there will still be overcapacity, there will be less going forward, giving room for some cautious optimism albeit against a background of ever rising threats to the aviation industry and its customers.

Exposures for all our accounts are tracked, aggregated and reported upon within Cathedral's established governance and risk management framework and practices. We equally apply other Cathedral controls in areas such as exception reporting, claims reserving and IT to all lines to ensure they are being handled in the same way as with the rest of our business. All the accounts are protected with comprehensive reinsurance programmes.

Future Prospects

With excess capacity in just about every line of insurance and reinsurance across the global market, the outlook for 2016 and beyond will remain challenging. There looks to be little prospect of a substantial change in fortunes for the oil industry nor does it seem likely, with falling growth in countries such as China, that world trade will pick up any time soon. We are also in a world of ultra low interest rates, leaving investment returns at very low levels and attracting investors to the already overcrowded insurance arena in search of better returns.

On a more positive note, the increasing threats from terrorist groups will mean that demand for our products, both property and aviation will remain high and our expertise will be required to satisfy that need.

In spite of the challenging market, we will continue to entertain new business lines which fit our appetite for predominantly short tail business, provided it is written by teams who offer genuine expertise and leadership in their class.

I will be stepping down as active underwriter for Syndicate 3010 shortly and subject to regulatory approvals will be succeeded by Richard Williams. The Syndicate will be in good hands and I wish him well for the future.

Finally I would like to thank our cargo and specie underwriters, Alasdair Butler and Lee Aspinall and cargo claims manager Martin Menzies. I would also like to thank our energy underwriter James Flude and terrorism underwriter Chris Wilkinson and their respective Lancashire underwriting teams as well as our aviation team, led by Bruce Carman and John Spence for their professionalism and their hard work in establishing the Syndicate as a respected market leader in all our lines of business.

J C Hamblin
Active Underwriter

16 March 2016

Managing Agent's Report
At 31 December 2015

Introduction

The Directors of Cathedral Underwriting Limited, the managing agency for Syndicate 3010, present the Annual Report for the Syndicate at 31 December 2015, together with the Underwriter's Report. The Syndicate commenced trading for the 2007 year of account on 1 July 2007.

The Managing Agent

Principal activity

The principal activity of Syndicate 3010 remains the transaction of general insurance and reinsurance business in the United Kingdom.

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	2015 Capacity $'000
3010	Marine cargo, and from 2014 energy aviation all risks and hull war and terrorism	J C Hamblin	100,000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	305,876

Lancashire Holdings Limited, a company that is incorporated in Bermuda, is 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 Lancashire Holdings 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 3010 and 2010. This approval is given only in respect of Fire, Theft and Collision (FTC) business that is to be written into Syndicate 2010.

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
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

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. None of the other Directors of Cathedral Underwriting Limited own shares in Lancashire Holdings Limited.

Messrs Lynch and Scales will be standing down as Directors of the company on 31 March 2016 and Mr Hamblin will do likewise subject to all necessary regulatory approvals that Mr R C P Williams may be appointed a Director and active underwriter for Syndicates 2010 and 3010 in his place. Messrs Grainger and Holder have tendered their resignations. Their 12 months' notice period expires in 2017.

Mr E E Patrick has tendered his resignation and will step down from the Board of the company on 20 April 2016. Messrs A I G C South and R G Oakes will both step down from the Board of the company on 30 June 2016.

Mr S Fraser, a non-executive Director of Lancashire Holdings Limited was appointed a Director on 29th February 2016. Mr R C P Williams is to be appointed to the Board of Cathedral Underwriting Limited subject to the requisite regulatory approvals being received.

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 had an initial participation of £30 million on the 2014 year of account, but this increased to £60 million with effect from April 2014. Its participation is £100 million on the 2015 and 2016 years of account.

Active Underwriter

John Hamblin was appointed active underwriter from when the Syndicate commenced trading. He is also active underwriter of Syndicate 2010. Mr Hamblin is to step down as active underwriter of Syndicates 3010 and 2010 and subject to regulatory approval will be succeeded as active underwriter by Mr R C P Williams.

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 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.

2015 Calendar Year

The Annual Report includes the results for the calendar year on an annual accounting basis and is prepared in compliance with FRS 102 and FRS 103, being applicable UK GAAP accounts, standards, and 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 24.

The functional and presentational currency of the Syndicate changed to US Dollars, effective from 1 January 2015 as US Dollars is the predominant currency of the Syndicate and the systems and internal reporting have become more focussed on US Dollars. Distribution is also normally made in US Dollars.

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 $7.8 million in the year (2014: restated profit $2.9 million) and this can be analysed as follows:

	2013* account $'000	**2014 account $'000**	**2015 account $'000**	**Year ended 31 December 2015 $'000**	Restated Year ended 31 December 2014 $'000
Gross earned premium	**4,802**	**34,226**	**30,684**	**69,712**	53,353
Reinsurers' share	**(549)**	**(3,433)**	**(7,974)**	**(11,956)**	(8,550)
Net earned premium	**4,253**	**30,793**	**22,710**	**57,756**	44,803
Gross claims incurred	**1,268**	**(13,501)**	**(13,694)**	**(25,927)**	(19,368)
Reinsurers' share	**(454)**	**186**	**957**	**689**	(3,519)
Net claims incurred	**814**	**(13,315)**	**(12,737)**	**(25,238)**	(22,887)
Net operating expenses	**(2,012)**	**(10,242)**	**(12,776)**	**(25,030)**	(19,181)
Balance on Technical Account before investment return	**3,055**	**7,236**	**(2,803)**	**7,488**	2,735
Net investment return	**59**	**34**	**1**	**94**	108
Exchange gain and (loss)	**(130)**	**184**	**120**	**174**	64
Profit for the financial year	**2,984**	**7,454**	**(2,682)**	**7,756**	2,907

* The 2013 account includes the movement in the 2007 to 2012 accounts which have closed into the 2013 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 2015 include premiums on policies incepting during 2015 together with estimates for premiums and adjustments to premiums on policies incepting in prior periods.

Most of the business written by Syndicate 3010 until April 2014 was within its marine cargo account although it also wrote quota share reinsurances of certain of the accounts written by Syndicate 2010 for the 2013 and prior years of account. Since April 2014 the Syndicate has also written energy and terrorism business and since August 2014 direct aviation and aviation war business.

Managing Agent's Report
At 31 December 2015

continued

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; 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 Syndicate writes:

- a broad based cargo account including specie, fine art and war;
- an energy account, focused on upstream operational coverages, including property damage, operators' extra expenses and third party liability, together with other areas of energy related business such as upstream construction and stand-alone catastrophe coverages;
- a terrorism and political violence account with a focus on property physical damage and business interruption coverages; and
- aviation all risk and aviation war accounts.

Business is largely written by Syndicate 3010 either direct or by way of facultative reinsurance (including through open covers, lineslips and binding authorities) but there are also treaty elements. Syndicate 3010 leads three Lloyd's aviation war consortia.

Reinsurance protection

The accounts written by the Syndicate have the benefit of excess of loss reinsurance programmes which provide 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 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-US Dollar (Sterling, 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 borrowing facilities

Details of bank borrowing facilities are set out in Note 22.

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, details of which are disclosed in note 24. 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

Willis Towers Watson Limited (formerly 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

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
29th Floor, 20 Fenchurch Street
London EC3M 3BY
16 March 2016

SYNDICATE ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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Independent Auditor's Report to the Member of Syndicate 3010

We have audited the syndicate annual accounts of syndicate 3010 ('the syndicate') for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Member's Balances, the Statement of Cash Flows and the related notes 1 to 28. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'. 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 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 syndicate annual accounts sufficient to give reasonable assurance that the syndicate 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 syndicate 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 syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; 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 in 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 2016

CATHEDRAL
SYNDICATE 3010

Income Statement
Technical Account - General Business
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Earned premiums, net of reinsurance:			
Gross premiums written	3	**71,885**	74,275
Outward reinsurance premiums		**(11,253)**	(14,109)
Net premiums written		**60,632**	60,166
Change in the provision for unearned premiums:			
Gross amount		**(2,173)**	(20,922)
Reinsurers' share		**(703)**	5,559
Earned premiums, net of reinsurance		**57,756**	44,803
Allocated investment return transferred from the non-technical account		**94**	108
Claims paid:			
Gross amount		**(21,327)**	(22,407)
Reinsurers' share		**780**	1,954
		(20,547)	(20,453)
Change in the provision for claims:			
Gross amount		**(4,600)**	3,039
Reinsurers' share		**(91)**	(5,473)
		(4,691)	(2,434)
Claims incurred, net of reinsurance		**(25,238)**	(22,887)
Net operating expenses	4	**(25,030)**	(19,181)
Balance on the technical account for general business		**7,582**	2,843

All items relate to continuing operations only.

The notes on pages 21 to 43 form part of these accounts.

Income Statement
Non-Technical Account - General Business
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Balance on the technical account for general business		**7,582**	2,843
Investment income	8	**103**	129
Losses on realisation of investments		**(9)**	(21)
Allocated investment return transferred to the general business technical account		**(94)**	(108)
Exchange gains and losses		**174**	64
Profit for the financial year		**7,756**	2,907

Statement of Comprehensive Income
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Profit for the financial year		**7,756**	2,907
Currency translation differences		**-**	665
Total comprehensive income since last annual report		**7,756**	3,572

The notes on pages 21 to 43 form part of these accounts.

CATHEDRAL
SYNDICATE 3010

Statement of Financial Position
As At 31 December 2015

	Notes	2015 $'000	Restated 2014 $'000
Investments:			
Financial investments	9	**31,222**	26,376
		31,222	26,376
Reinsurers' share of technical provisions:			
Provision for unearned premiums	10	**5,093**	5,814
Claims outstanding	11,12	**3,667**	3,877
		8,760	9,691
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	13	**21,163**	18,744
Debtors arising out of reinsurance operations	14	**16,055**	10,269
Other debtors	15	**103**	116
		37,321	29,129
Other assets:			
Cash and cash equivalents	16	**5,363**	8,279
Other	17	**1,583**	1,597
		6,946	9,876
Prepayments and accrued income:			
Deferred acquisition costs	18	**10,538**	9,565
Other prepayments and accrued income		**397**	277
		10,935	9,842
Total assets		**95,184**	84,914

The notes on pages 21 to 43 form part of these accounts.

	Notes	2015 $'000	Restated 2014 $'000
Capital and reserves:			
Member's balances		**(5,584)**	(9,117)
		(5,584)	(9,117)
Technical provisions:			
Provision for unearned premiums	10	**41,881**	40,193
Claims outstanding	12	**43,851**	40,081
		85,732	80,274
Creditors:			
Creditors arising out of direct insurance operations	19	**4,191**	897
Creditors arising out of reinsurance operations	20	**6,938**	8,365
Other creditors including taxation and social security	21	**3,473**	4,019
		14,602	13,281
Accruals and deferred income		**434**	476
Total liabilities		**95,184**	84,914

The Syndicate annual accounts on pages 14 to 43 were approved by the Board of Cathedral Underwriting Limited on 16 March 2016 and were signed on its behalf by

L A Holder
Managing Director

J A Lynch
Finance Director

16 March 2016

The notes on pages 21 to 43 form part of these accounts.

Statement of Changes in Member's Balances
For the year ended 31 December 2015

	Notes	2015 $'000
Member's balance at 1 January		**(9,117)**
Profit for the year		**7,756**
Transfer (to) member personal reserve fund		**(4,223)**
Member's balance carried forward at 31 December		**(5,584)**

	Notes	Restated 2014 $'000
Member's balance at 1 January		(12,267)
Profit for the year		2,907
Transfer (to) member personal reserve fund		(422)
Exchange gain for change in presentational currency		665
Member's balance carried forward at 31 December		(9,117)

Member's balances do not include members' agency fees or non-standard expenses.

Member's 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 member's personal funds comprise the 2012 (2011) closed year of account profit.

Exchange gain/(loss) for change in presentational currency arises where the presentational currency differs to the functional currency.

The notes on pages 21 to 43 form part of these accounts.

Statement of Cash Flows
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Reconciliation of profit to net cash inflow from operating activities			
Profit for the financial year		**7,756**	2,907
Realised and unrealised investments losses on cash			
and investments, including currency movements		**829**	861
Income from investments		**(103)**	(129)
(Increase) in debtors, prepayments and accrued income		**(8,323)**	(17,151)
Increase in net technical provisions		**5,416**	12,472
Increase in creditors, accruals and deferred income		**1,279**	6,500
Exchange gain		**-**	665
Net cash inflow from operating activities		**6,854**	6,125
Cash flows from investing activities			
Interest received		**114**	140
Movement of shares and other variable yield securities		**(4,846)**	(6,356)
Movement of overseas deposits		**5**	132
Net cash (outflow) from investing activities		**(4,727)**	(6,084)
Cash flows from financing activities			
Transfer (to) members in respect of underwriting participations		**(4,223)**	(422)
Net cash (outflow) from financing activities		**(4,223)**	(422)
Decrease in cash and cash equivalents in the year		**(2,096)**	(381)
Cash and cash equivalents at 1 January		**8,279**	9,500
Effect of exchange rates and change in market value on cash and cash equivalents		**(820)**	(840)
Cash and cash equivalents at 31 December		**5,363**	8,279

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1 Statement of Compliance and Basis of Preparation

Cathedral Underwriting Limited, incorporated in the United Kingdom, is ultimately responsible for the management of Syndicate 3010. The registered office is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY. The financial statements cover those of the individual Syndicate and are prepared as at 31 December 2015 and for the year ended 31 December 2015.

The financial statements have been prepared in compliance with FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

The Syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014. An explanation of how the transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance is given in Note 26.

The financial statements are prepared in US Dollars which is the presentational currency of the Syndicate and rounded to the nearest $'000. The functional currency of the Syndicate was Sterling for the year ended 31 December 2014 and changed to US Dollars for the year ended 31 December 2015 as the internal systems and processes of the Syndicate became more focussed on US Dollars.

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 described below.

In accordance with FRS 103 "Insurance Contracts", the Syndicate continues to apply existing accounting policies to its insurance contracts but has the option to make improvements to its policies if the changes make the financial statements more relevant to the decision making needs of the user.

(b) *Use of estimates*

The financial statements have been prepared using critical estimates and assumptions that affect the reported amounts of assets and liabilities. Although these estimates are based on management's best knowledge of the current events and actions, actual outcomes may differ from those estimates, possibly significantly. The most significant estimate made by management is in relation to insurance risk, where the key risk factors impacting management's estimate are disclosed in Note 26.

In addition, estimates are used for premiums written and the fair value of financial investments. For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgmental and could result in misstatements of revenue recorded in the financial statements. Note 2(g) sets out the valuation processes for financial investments.

(c) *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 Statement of Financial Position 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 Statement of Financial Position 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.

If a reinsurance asset is impaired, the Syndicate reduces its carrying amount accordingly, and will immediately recognise the impairment loss in the profit and loss account

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.

At each period end, liability adequacy tests are performed, employing the current estimates of the Syndicate's future cash flows under its insurance contracts. If, as a result of these tests, the carrying amount of the Syndicate's insurance liabilities is found to be inadequate in comparison to the value of these future cash flows, the deficiency is charged to the profit and loss account for that accounting period.

(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 Statement of Financial Position date.

(d) *Foreign currencies*

The presentational currency of the Syndicate is US Dollars. The functional currency of the Syndicate was Sterling for the year ended 31 December 2014 and changed to US Dollars for the year ended 31 December 2015 as the internal systems and processes of the Syndicate became more focussed on US Dollars. Transactions denominated in currencies other the functional currency are translated into the functional currency at the rate of exchange ruling at the date of the transaction or at an appropriate average rate.

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional and presentational currency of the Syndicate changed to US Dollars, effective from 1 January 2015, as the systems and internal reporting became more focussed on US Dollars and the predominant currency of the Syndicate is US Dollars. In accordance with FRS 102, this change in functional currency has been accounted for prospectively from 1 January 2015. The change in presentational currency has been accounted for from 1 January 2014 and therefore the 2014 comparatives have been restated in US Dollars for comparative purposes. The results and financial position of the Syndicate as at 31 December 2014 have been translated into the presentational currency of US Dollars as follows:

(i) Assets and liabilities translated at the closing rate at the Statement of Financial Position date of 31 December 2014;
(ii) Income and expenses translated at the average rate of exchange during 2014; and
(iii) All resulting exchange differences recognised in the Statement of Comprehensive Income.

(e) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short term, highly liquid investments with maturities of three months or less from the date of acquisition.

(f) *Financial Instruments*

(i) *Financial Investments*

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39-Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The investments are held for investment purposes as designated at fair value through profit and loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management. The investment strategy is to manage financial instruments acquired on a fair value basis. The fair values of quoted financial instruments are based on bid prices at the Statement of Financial Position date. Unlisted investments for which a market exists are stated at the average price at which they were traded on the Statement of Financial Position date or the last trading day before that date.

Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the Income Statement.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) *Other financial assets and liabilities*

Insurance debtors and other short term debtors are classed as loans and receivables under IAS 39, which have fixed or determinable payments that are not quoted in an active market, are initially recorded at fair value and subsequently held at amortised cost. These receivables are assessed for impairment on an annual basis.

Insurance creditors are initially recorded at fair value and subsequently held at amortised cost.

Notes to the Accounts
For the year ended 31 December 2015

continued

(g) *Fair Value of Financial Assets*

The fair value hierarchy is as follows:

(a) Level 1 is financial assets which are measured at quoted prices in an active market, where quoted prices are readily available, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

(b) Level 2 is using a valuation technique based on securities with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market date. These investments are valued via independent external sources using modelled or other valuatiuon methods; and

(c) Level 3 is using a valuation technique based on the Syndicate's own assumptions.

(h) *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 Statement of Financial Position date and their purchase price or, if they have been previously valued, their valuation at the last Statement of Financial Position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the Income Statement.

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.

(i) *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 Statement of Financial Position under the heading 'other debtors'.

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

(j) *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.

(k) *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.

3 Particulars of business written

An analysis of the technical account balance before investment return for the year and the net technical provisions for 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 2015 Net technical provisions $'000
Direct insurance:							
Marine aviation and transport	**31,009**	**35,115**	**(14,332)**	**(13,498)**	**(5,191)**	**2,094**	**36,070**
Fire and other damage to property	**9,298**	**8,672**	**(1,659)**	**(1,791)**	**(1,624)**	**3,598**	**5,445**
Credit and suretyship	**20**	**22**	**(1)**	**(5)**	**(1)**	**15**	**(11)**
	40,327	**43,809**	**(15,992)**	**(15,294)**	**(6,816)**	**5,707**	**41,504**
Reinsurance acceptances	**31,558**	**25,903**	**(9,935)**	**(9,736)**	**(4,451)**	**1,781**	**24,930**
Total	**71,885**	**69,712**	**(25,927)**	**(25,030)**	**(11,267)**	**7,488**	**66,434**

Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000	Restated 31 December 2014 Net technical provisions $'000
Direct insurance:							
Marine aviation and transport	49,195	31,984	(11,331)	(11,415)	(9,936)	(698)	35,095
Fire and other damage to property	5,818	4,193	(1,033)	(1,287)	(749)	1,124	3,780
Credit and suretyship	23	23	(3)	(10)	(12)	(2)	16
	55,036	36,200	(12,367)	(12,712)	(10,697)	424	38,891
Reinsurance acceptances	19,239	17,153	(7,001)	(6,469)	(1,372)	2,311	22,127
Total	74,275	53,353	(19,368)	(19,181)	(12,069)	2,735	61,018

Net technical provisions are net of deferred acquisition costs.

Notes to the Accounts
For the year ended 31 December 2015
continued

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums		Profit		Net assets/(liabilities)	
	2015	Restated 2014	**2015**	Restated 2014	**2015**	Restated 2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Direct	**40,327**	55,038	**5,190**	(132)	**(2,744)**	(2,899)
Reinsurance	**31,558**	19,237	**2,566**	3,039	**(2,840)**	(6,218)
	71,885	74,275	**7,756**	2,907	**(5,584)**	(9,117)

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

Geographical analysis by destination

	Gross written premiums 2015 $'000	Gross written premiums Restated 2014 $'000
UK	**16,901**	14,546
US	**17,919**	17,800
Other EU member states	**6,834**	9,752
Rest of the world	**30,231**	32,177
	71,885	74,275

4 Net operating expenses

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Acquisition costs	**18,347**	17,427
Change in deferred acquisition costs	**(1,141)**	(3,907)
Administrative expenses	**4,211**	3,521
Reinsurance commissions and profit participation	**1,035**	604
Loss on exchange	**165**	46
Personal expenses	**2,413**	1,490
	25,030	19,181

Administrative expenses include:

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Auditors' remuneration:		
- Audit of the Syndicate annual accounts	**112**	87
- Other services pursuant to regulations and Lloyd's Byelaws	**40**	36

Total commissions for direct insurance accounted for in the year amounted to $8,842,784 (2014 restated: $12,460,359).

Exchange gains arising on translation of monetary assets and liabilities amounted to $174,000 (2014 restated: $64,000).

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 2015 $'000	Restated Year ended 31 December 2014 $'000
Wages and salaries	**2,768**	1,866
Social security costs	**340**	233
Other pension costs	**411**	224
	3,519	2,323

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 2015 $'000	Year ended 31 December 2014 $'000
Operations, administration and finance	**3**	2
Underwriting and claims	**14**	8
	17	10

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 2015 $'000	Restated Year ended 31 December 2014 $'000
Emoluments	**147**	147

7 Active underwriter's emoluments

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

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Emoluments	**22**	22

8 Investment income

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Income from investments	**103**	129

9 Financial investments

	Market value		Cost	
	2015 $'000	Restated 2014 $'000	2015 $'000	Restated 2014 $'000
Shares and other variable yield securities	**31,222**	26,376	**31,222**	26,376

All investments held by the Syndicate are only available for investment and for paying of claims by the Syndicate to its policyholders and expenses. They are categorised as investments at fair value through profit and loss. All investments are classified as level 2 of the fair value hierachy.

All investments are stated at bid price value. For an analysis of financial investments by external credit rating, refer to Note 24.

10 Provision for unearned premiums

	Gross $'000	Reinsurers' share $'000	2015 Net $'000
At 1 January 2015	**40,193**	**5,814**	**34,379**
Premiums written in the year	**71,885**	**11,253**	**60,632**
Premiums earned in the year	**(69,712)**	**(11,956)**	**(57,756)**
Foreign exchange	**(485)**	**(18)**	**(467)**
At 31 December 2015	**41,881**	**5,093**	**36,788**

	Gross $'000	Reinsurers' share $'000	Restated 2014 Net $'000
At 1 January 2014	19,915	286	19,629
Premiums written in the year	74,275	14,109	60,166
Premiums earned in the year	(53,353)	(8,550)	(44,803)
Foreign exchange	(644)	(31)	(613)
At 31 December 2014	40,193	5,814	34,379

11 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.

	2015 $'000	Restated 2014 $'000
A grade security	**1,859**	3,931
Other*	**1,808**	(54)
	3,667	3,877

* includes recoveries not allocated to a particular reinsurer, 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.

Notes to the Accounts
For the year ended 31 December 2015
continued

12 Claims Outstanding

			2015
	Gross $'000	**Reinsurers' share $'000**	**Net $'000**
At 1 January 2015	**40,081**	**3,877**	**36,204**
Claims incurred in current underwriting year	**13,535**	**957**	**12,578**
Claims incurred in prior underwriting year	**11,732**	**(268)**	**12,000**
Claims paid during the year	**(21,327)**	**(780)**	**(20,547)**
Foreign exchange	**(170)**	**(119)**	**(51)**
At 31 December 2015	**43,851**	**3,667**	**40,184**

			Restated 2014
	Gross $'000	Reinsurers' share $'000	Net $'000
At 1 January 2014	44,302	9,540	34,762
Claims incurred in current underwriting year	18,109	2,700	15,409
Claims incurred in prior underwriting year	781	(6,220)	7,001
Claims paid during the year	(22,407)	(1,954)	(20,453)
Foreign exchange	(704)	(189)	(515)
At 31 December 2014	40,081	3,877	36,204

13 Debtors arising out of direct insurance operations

	2015 $'000	Restated 2014 $'000
Due within one year - intermediaries	**21,163**	18,744

14 Debtors arising out of reinsurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**16,055**	10,269

15 Other debtors

	2015 $'000	Restated 2014 $'000
Due within one year	**84**	96
Due after one year	**19**	20
	103	116

16 Cash and cash equivalents

	2015 $'000	Restated 2014 $'000
Cash and cash equivalents consists of:		
Cash at bank and in hand	**2,678**	4,782
Participation in investment pools	**2,685**	3,497
	5,363	8,279

Cash and cash equivalents held by the Syndicate are only available for investing, paying of claims to its policyholders and expenses.

17 Other assets - overseas deposits

	2015 $'000	Restated 2014 $'000
Amounts advanced in other countries as a condition of carrying on business there	**1,583**	1,597

18 Deferred acquisition costs

	2015 $'000	Restated 2014 $'000
At 1 January	**9,565**	5,845
Change in deferred acquisition costs	**1,141**	3,907
Foreign exchange	**(168)**	(187)
At 31 December	**10,538**	9,565

19 Creditors arising out of direct insurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**4,191**	897

20 Creditors arising out of reinsurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**6,938**	8,365

21 Other creditors including taxation and social security

	2015 $'000	Restated 2014 $'000
Due within one year:		
Expenses owed to managing agent	**3,473**	4,019

22 Bank borrowing facilities

The Syndicate has arranged a United States catastrophe facility (up to a maximum of $40 million) with Barclays Bank Plc. The facility is there to assist in paying claims and gross funding of catastrophes. Up to $20 million can be utilised by way of letter of credit to assist the Syndicate's gross funding requirements. There is a total combined borrowing to both Syndicate 3010 and Syndicate 2010 of $100 million. The facility was not utilised during calendar year 2015 and was renewed for another year in December 2015.

23 Related parties

Key Management Compensation

Key management personnel include all persons having authority and responsibility for planning, directing and controlling the activities of the Syndicate. These people include both the executive and non-executive directors of the managing agent, Cathedral Underwriting Limited, together with certain other members of the executive management team who are not themselves directors of the managing agent.

Details of the cost of the key management compensation charged to the Syndicate are as follows:

Key management compensation	**Year ended 31 December 2015 $'000**	Year ended 31 December 2014 $'000
Salaries and other short-term employee benefits	**148**	147
Post-employment benefits	**5**	7
	153	154

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 in 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 is the underwriting manager for Kinesis Reinsurance Limited, a special purpose insurer. There have been no transactions with this latter company.

During the normal course of business Syndicate 3010 has purchased certain reinsurances from Lancashire group (re) insurance companies and Lloyd's Syndicate 2010 on a commercial arm's length basis.

The aggregate amounts of premium involved to date is not material in the context of the Syndicate's overall spend.

In the normal course of business Syndicate 3010 has underwritten reinsurances of Syndicate 2010 all of which have been dealt with on a commercial arm's length basis.

Total managing agency fees paid during calendar year 2015 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to $1,545,000 (2014 restated: $866,250).

From the 2014 year of account, profit commission will be payable to the managing agent, Cathedral Underwriting Limited.

Expenses totalling $5,935,296 (2014 restated: $3,658,113) 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 2015 totalled $3,473,124 (2014 restated: $4,019,073) 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 to the 2013, 2014 and 2015 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 2015 totalled $nil (2014: restated $nil).

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.

24 Risk disclosure

The Syndicate is exposed to a variety of risks and uncertainties when undertaking its activities. 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's underwriting of insurance risks is naturally a high-risk business, with the potential for earnings to be volatile. It would be possible for the capital supporting the underwriting to be completely eroded in extreme circumstances. Even in less extreme circumstances, major losses may cause erosion of capital which, if not replaced; may curtail the Syndicate's ability to trade forward and potentially recoup its losses.

The risk under any one insurance / reinsurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Syndicate faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Syndicate has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks in an attempt to reduce the variability of the expected outcome. However, it should be recognised that much of the business written by the Syndicate is accumulative in nature.

Factors that aggravate insurance risk include lack of diversification in terms of type and amount of risk, geographical location and type of industry covered.

Diversification across classes of business

The Syndicate's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provides an element of diversification. The managing agency monitors the type of business underwritten by the Syndicate at a whole account level and, where appropriate, adjusts either the business mix or the level of reinsurance protection in place to try to reduce the extent of overly concentrated exposures.

Frequency and severity of claims

The frequency and severity of claims in respect of the Syndicate can be affected by several factors. The Syndicate specialises in marine cargo, energy, aviation war and aviation all risks and terrorism. These accounts are predominantly short-tail in nature, and some of them have high degree of catastrophe exposure (for example the energy account could be affected by hurricane losses).

The catastrophe nature of these accounts is managed through the Syndicate's underwriting strategy, aggregate management and reinsurance arrangements.

Underwriting limits are in place to support appropriate risk selection criteria and loss aggregates are reviewed and managed by the Syndicate.

The reinsurance arrangements include excess and catastrophe coverage. These arrangements are designed to mitigate the impact of any significant losses to a more manageable level. The Syndicate models various loss scenarios and also runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor the exposure at a gross and net level for the Syndicate.

Underwriting risk

The Syndicate has a defined event risk appetite. Best efforts are made to restrict the maximum gross and net loss such that the Syndicate may retain/lose for any single major catastrophe event (taken to be a Lloyd's RDS) to be not materially more than circa 20% of capacity net of circa 70% of capacity gross. This is when applying rates of exchange used for planning purposes. The Syndicate models various loss scenarios and also prepares prescribed RDS which seek to analyse and quantify its exposures to certain specified events, and the Syndicate endeavours to ensure that its potential loss exposures remain within Franchise Board guidelines (or where dispensations exist within these). The Lloyd's guidelines measure maximum RDS exposures as a percentage of both Gross Net Premium (GNP) (Although this measure will not be applied from 2016) and Economic Capital Assessment (ECA); however, internally the Syndicate continues to manage RDS exposure against capacity.

Key underwriting risks include unrecognised/unexpected accumulations, the risk of extreme losses, frequency of major loss, wording issues and unsustainable pricing. These are discussed in detail as follows:

a) Accumulative loss including unknown / unexpected accumulations

The business written by the Syndicate is short tail in nature and, whilst short tail classes are not immune from unknown/ unexpected accumulations, the threat of this occurring is probably more pronounced in the liability fields. By and large the insurances and reinsurances provided by the Syndicate are of a well tested nature. More crucially, the approach taken to risk management is heavily exposure driven. The Syndicate continually seeks to model the portfolio of its accounts in order to identify accumulations and to monitor the exposures of the Syndicate, and the whole process is supported by sophisticated internal and external modelling systems. Finally to ensure the maximum depth of reinsurance coverage, accounts have separate reinsurance programmes (energy and terrorism have combined covers).

b) Risk of extreme losses

Whilst the non proportional reinsurance writings for the Syndicate normally provide policyholders with defined cover by way of both limits and the number of reinstatements, the direct writings of the accounts give rise to large assured values which are vulnerable to failures in modelled or PML assumptions.

The key controls rest on the strict recording of aggregate exposures and modelling work carried out on these numbers utilising various risk modelling systems and approaches. The Syndicate also purchases reinsurance programmes that are structured so as to limit the exposure to any single reinsurer.

c) Frequency of major loss

The Syndicate is vulnerable to a high frequency of major loss. The major defences the Syndicate has to a high frequency of major loss is by modulating line size by attachment point, geographical spread of risks and separate reinsurance programme.

d) Wording issues

The coverage provided by the Syndicate may be extended in circumstances where either the wording used does not reflect the underwriter's intentions or where courts decide the wordings used provide wider coverage than intended.

Despite this risk, most coverages utilised are fairly standard. Slip checking has always been part of the underwriting process. Furthermore, the independent review director of the managing agent reviews a sample of risks written and as part of his review looks at wordings to identify inconsistencies between slips and wordings. Contract certainty and Pre-bind checks further mitigate this risk.

e) Unsustainable pricing

The cyclical nature of insurance means that rates constantly fluctuate. Like all insurers the overall account written needs to develop sufficient income to pay for the attritional losses which would typically attach to the type of business it writes, to pay for the reinsurance programme which is required to protect and/or mitigate the impact of catastrophes and to meet all expenses, whilst leaving sufficient money to produce a profit to capital providers, given normal loss experience.

The business planning process seeks to ensure the underwriting capacity is applied to those areas of business that offer sound prospects for profitable underwriting. The major controls applied on a day-to-day basis include the peer review processes within the Syndicate and the Syndicate's rate monitoring processes. The managing agency's board reviews loss ratio statistics to identify adverse developments (which may be due to pricing issues) so that appropriate remedial action can be taken. It also reviews the rate monitoring index to identify pricing trends.

The Lloyd's Franchise Board provides frequent updates of key trends in the market at risk level, as well as benchmarking the Syndicate's own performance against its peers.

Other controls

In addition to the above, other controls in place to mitigate the key underwriting risks of the Syndicate are set out below:

The Syndicate prepares an annual business plan which sets out the forecast premium income to be written, by class of business. This plan is monitored on a continuous basis throughout the year. Line limits for each underwriting team are pre agreed as are the line limits that can be deployed on each risk/programme. These limits are monitored throughout the year.

A risk summary report is generated daily, setting out all new risks and any changes to existing risks, which is reviewed and signed off by the relevant class underwriter. The independent review director of the managing agency reviews a sample of all risks underwritten by the Syndicates.

Notes to the Accounts
For the year ended 31 December 2015

continued

Risks underwritten by the Syndicate are modelled in a timely fashion with underlying risk exposure information being recorded. This output is used to build up aggregates by class of business, broad risk types and geographical location. Aggregate reports by class of business and geographical zone are regularly presented to the managing agency's syndicate board and these are monitored against those that had been expected per the Syndicate's business plans. Aggregation systems are also used for other accounts to monitor exposure.

Reinsurance risk

Reinsurance risk is the risk of inadequate reinsurance coverage in terms of vertical or horizontal limits purchased or the risk of disputes arising with reinsurers as to terms and conditions.The three key risks for the Syndicate include inappropriate reinsurance programme or a reinsurance programme with gaps, the collapse of the retrocession market and the lack of availability of reinsurance cover on acceptable terms. These are discussed below:

a) Inappropriate reinsurance programme/gaps

The Syndicate knowingly runs exposures which are not covered by reinsurance. These exposures may be run below the attachment point of the outwards programme (Syndicate's retention), in the form of co-insurance/partial placement of coverages or uncovered exposures in excess of the vertical protections placed on either the whole account or specific accounts. Provided these unprotected exposures are known and quantified and are consistent with the RDS and other modelled outputs produced by the Syndicate then this would not be regarded as inappropriate. However, where gross exposures are assumed on the basis that reinsurance protection of a type or quantum is available then for that not to be the case could produce serious adverse consequences.

Also, if following the occurrence of major losses, the reinsurance programmes do not respond or provide the cover that was assumed, then there could be significant financial consequences to the Syndicate. It is emphasised that the reinsurance cover which the Syndicate purchases has finite limits which may not be sufficient to contain all loss activity.

The controls applied include full review of the purchased reinsurance programme by the independent review director. There are known exclusions in our outwards cover, and the inwards book is written to take account of these factors. Various loss scenarios are also modelled through the programme to determine where unexpected gaps, if any, may arise.

b) Collapse of the retrocession market

Whilst the Syndicate aims to produce a gross underwriting profit across the cycle, in order to mitigate volatility, a significant amount of retrocessional cover is purchased. The availability of retrocessional cover going forward will be a function of the Syndicate's record with its reinsurers together with the overall availability of retrocessional capacity.

The major controls rest at the underwriting level and are aimed at ensuring the Syndicate underwrites accounts that do not expose its reinsurers to a scale or type of exposure which was not reasonably within their contemplation at the time of writing the Syndicate's outward reinsurance programmes. The Syndicate endeavours to provide its reinsurers with the most up to date and accurate information on its account (and advise them quickly of any losses incurred) to ensure that it has the best prospect of being regarded as a reliable and fair reassured.

Should there be a collapse in the retrocessional market generally, the Syndicate would endeavour to adjust the inwards books accordingly, although the circumstances described would almost certainly have a dramatic impact on rates, terms and deductibles on the inward book which would result in less risk being assumed.

c) Lack of availability of reinsurance cover on acceptable terms

The reinsurance programmes are planned and structured based on the business plan income and exposure assumptions. The Syndicate aims to protect itself to some degree against significant catastrophe losses. However, the level of reinsurance or retrocession cover that is bought is dependent on availability, and there can be no assurance that the level of cover required is either available or available on terms acceptable to it. Where such cover is not available, then the Syndicate's exposure to large losses increases accordingly, though this may be mitigated somewhat by a reduction in the aggregate exposures taken on by it.

Reserving Risk

Reserves include both claims liabilities and provisions for unearned premiums.

Reserves for claims liabilities do not represent an exact calculation of liability. Rather, reserves are estimates of what the Syndicate expects the ultimate settlement and administration of claims will cost. The reserving risk is that reserves established by the Syndicate are insufficient to meet actual claims liabilities, or that reinsurance bad debt provisions or allowances for future expenses are inadequate. When estimating claims liabilities, significant reserving judgements are required to be made, particularly in respect of the ultimate cost of major catastrophes, contentious or complex claims, reinsurance recoverable and liability awards.

Provisions for unearned premiums are generally less contentious, but the reserving risk still remains that the written premiums are earned too quickly and not in accordance with the underlying exposure.

The processes used to decide on assumptions and related sensitivities for both claims liabilities and unearned premiums are set out below.

Claims outstanding

(i) Processes used to decide on assumptions

The projection of claims outstanding (and reinsurance recoveries thereon) is subjective in nature as it relates to claims which have happened but for which there may be limited information available at the year end, or which relates to claims which can be complex. The Syndicate underwrites relatively short-tail accounts, which can often mean that after a short period of time, a large proportion of the underwriting losses have already been notified to them and, more importantly, catastrophe losses are known soon after the event occurs. Therefore projections are able to be undertaken using underwriter judgement, market share analysis and comparison to the rest of the market.

The Syndicate has a catastrophe element, giving the account exposure to large but relatively less frequent losses. When setting assumptions and projecting claims liabilities, this means the underwriters will tend to know whether or not a loss large enough to materially impact the account has happened (e.g. severe windstorms). However such losses may have varying levels of complexity which can make the projection of some losses more difficult. Nevertheless, the assumptions used in projecting claims liabilities are derived from underwriter experience and judgement, statistical projections and market data.

(ii) Changes in assumptions and sensitivity analysis

The broad assumptions and sensitivity analysis used by the Syndicate have not significantly changed during the year.

(iii) Sensitivity analysis- sensitivity of claims liabilities

When reviewing the claims liability projections, the factors and assumption are considered which could have a large impact on the projections. The main areas of sensitivity relate to:

- Claims which are of a complex nature, particularly where information is not forthcoming or have the potential to develop further in the light of litigation or legal dispute; and
- Future advices/notifications particularly with respect to significant losses occurring close to the year end. By their nature, these claims are large at a gross level and, given the limited time between their event and the year end, notifications by year end would not be expected to be complete. Any projections of these losses at this early stage will be subjective. Nonetheless, the Syndicate has sought to consider all potential losses and reviews/ follows up on such losses on a regular basis.

If the provision for net outstanding claims changed by 1%, the impact would equate to a pre-tax movement on net assets/ profits of $402,000 (2014: restated $362,000).

The loss development table below provides information on the historical claims development for Syndicate 3010. It shows how the estimates of the claims ratio for the past five underwriting years have changed at successive year-ends. In effect, the table highlights the

Syndicate's ability to provide a robust estimate of the claims costs. An underwriting year basis is considered to be the most appropriate basis for business written by the Syndicate. The loss ratios are in respect of the pure year of account and are the cumulative annually accounted loss ratios at each stage. The Syndicate believes the estimate of total claims liabilities as at 31 December 2015 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Underwriting year - Gross	**2011**	**2012**	**2013**	**2014**	**2015**
12 months	127%	103%	65%	76%	45%
24 months	83%	61%	72%	54%	-
36 months	78%	58%	67%	-	-
48 months	61%	56%	-	-	-
60 months	59%	-	-	-	-

Underwriting year - Net	**2011**	**2012**	**2013**	**2014**	**2015**
12 months	113%	109%	166%	107%	56%
24 months	71%	68%	71%	63%	-
36 months	66%	56%	67%	-	-
48 months	60%	54%	-	-	-
60 months	58%	-	-	-	-

The managing agency has taken advantage of the transitional rules of FRS 103 that permit only five years of claims development information to be disclosed upon adoption. This will however be increased to ten years of claims development information over time.

Provision for unearned premiums

(iv) Processes used to decide on assumptions

The provision for unearned premiums is determined at an individual policy level and is either based on a straightforward time basis or, where appropriate, weighted towards where the exposure is believed to fall.

(v) Changes in assumptions and sensitivity analysis

The broad assumptions and sensitivity analysis used by the Syndicate for determining the provision for unearned premiums has not significantly changed during the year.

(vi) Sensitivity analysis- sensitivity of provision for unearned premiums

The managing agent believes that the only significant sensitivity relates to the estimate of underwriters as to the underlying exposure of the book of business and how this applies to the figures. This is not believed to be significant to the account.

If a change in the proportion of total business written of one percentage point was to become unearned this would equate to an adjustment of $719,000 to the unearned premium provision (2014 restated: $743,000).

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 the Syndicate is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of paid claims;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Syndicate's managing agency's reinsurance and broker security committee has established guidelines on its exposure to a single counterparty. These guidelines are regularly reviewed by this committee and adjusted as appropriate by the managing agency's board.

Reinsurance is used to manage insurance risk, specifically catastrophe losses. This does not, however, discharge the Syndicate's liability to its assureds. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a continuous basis by reviewing credit grades provided by the rating agencies and other publicly available financial information. An external consultant is also contracted by the managing agent to assist in assessing and evaluating reinsurers.

At the year end the managing agency has quantified the credit risk to the Syndicate and reduced the amounts due from reinsurers and reinsurers share of insurance liabilities for this. Where the Syndicate has any legal right of offset, this is assumed in the calculation of credit risk.

The Syndicate is also exposed to credit risk on its investments and cash holdings, whereby an issuer default results in the Syndicate losing all or part of the value of a financial instrument. All funds are held in either cash or investment pools.

The table below shows the concentration of credit risk exposure at 31 December 2015, using ratings from external rating agencies. Credit ratings for financial investments are based on rating available from Standard and Poor's but, in the event that they do not rate a specific investment, then either Moody's or Fitch are used instead, depending on which agency/agencies rated the investment. Debtors, other than amounts due from reinsurers and insurance receivables have been excluded from the table as these are not rated.

At 31 December 2015	**A++ $'000**	**B++ to B- $'000**	**Unrated $'000**	**Statement of Financial Position total $'000**
Financial investments	**31,222**	**-**	**-**	**31,222**
Cash and cash equivalents	**5,363**	**-**	**-**	**5,363**
Other assets	**1,095**	**485**	**3**	**1,583**
Reinsurance assets	**1,854**	**-**	**3,004**	**4,858**

At 31 December 2014	A++ $'000	B++ to B- $'000	Unrated $'000	Statement of Financial Position total $'000
Financial investments	26,376	-	-	26,376
Cash and cash equivalents	8,279	-	-	8,279
Other assets	1,208	389	-	1,597
Reinsurance assets	3,001	-	1,582	4,583

The unrated reinsurance assets at 31 December 2015 are mainly in respect of attritional IBNR that has yet to be allocated to any specific loss.

The maximum exposure to credit risk from ageing analysis of debtors arising out of direct insurance operations and reinsurance operations past due but not impaired is as follows:

	2015 $'000	2014 $'000
3 to 6 months past due	**284**	3,490
6 to 9 months post due	**91**	455
Greater than 9 months past due	**516**	1,200
	891	5,145

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis. The Syndicate is exposed to calls on the available cash resources as follows:

Claims arising from insurance contracts are settled by the Syndicate using its own funds. Where insufficient liquid funds exist, the Syndicate can cash call the Name supporting it and can ultimately draw down from the Name's funds at Lloyds.

The funds are held in cash or in short term, liquid stocks which are able to be converted to cash within a few days. Furthermore the Syndicate has banking catastrophe banking facilities available to it.

The following table shows the financial liabilities (gross provision for outstanding claims and claims outstanding recoverable from reinsurers) grouped into maturity dates.

At 31 December 2015	**< 1 year $'000**	**1-3 years $'000**	**4-5 years $'000**	**> 5 years $'000**	**Statement of Financial Position total $'000**
Gross provision for claims outstanding	**(20,367)**	**(18,095)**	**(3,764)**	**(1,625)**	**(43,851)**
Claims outstanding recoverable from reinsurers	**1,295**	**1,609**	**477**	**286**	**3,667**
	(19,072)	**(16,486)**	**(3,287)**	**(1,339)**	**(40,184)**

At 31 December 2014	< 1 year $'000	1-3 years $'000	4-5 years $'000	> 5 years $'000	Statement of Financial Position total $'000
Gross provision for claims outstanding	(14,965)	(16,690)	(4,541)	(3,885)	(40,081)
Claims outstanding recoverable from reinsurers	2,452	953	226	246	3,877
	(12,513)	(15,737)	(4,315)	(3,639)	(36,204)

Market Risk

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the Syndicate through the investments held with a fixed return, and market interest rates change which in turn change the market value of the investments. The Syndicate has no investments with a fixed return and so the effective interest rate of the Syndicate's financial instruments exposed to interest rate risk at the Statement of Financial Position date is nil (2014: nil)

Currency risk

The Syndicate holds assets and liabilities in four main currencies - Sterling, Euro, Canadian Dollars and US Dollars. The Syndicate for the most part aim to ensure its assets and liabilities match by currency as closely as possible, which mitigates the degree of currency risk somewhat.

Converted US Dollar '000s						
As at 31 December 2015	**GBP**	**USD**	**EUR**	**CAD**	**OTH**	**Total**
Total Assets	**8,243**	**76,078**	**6,424**	**3,352**	**1,087**	**95,184**
Total liabilities	**(9,263)**	**(72,457)**	**(7,573)**	**(1,062)**	**(10,413)**	**(100,768)**
Member's Balance	**(1,020)**	**3,621**	**(1,149)**	**2,290**	**(9,326)**	**(5,584)**

Converted US Dollar '000s						
As at 31 December 2014	GBP	USD	EUR	CAD	OTH	Total
Total Assets	4,336	69,648	6,212	3,394	1,323	84,913
Total liabilities	(8,017)	(63,756)	(5,681)	(6,093)	(10,483)	(94,030)
Member's Balance	(3,681)	5,892	531	(2,699)	(9,160)	(9,117)

The table above summarises the exposure of the finance assets and liabilities to foreign currency exchange risk at the reporting date.

Syndicate underwriting profits and losses are currently only capable of being distributed in either US Dollars or Sterling and so are affected to some degree by movements on US Dollars. This is further compounded by the fact that any underwriting profits are normally paid out once a year into member's reserves at the distribution date although any release of funds is subject to Lloyd's distribution tests. The Syndicate does not currently enter into any currency deals to mitigate this currency risk.

If the currency exchange rates moved 10% against the US Dollar, the impact would be US$920,000 (2014 restated: US$1,027,000)

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.

25 Syndicate capital requirements

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 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 Syndicate's objective when managing capital is to ensure there is sufficient capital to meet the requirements set out above.

The table below summarises Syndicate 3010's uSCR return for the 2014 to 2016 of account. These figures are as agreed with Lloyd's. The ECA reflects the capital loadings that were a market-wide 35%.

	2016		2015		2014	
	£'m	**%***	£'m	%*	£'m	%*
uSCR	**47.9**	**47.9**	37.5	37.5	16.9	56.4
Lloyd's loading	**16.8**	**16.8**	13.1	13.1	5.9	19.7
ECA	**64.7**	**64.7**	50.6	50.6	22.8	76.1

* Note: % = percentage of stamp capacity

26 Transition to FRS 102 and FRS 103

The Syndicate transitioned to FRS 102 and FRS 103 from previously extant UK GAAP as at 1 January 2014.

The impact from the transition to FRS 102 and FRS 103 is as follows:

Reconciliation of member's balance at 1 January 2014

Member's balance at 1 January 2014 under previous UK GAAP	**£'000**	(7,390)
Member's balance at 1 January 2014 under previous UK GAAP	**$'000**	(12,267)
Financial instruments	**$'000**	-
Member's balance at 1 January 2014 under FRS 102 and FRS 103	**$'000**	**(12,267)**

Reconciliation of member's balance at 31 December 2014

Member's balance at 31 December 2014 under previous UK GAAP	**£'000**	(5,882)
Member's balance at 31 December 2014 under previous UK GAAP	**$'000**	(9,117)
Financial instruments	**$'000**	-
Member's balance at 31 December 2014 under FRS 102 and FRS 103	**$'000**	**(9,117)**

There are no material differences in member's balance as a result of the changes to FRS 102 and FRS 103.

Reconciliation of profit and loss for the year ended 31 December 2014

Profit for the year ended 31 December 2014 under previous UK GAAP	**£'000**	1,723
Profit for the year ended 31 December 2014 under previous UK GAAP	**$'000**	2,843
Foreign Currency Translation	**$'000**	64
Profit for the year ended 31 December 2014 under FRS 102 and FRS 103	**$'000**	**2,907**

The following were changes in accounting policies arising from the transition to FRS 102 and FRS 103:

Financial Instruments

Participation in investment pools and deposits with approved credit institutions and approved financial institutions were classed as investments under previous UK GAAP, stated at current value in the Statement of Financial Position, which is equal to cost. Under FRS 102, as these classes of financial instruments are short term liquid investments, they should be recognised as cash and cash equivalents in the Statement of Financial Position, and have therefore been reclassified. There is no impact on member's balances.

Foreign Currency Translation

The Syndicate amended its foreign exchange accounting policy, under FRS 102 Section 30, and amended the treatment of insurance assets and liabilities under FRS 103 with respect to the allocation of foreign exchange gains and losses between the Income Statement and the Statement of Comprehensive Income (formerly the Statement of Total Recognised Gains and Losses). Exchange gains and losses arising on the translation from functional currency to presentational currency are shown in the Statement of Comprehensive Income, whilst exchange gains/ losses as a result of translation of transactions to functional currency at the closing rate are reported through the Income Statement.

In accordance with FRS 102 3.12, the applicable comparative figures in the primary statements and notes have been restated to reflect the uniform application of the new policies outlined above.

27 Post Statement of Financial Position events

The following amounts will be transferred to member's personal reserve funds on 11 April 2016:

2013 year of account	US$54,263

28 Funds at Lloyd's

In case syndicate assets prove insufficient to meet member's 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.

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